Assessment of Capacity to Pay

Hornsby Shire Council

September 2022

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Executive summary

Hornsby Shire Council ('Council') is currently considering a special rate variation (SRV) to ensure it has the financial capacity to maintain service levels into the future. Therefore, Council is currently reviewing the potential impact on the community of an SRV. 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 local government area (LGA). The key findings are summarised in Table 1.

Table 1 Precinct summary

Geographical area	Findings
Semi rural	• Highest proportion of retirees, and lowest proportion of dependents • Highest proportion of fully owned homes, lowest proportion of mortgagees • Lowest unemployment rate
Berowra and north east	• Highest proportion of dependents • Highest proportion of resident ratepayers • Highest proportion within middle equivalised income quartiles
Hornsby area	• Lowest levels of equivalised income • Highest proportion of "at risk" households • Lowest proportion of resident ratepayers • Highest unemployment rate
Southern and Western area	• Highest level of equivalised income • Highest proportion of mortgage repayments in upper two quartiles • Highest proportion aged 85+ • Highest proportion requiring core assistance

The LGA generally has higher levels of advantage, and lower levels of disadvantage when compared with Greater Sydney, NSW and Australia. This is indicated by high SEIFA ratings, high equivalised income levels and very low levels of housing stress. Across the LGA, under normal rate peg increases, the average residential rates in 2026/27 across the LGA would be $1,444. Adding the SRV will result in the average residential rates in 2026/27 across the LGA being $1,667. This means that in the final SRV year, residential ratepayers will pay an average of an additional $4.28 per week over what they would have paid had there been no SRV.

This impact is distributed across the LGA based on land values, resulting in the Southern and Western area, incurring higher average rate rises due to the higher land values. This area had higher levels of wealth, very low levels of disadvantage and very high levels of advantage. The average residential rates increase over what they would have paid had there been no SRV will be $5.65 per week in this area.

It is important for Council to acknowledge that there are areas of disadvantage within the community, and

that it does not significantly marginalise particularly vulnerable individuals and households. Areas such as Hornsby do have slightly lower SEIFA rankings, equivalised income and slightly more housing stress relative to the LGA, but significantly better than the Greater Sydney, NSW and Australian averages. The average increase in residential rates over what they would have paid had there been no SRV will be relatively lower at $3.80 per week in this area.

Hornsby Shire Council regularly has among the lowest levels of outstanding rates in NSW, an indication of both capacity and willingness to pay. Therefore, we conclude that ratepayers do have a capacity to pay, particularly if supported by appropriate hardship policies.

Introduction

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 changes in rates 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 – Hornsby Shire Council Community/Social/Economic Profiles.
- February 2016 – Housing and Homelessness Policy Consortium (ACT Shelter, ACTCOSS, Women's Centre for Health Matters, Youth Coalition of Act) – Snapshot: Housing stress and its effects.

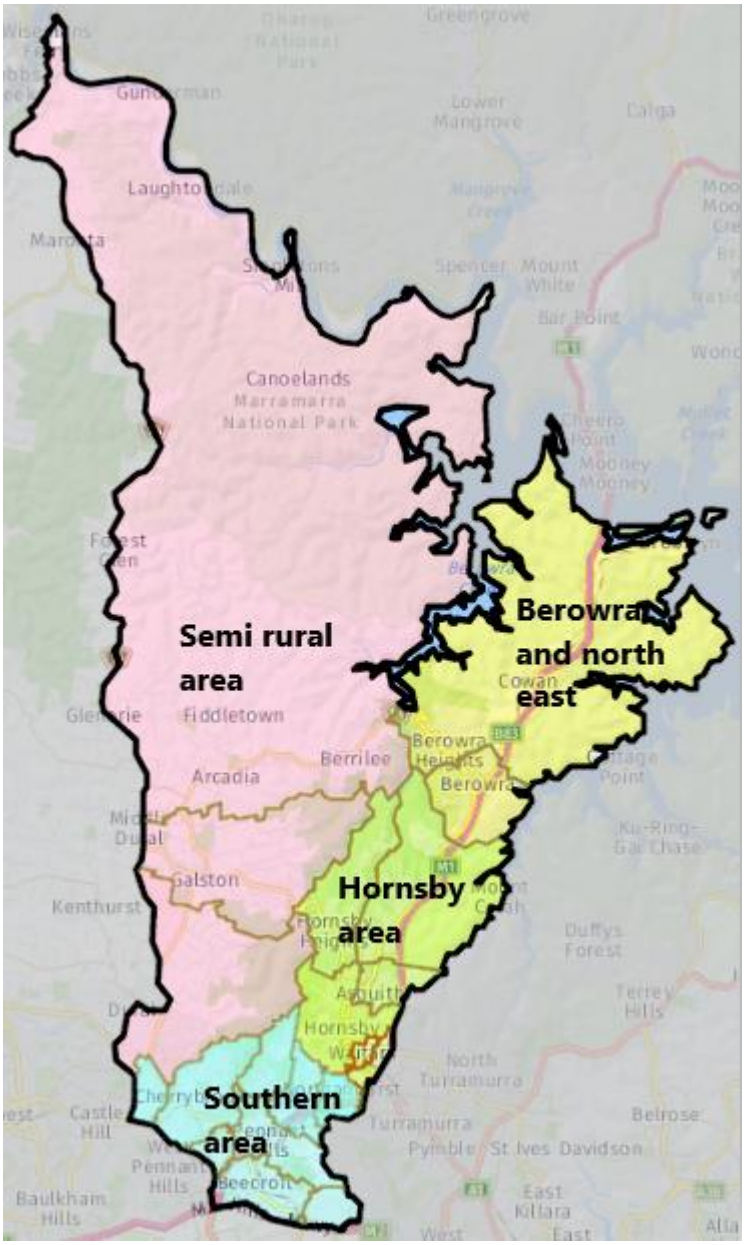
Background

We have divided the Hornsby Shire Council local government area into four geographical areas. Council is looking to ensure that equity is maintained between these areas, as each area has differing economic and socio-economic profiles. A summary of the precincts and the suburbs they encompass has been provided in Table 2 and Figure 1 below.

Table 2 Hornsby Shire Council precinct summary

Geographical area	Population (2021)	Suburbs
Semi-rural	13,344	Arcadia - North Western Rural, Galston - Middle Dural, Dural
Berowra and north east	11,835	Berowra Heights - North Eastern Rural, Berowra
Hornsby area	57,355	Mount Colah - Mount Kuring-gai, Hornsby Heights, Asquith, Hornsby, Wahroonga, Waitara
Southern and Western	69,691	Castle Hill, Cherrybrook, West Pennant Hills, Pennant Hills, Beecroft - Cheltenham, Epping North, Normanhurst, Westleigh, Thornleigh
Hornsby Shire Council	**152,225**	

Figure 1 Hornsby Shire Council map



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
  - Socio-Economic Indexes for Areas (SEIFA).

- **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
  - households currently under housing stress
  - 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 changes to determine whether there are any particular groups or individuals that would be significantly impacted.

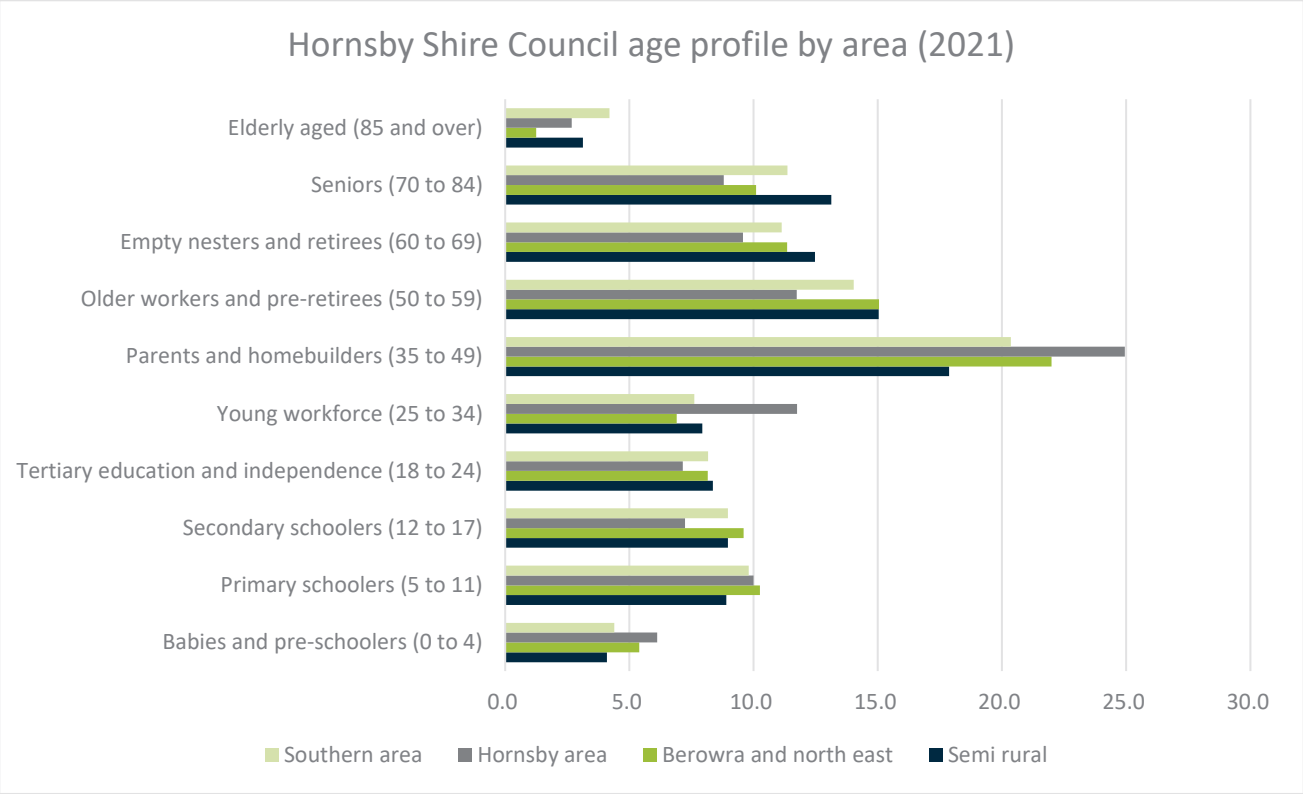
Areas of social disadvantage

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'.

Service age groups

Age profiles are used to understand the demand for aged-based services as well as the income earning status of the population. 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 Service age groups



Grouping these results in terms of the following categories (dependants, workforce, and retirees) and ranking them in terms of proportion of population (with 1 representing the largest proportion) generates the following results.

Table 3 Service age rankings

Rank	Semi rural	Berowra and north east	Hornsby area	Southern and Western
Dependents	4	1	2	3
Working age	4	2	1	3
Retirees	1	3	4	2

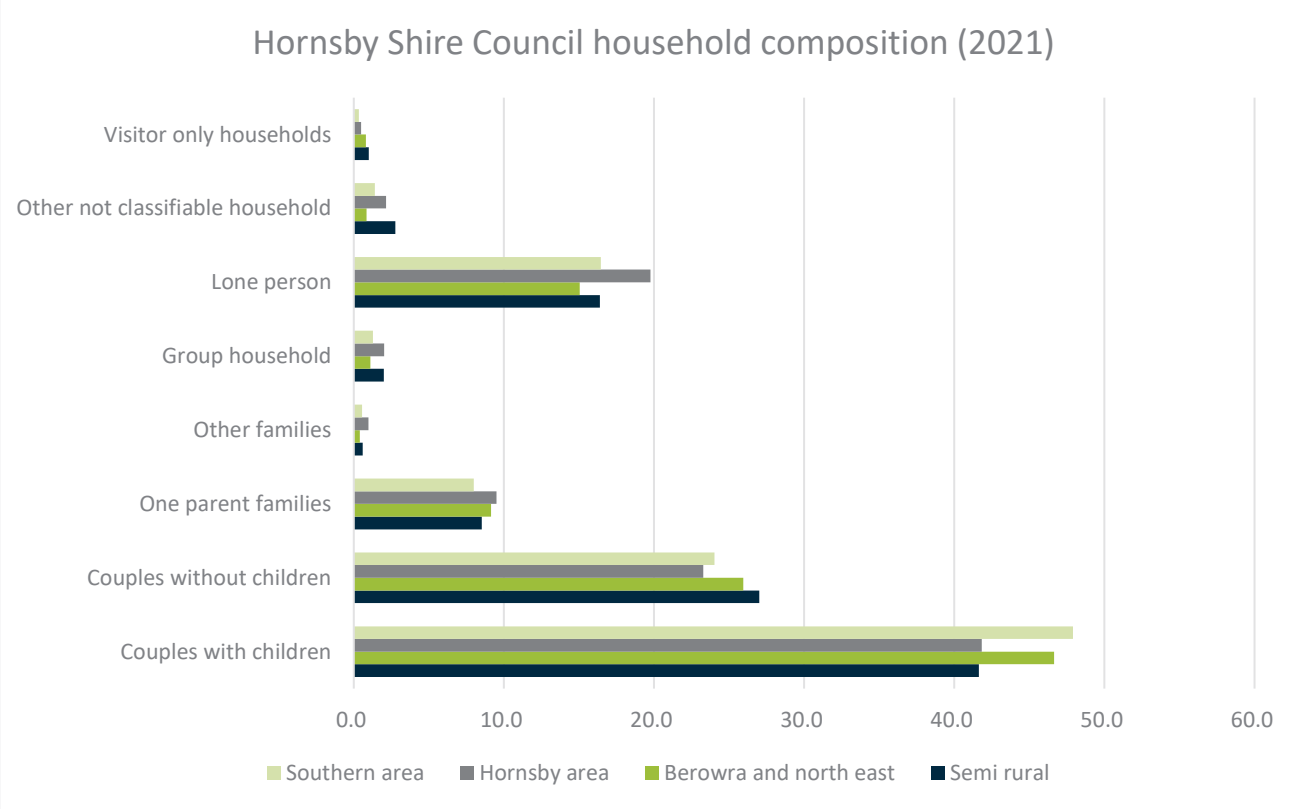
From these results we observe the following:

- Relative to the other areas, the Hornsby area (56%) has the highest proportion of working age population, followed by Berowra and north east area (52%). This compares with the LGA average (53%) and Greater Sydney (58%).
- Berowra and north east area has the largest proportion of dependents (25%) followed by Hornsby (23%). This compares to the LGA average of 23% and Greater Sydney average of 22%.
- The semi rural area has the largest proportion of retirees (29%) compared to the LGA average of 24%, and the Greater Sydney average of 20%.
- Hornsby area has a higher proportion of population in the 25-49 age brackets (37%) compared to the LGA average (32%). The proportion of young workforce (25-34) at 12% in the Hornsby area is driving the LGA average of 10%, as the next highest area is the semi rural area with only 8% of the population in the young workforce bracket.

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



The proportion of households within the LGA comprising couples with children (44%) is significantly higher than the Greater Sydney average (34%). This is especially so in the Southern and Western area (48%) and Berowra and north east area (47%).

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 LGA (27%) has a lower level of at risk households when compared with Greater Sydney (33%). However, Hornsby area (31%) has the highest proportion of at risk households within the LGA.

Across the LGA, the proportion of population classified as couples without children (24%) is in line with both the Greater Sydney average (23%) and also the average for NSW (25%).

Housing tenure

Analysis of housing tenure levels within the LGA allows us to identify which areas are most impacted by changes in Council rates, i.e. the direct impact of a change in rates will be felt by home owners 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 Hornsby Shire Council housing tenure

Housing Tenure - % of households (2021)	Semi rural	Berowra and north east	Hornsby area	Southern and Western
Fully owned	40.6	39.3	25.6	38.0
Mortgage	36.3	46.3	36.6	39.9
Renting - Total	13.1	12.1	33.3	16.6
Renting - Social housing	0.3	0.1	2.5	2.0
Renting - Private	12.6	12.0	30.7	14.5
Renting - Not stated	0.1	0.0	0.1	0.1
Other tenure type	6.1	0.8	1.4	3.2
Not stated	3.8	1.5	3.1	2.3
Total households	100.0	100.0	100.0	100.0

Table 4 shows that home ownership levels vary throughout the LGA. Berowra and north east (86%) has the highest proportion of resident ratepayers. Conversely, the Hornsby area (62%) has the lowest proportion, this compares to the LGA average of 72%, and Greater Sydney average of 59%.

Berowra and north east (46%) has the highest proportion of mortgagees, compared to an LGA average of 39%, and averages in Greater Sydney of 32%.

Hornsby area has the lowest proportion of fully owned (26%), and the highest proportion renting (33%), which is in line with the age profiles showing this area to have the largest young workforce population.

Equivalised household income

Equivalised 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.

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.

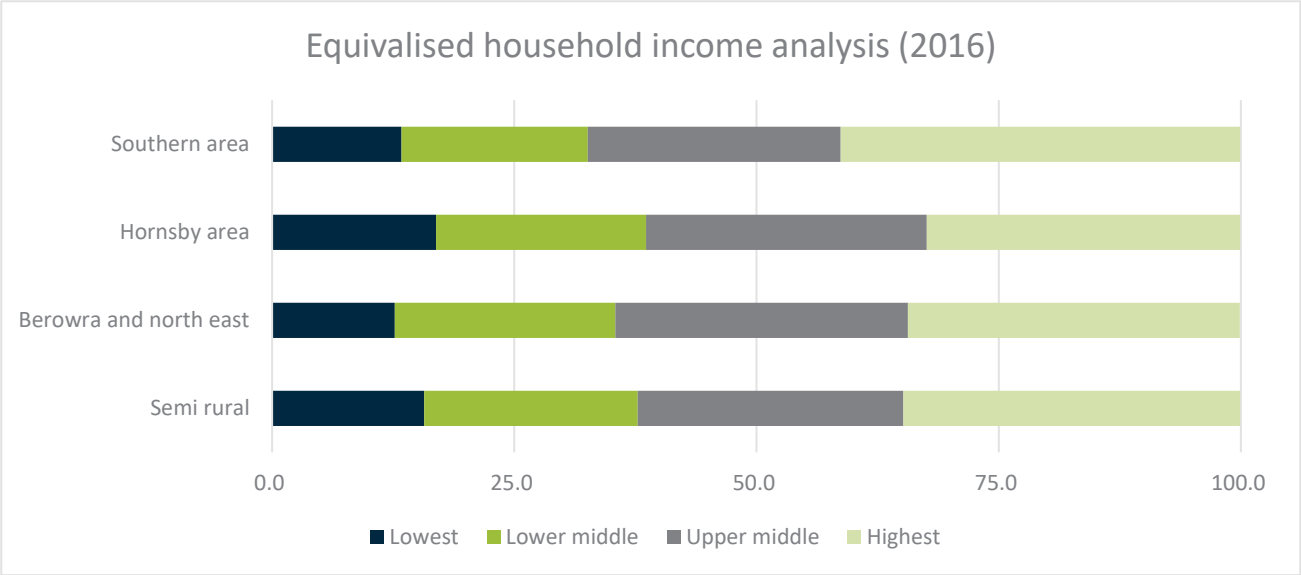
As this is a relative comparison, data has been presented in quartiles; regions of disadvantage will have a higher proportion of households in the bottom two quartiles than those of greater wealth and advantage. These quartiles were determined by reviewing the distribution of household incomes within 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.
- Lower middle: $498 - $891 – this range is representative of the bottom 25% - 50% of all equivalised household incomes in NSW.
- Upper middle: $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 for each area.

Figure 4 Equivalised household income



Hornsby Shire Council has 64% of households within the top 50% of equivalised household incomes, comparing favourably with Greater Sydney (56%). The lower two quartiles represent just 36% of households within the LGA, again better than the Greater Sydney average (44%).

We can make the following observations from the data:

- The Southern and western area (41%) has a significant proportion of ratepayers in the highest quartile (compared to the LGA average of 37%, and greater Sydney average of 30%).
- Berowra and north east and Southern and Western Area both has the smallest proportions (13%) in the lowest quartile, comparing favourably to the LGA average (15%) and Greater Sydney average (22%).
- Berowra and north east (53%) and Hornsby area (51%) both have higher levels within the middle two quartiles relative to the LGA average and Greater Sydney average (both at 48%)
- Hornsby area (39%) and Semi rural (38%) has the highest proportion in the bottom two quartiles, However this is only slightly above the LGA average (36%), and is well below the levels for Greater Sydney (44%).
- Ranking of precincts by greatest disadvantage (percentage of households in lower brackets):
  - 1 – Hornsby area 2 – Semi rural 3 – Berowra and north east 4 – Southern and Western
- Ranking of precincts by greatest middle class (percentage of households in middle brackets):
  - 1 – Berowra and north east 2 – Hornsby area 3 – Semi rural 4 – Southern and Western
- Ranking precincts by advantage (percentage of households in upper brackets):
  - 1 – Southern and Western 2 – Berowra and north east 3 – Semi rural 4 – Hornsby area

Table 5 Regional comparison of equivalised household income

Equivalised income quartiles (2021)	Semi rural	Berowra and north east	Hornsby area	Southern and Western	LGA	SYD
Lowest	15.7	12.7	16.9	13.4	15.0	21.6
Lower middle	22.0	22.8	21.7	19.2	20.7	22.5
Upper middle	27.4	30.2	29.0	26.1	27.7	25.5
Highest	34.7	34.3	32.3	41.2	36.6	30.3
Total Households	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Socio-economic index

The Socio-Economic Indexes for Areas (SEIFA) is an economic tool developed by the 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)**

  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, is provided in the table below.

Table 6 Regional SEIFA scores and percentiles (2016)

SEIFA rankings (2016)	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Hornsby Shire	1,091.0	94	1,115.0	97
Greater Sydney	1,018.0	56	1,040.0	77
New South Wales	1,001.0	45	1,011.0	62
Australia	1,001.9	46	1,003.1	57

Hornsby Shire Council's IRSD score of 1091.0 is above the rankings of Greater Sydney, NSW and Australia. This score places the LGA in the 94th percentile, meaning approximately 94% of Australia's suburbs have a SEIFA ISRD ranking lower than this area (more disadvantaged), while only 6% score higher.

IRSAD includes levels of both advantage and disadvantage. The overall LGA score of 1,115.0 is also above that of Greater Sydney, NSW and Australia, and places the LGA into the 97th percentile. This higher score means that there are proportionately more incidences of advantage throughout the LGA relative to Australia. A higher IRSAD score compared to IRSD score is indicative of greater opportunities within the LGA, e.g. higher equivalised incomes, higher education levels, greater employment opportunities within the area, or more skilled jobs.

A geographical area-level summary including national percentiles is provided in the table below.

Table 7 Area level SEIFA scores and percentiles (2016)

Area - SEIFA rankings (2016)	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Semi rural	1,090.5	94.0	1,104.0	95.3
Berowra and north east	1,106.9	97.5	1,113.5	96.5
Hornsby area	1,076.2	86.8	1,101.4	94.2
Southern and Western	1,105.0	95.9	1,134.9	98.1

Analysis at the geographical area level indicates some inequity between the Hornsby and other parts of the LGA. Hornsby area's ISRD score of 1,076 places the area within the 87th percentile. This is below the scores in the other three geographical areas. When including variables of advantage in the scoring, Hornsby's score lifts to 1,101, placing the area in the 94th percentile which is in line with the other geographical areas within the LGA. This higher score indicates that there are greater opportunities within the Hornsby area relative to the rest of Australia.

Table 8 Suburb SEIFA rankings

Suburbs - SEIFA rankings (2016)	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Arcadia - North Western Rural	1,077.5	90.0	1,080.2	92.0
Asquith	1,077.0	90.0	1,100.0	95.0
Beecroft - Cheltenham	1,130.8	100.0	1,170.7	100.0
Berowra	1,117.0	99.0	1,129.0	98.0
Berowra Heights - North Eastern Rural	1,096.7	96.0	1,098.0	95.0
Castle Hill	1,064.0	84.0	1,092.0	94.0
Cherrybrook	1,113.0	98.0	1,145.0	99.0
Dural	1,101.3	97.0	1,126.8	98.0

Suburbs - SEIFA rankings (2016)	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Epping North	1,123.0	99.0	1,151.0	99.0
Galston - Middle Dural	1,092.6	95.0	1,104.9	96.0
Hornsby	1,040.0	70.0	1,065.0	87.0
Hornsby Heights	1,109.0	98.0	1,125.0	98.0
Mount Colah - Mount Kuring-gai	1,095.4	96.0	1,108.3	96.0
Normanhurst	1,083.0	92.0	1,112.0	97.0
Pennant Hills	1,098.0	96.0	1,129.0	98.0
Thornleigh	1,098.0	96.0	1,124.0	98.0
Wahroonga	1,090.6	94.0	1,131.8	98.0
Waitara	1,045.0	73.0	1,078.0	91.0
West Pennant Hills	1,107.0	98.0	1,141.5	99.0
Westleigh	1,128.0	100.0	1,149.0	99.0

Analysis at the suburb level highlights the suburbs within the Hornsby area that are experiencing levels of inequity. Hornsby (ISRD score of 1,040, placing within the 70th percentile) and Waitara (ISRD score of 1,045, placing within the 73rd percentile) both stand out as suburbs with a higher degree of disadvantage relative to the LGA. It is also noted that Castle Hill's ISRD score is also relatively low (1,064, placing within the 84th percentile). All three suburbs see their scores climb significantly when factors of advantage are included in scoring under IRSAD, with Castle Hill (1,092, 94th percentile), Waitara (1,078, 91st percentile) both climbing to levels in line with the rest of the LGA. Hornsby area does not climb as high, indicating slightly less advantage relative to the rest of the LGA, however the IRSAD score of 1,065 does place the area within the 87th percentile, meaning that only 13% of Australian suburbs have a greater degree of advantage and lower degree of disadvantage relative to the suburb of Hornsby.

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 9 Community workforce status

Employment status (2016)	Semi rural	Berowra and north east	Hornsby area	Southern and Western	LGA %
Employed	96.5	96.3	94.7	95.2	95.2
Employed full-time	58.7	59.3	61.6	60.1	60.4
Employed part-time	36.0	35.7	31.8	34.0	33.5
Hours worked not stated	1.8	1.2	1.3	1.2	1.3
Unemployed (Unemployment rate)	3.5	3.7	5.3	4.7	4.8
Looking for full-time work	1.8	1.7	2.8	2.2	2.4
Looking for part-time work	1.7	2.0	2.5	2.5	2.4
Total labour force	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

From table 9 above we observe that unemployment rate for the LGA was 4.8%, below the level for Greater Sydney and NSW (both 6.0%). Within the LGA, it is noted that Hornsby area's rate of 5.3% and the Southern and Western area rate of 4.7%. Hornsby area has two suburbs (Hornsby and Waitara) which lead all suburbs within the LGA in both the unemployment rate (6.1% and 6.6% respectively) and also in the proportion of residents looking for full-time work (3.4% and 4.1% respectively).

Pensioners

A distinction is made between retirees, and eligible pensioners. To be classified as a pensioner for the purposes of receiving rates 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 10 Number of pensioner assessments

Number of pensioner properties	Total assessments	Pensioner assessments	Pensioner assessments %
Semi rural	3,652	336	9%
Berowra and north east	4,477	614	14%
Hornsby area	21,659	1,854	9%
Southern and western	22,243	2,220	10%

Berowra and north east stands out as having a higher proportion of pensioners relative to the LGA, which is more in line with normal levels. Eligible pensioners (those receiving Centrelink payments) within the LGA have access to both mandatory rebates (up to a maximum of $250 per year) on their rates.

Core assistance

Table 11 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 – because of a disability, long-term health condition or old age.

Table 11 Number of people requiring core assistance

Assistance required (2021)	Number	Percent %
Semi rural	701	5.3
Berowra and north east	429	3.6
Hornsby area	2,632	4.6
Southern and western	3,261	4.7
Hornsby Shire	7,020	4.6
Greater Sydney	270,665	5.2
New South Wales	464,712	5.8

We observe that generally the LGA has a lower proportion of the population requiring assistance compared with the Greater Sydney (5.2%) and NSW (5.8%) averages. Within the LGA, the Semi rural area stands out as having a higher proportion of the population requiring assistance.

Housing stress

Households are considered to be in housing stress when they are in the very low, low or moderate income bracket and paying greater than 30% of their disposable income in housing costs. 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:

- 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.

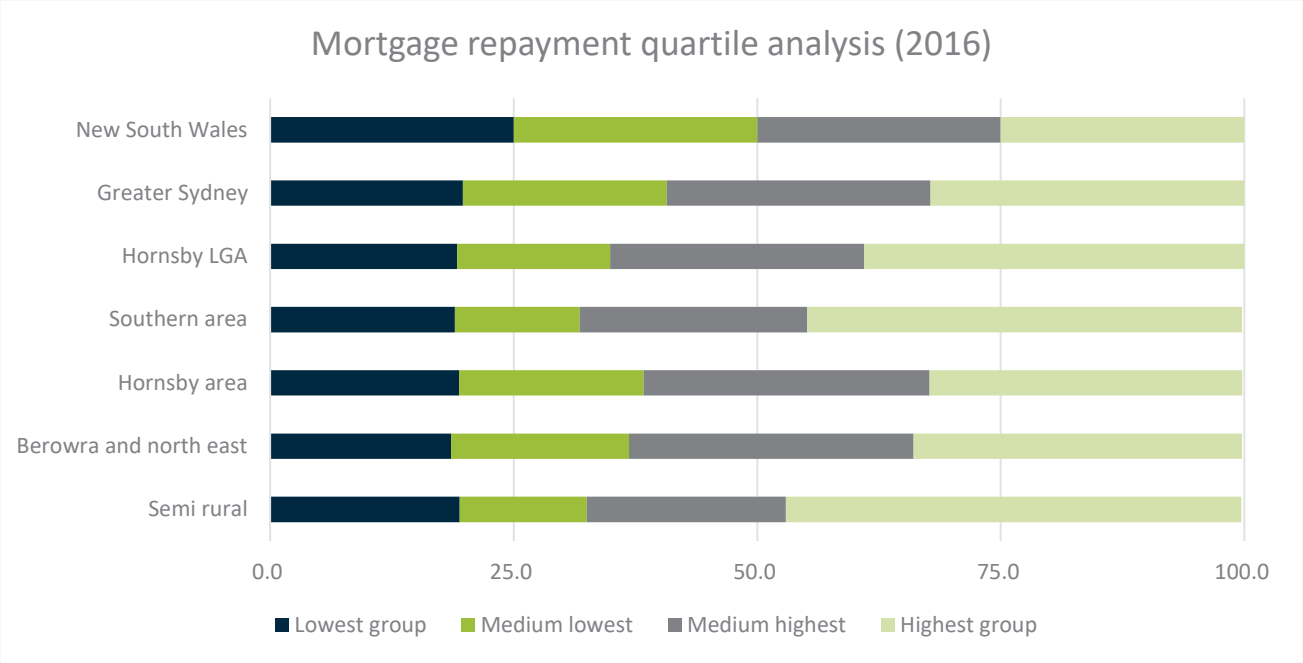
Households facing housing stress are highly likely to be in significant financial stress and vulnerable to sudden increases in council rates.

A comparison of the levels of monthly mortgage repayments in each precinct is provided in Table 12.

Table 12 Breakdown of mortgage payments by quartile within precincts

Number of households by mortgage repayment quartile (2016)	Semi rural	Berowra and north east	Hornsby area	Southern and Western
Lowest	19.5	18.6	19.4	19.0
Lower middle	13.0	18.3	19.0	12.8
Upper middle	20.4	29.2	29.3	23.4
Highest	46.8	33.7	32.1	44.6
Total households with stated mortgage repayments	**100.0**	**100.0**	**100.0**	**100.0**

Figure 5 Mortgage repayment analysis by quartiles



Within the Hornsby LGA, at the 2016 census around 7% of households were experiencing housing stress compared with the averages in Greater Sydney (12%), NSW (12%) and Australia (11%). Housing stress was more significant within the Hornsby area (particularly the suburbs of Hornsby, Waitara and Wahroonga).

The Southern and Western area (68%) has the highest proportion of households within the top two monthly loan repayment quartiles. Therefore, since this area has the highest proportion of households in the upper two equivalised income quartiles (67%), there is less likely to be housing stress.

The Semi rural area (67%) also has a significant proportion in the upper two monthly loan repayment quartiles, and ranks third in the LGA in terms of equivalised income in the upper two quartiles at 63%. Since this area has the highest proportion of households in the upper two equivalised income quartiles (67%), there is a relatively low potential for housing stress.

Berowra and north east area has 63% within the upper two monthly loan repayment quartiles. Again, given that 64% of households are in the upper two equivalised income quartiles, there is a lower likelihood of mortgage stress.

Hornsby area has 61% within the upper two monthly loan repayment quartiles, and the lowest level (61%) within the LGA of households in the upper two equivalised income quartiles. Given this lower level, there is a greater likelihood of housing stress relative to other areas in the LGA.

Trends in cost of living

The cost of living can best be described as the cost of maintaining a certain standard of living. The following table presents the changes in typical household expenditure throughout the Hornsby LGA over a five-year period, identifying trends in future costs, particularly with regards to discretionary and non-discretionary income.

Table 13 Five-year comparison of cost of living in Hornsby LGA

Hornsby Shire	2020/21		2015/16		Change
Household expenditure (totals)	**$ per household**	**% of expenditure**	**$ per household**	**% of expenditure**	**2015/16 - 2020/21**
Food	14,559	10%	13,473	9%	1,086
Alcoholic Beverages & Tobacco	6,731	4%	7,385	5%	- 654
Clothing & Footwear	6,620	4%	5,570	4%	1,050
Furnishings & Equipment	7,464	5%	6,509	4%	955
Health	9,964	7%	8,529	5%	1,435
Transport	10,877	7%	18,116	11%	- 7,239
Communications	3,183	2%	2,507	2%	676
Recreation & Culture	16,090	11%	15,686	10%	403
Education	9,135	6%	8,650	6%	485
Hotels, Cafes & Restaurants	9,927	7%	12,607	8%	- 2,680
Miscellaneous Goods & Services	21,381	14%	22,380	14%	- 999
Housing	32,043	21%	32,605	21%	- 563
Utilities	4,381	3%	4,520	3%	- 139
Total Expenditure	152,353	100%	158,538	100%	- 6,185
Net Savings	46,212	23%	29,043	16%	17,169
Total Disposable Income	198,565	0%	187,581	0%	10,984
Non Discretionary	81,627	54%	85,320	54%	- 3,694
Discretionary	70,728	46%	73,217	46%	- 2,490

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

Table 13 shows over the five-year period, total disposable income across the LGA has increased by an average of $11.0m. There has been an overall decrease in expenditure ($6.2m), driven by decreases in both discretionary expenditure ($2.5k), and non-discretionary expenditure ($3.7k).

The decreases are driven largely by the impact of COVID-19, with large decreases in non-discretionary transport expenditure ($7.2k), and discretionary expenditure at Hotels, cafes and restaurants ($2.7k). These decreases are unlikely to be permanent. However, across the LGA there has been an increase in net savings of $17.2k, indicating capacity to absorb increased household expenditure.

Discussion

There are consistently relatively high levels of equivalised income, very low levels of disadvantage, low unemployment levels and relatively low levels of housing stress across the LGA (when compared with Greater Sydney, NSW and Australia). This pattern is reflected in the SEIFA rankings which show very low levels of disadvantage throughout the LGA. Overall, the LGA as a whole sits in the 94th percentile (Greater Sydney is 56th percentile) when looking at only disadvantage (IRSD). When considering both disadvantage and advantage (IRSAD), the LGA sits in the 97th percentile (Greater Sydney 77th percentile), meaning that 97% of all suburbs in Australia experience higher levels of disadvantage (and lower levels of advantage).

Key aspects of the Semi rural area, which had an IRSD ranking in the 94th percentile, and an IRSAD ranking (including factors of advantage) in the 95th percentile:

- Highest proportion of retirees (29%).
- Very high proportion of fully owned homes (41%).
- Very low unemployment rate (3.5%), and very low levels of residents looking for full time work (1.8%).

Key aspects of the Berowra and north east area, which had an IRSD ranking in the 97th percentile, and IRSAD ranking in the 97th percentile were:

- Very low levels of vulnerable households, particularly lone person households (15%).
- Very high levels of home ownership (39%).
- Very high levels of equivalised income, with 65% of households in the top two equivalised income quartiles.

Key aspects of the Hornsby area, which had an IRSD ranking in the 87th percentile, and IRSAD ranking in the 94th percentile were:

- The highest proportion of vulnerable households (31%), particularly 'lone person' households (20%) – still below Greater Sydney average (22%).
- 61% of households in the top two equivalised income quartiles, this is high compared to Greater Sydney and NSW, but ranks only 4th in the LGA.
- Unemployment rate (5.3%) is highest in the LGA, as is the number of people looking for full time work (2.8%).

Key aspects of the Southern and Western area, which had an IRSD ranking in the 96th percentile, and IRSAD ranking in the 98th percentile were:

- Very high proportion of mortgage repayments in the upper two quartiles (68%) – the most within the LGA.
- High proportion of households in the top two equivalised income quartiles (67%) – the most within the LGA.
- Very high levels of home ownership (38%).

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 rating changes

Table 14 SRV options

Rate increases - preferred SRV scenario (rate peg + SRV)	2023/24	2024/25	2025/26	2026/27
Residential	8.5%	7.5%	6.5%	5.5%
Farmland	8.5%	7.5%	6.5%	5.5%
Business	8.5%	7.5%	6.5%	5.5%
CBD	8.5%	7.5%	6.5%	5.5%
Westfield	8.5%	7.5%	6.5%	5.5%
Rate increases - no SRV (rate peg only)	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Residential	3.9%	3.5%	3.0%	2.5%
Farmland	3.9%	3.5%	3.0%	2.5%
Business	3.9%	3.5%	3.0%	2.5%
CBD	3.9%	3.5%	3.0%	2.5%
Westfield	3.9%	3.5%	3.0%	2.5%

Across the LGA, under normal rate peg increases, the average residential rates in 2026/27 across the LGA would be $1,444. Adding the SRV will result in the average residential rates in 2026/27 across the LGA being $1,667. This means that in the final SRV year, residential ratepayers will pay an average of additional $4.28 per week over what they would have paid had there been no SRV.

The NSW Valuer General is currently undertaking a general valuation on all land within NSW. These new valuations will be issued towards the end of 2022. These new valuations will directly influence the impact on ratepayers. Therefore, it is recommended that further impact analysis be prepared by Council as part of their community engagement. Therefore, any impact analysis within this section should take this into consideration.

Table 15 Impact of SRV on Residential ratepayers

Residential rates: Increase due to SRV over normal rates path	Number of properties	Average 2019 land value	4 year Cumulative increase $
Berowra and north east	4,477	457,975	502
Hornsby area	21,659	460,589	504
Semi rural	3,652	840,871	700
Southern and Western	22,243	936,629	750

As is demonstrated in the table above, it is expected that the impact will be felt more heavily within areas of higher unimproved land values. Therefore, it is observed that largest average increases will be felt within the Semi rural and the Southern and Western areas. For example, it is expected that average residential rates in Southern and Western area will increase by a total $750 over the four-year SRV period. This region also has the lowest levels of disadvantage within the LGA, with some suburbs scoring within the 100th percentile – meaning they rank amongst some of the wealthiest suburbs in Australia.

At the end of the SRV period, residential ratepayers on average will pay the following amounts above what they would have paid without the SRV (i.e. normal rate peg increases only):

- $3.79 per week in Berowra and the north east
- $3.80 per week in Hornsby area
- $5.28 per week in the Semi rural area
- $5.65 per week in the Southern and Western areas.

Table 16 Impact of SRV on Farmland ratepayers

Farmland rates: Increase due to SRV over normal rates path	Number of properties	Average 2019 land value	Average increase $
Berowra and north east	2	754,500	229
Hornsby area	1	862,000	247
Semi rural	307	1,395,766	336
Southern and Western	2	3,600,000	701

Again, the impact will be felt more heavily within areas of higher unimproved land values. Therefore, with respect to Farmland categories, it is observed that largest average increases will be felt by the two properties within the Southern and Western areas, however the impact will be more widely felt in the Semi rural areas, due to the larger number of properties.

At the end of the SRV period, farmland ratepayers on average will pay the following amounts above what they would have paid without the SRV (i.e. normal rate peg increases only):

- $4.41 per week in Berowra and the north east
- $4.75 per week in Hornsby area
- $6.46 per week in the Semi rural area
- $13.48 per week in the Southern and Western areas.

Table 17 Impact of SRV on Ordinary Business ratepayers

Ordinary Business rates: Increase due to SRV over normal rates path	Number of properties	Average 2019 land value	Average increase $
Berowra and north east	139	754,500	373
Hornsby area	898	862,000	613
Semi rural	374	1,395,766	524
Southern and Western	715	3,600,000	950

Again, the impact will be felt more heavily within areas of higher unimproved land values. Therefore, with respect to ordinary business ratepayers, it is observed that largest average increases will be felt within the Southern and Western areas.

At the end of the SRV period, ordinary business ratepayers on average will pay the following amounts above what they would have paid without the SRV (i.e. normal rate peg increases only):

- $7.17 per week in Berowra and the north east
- $11.79 per week in Hornsby area
- $10.07 per week in the Semi rural area
- $18.26 per week in the Southern and Western areas.

With respect to CBD Business ratepayers, the average increase in 2026/27 be $902, or $17.30 per week.

Council's outstanding rates ratio

Table 18 Hornsby Shire Council outstanding rates ratio

Financial year	NSW average outstanding rates ratio	Outstanding rates ratio	NSW ranking
2020/21	6.71	2.34	4
2019/20	6.90	2.32	5
2018/19	6.09	1.81	7
2017/18	5.72	1.82	7
2016/17	5.70	1.91	7

Outstanding rates ratios are a good indication of both capacity and willingness to pay. Due to the impact of COVID-19, NSW in general has seen an increase in outstanding rates in both 2019/20 and 2020/21 financial years, as councils were granted generous COVID-19 hardship provisions and reduced debt recovery activity. Hornsby Shire Council has consistently been in the top 7 of all NSW councils with respect to outstanding rates, well below the NSW averages. Council has improved its ranking from 7th in 2018/19 up to 4th in 2020/21. This is a strong indication that there is a higher level of advantage, lower levels of disadvantage, and an overall capacity and willingness to pay rates across the LGA.

Conclusion

The LGA generally has higher levels of advantage, and lower levels of disadvantage when compared with Greater Sydney, NSW and Australia. This is indicated by high SEIFA ratings, high equivalised income levels and very low levels of housing stress. Across the LGA, under normal rate peg increases, the average residential rates in 2026/27 across the LGA would be $1,444. Adding the SRV will result in the average residential rates in 2026/27 across the LGA being $1,667. This means that in the final SRV year, residential ratepayers will pay an average of additional $4.28 per week over what they would have paid had there been no SRV.

This impact is distributed across the LGA based on land values, resulting in the Southern and Western area incurring higher average rate rises due to the higher land values. This area had higher levels of wealth, very low levels of disadvantage and very high levels of advantage. The average residential rates increase over what they would have paid had there been no SRV will be $5.65 per week in this area.

It is important for Council to acknowledge that there are areas of disadvantage within the community, and that it does not significantly marginalise particularly vulnerable individuals and households. Areas such as Hornsby do have slightly lower SEIFA rankings, equivalised income and slightly more housing stress relative to the LGA, but significantly better than the Greater Sydney, NSW and Australian averages. The average increase in residential rates over what they would have paid had there been no SRV will be relatively lower at $3.80 per week in this area.

Council regularly has among the lowest levels of outstanding rates in NSW, an indication of both capacity and willingness to pay. Therefore, we conclude that ratepayers do have a capacity to pay, particularly if supported by appropriate hardship policies.