



# Capacity to Pay Report

Lithgow City Council

January 2022



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## Executive summary

Lithgow City 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 Area summary**

Precinct	Findings
Rural North	<ul style="list-style-type: none"> <li>• Largest proportion of working age population (54%) and lowest proportion being dependants (15%)</li> <li>• Largest proportion of fully owned homes (49%)</li> <li>• Lowest residential land values, hence lowest impact of SRV</li> </ul>
Lithgow	<ul style="list-style-type: none"> <li>• Largest population</li> <li>• Lowest proportion of working age (47%)</li> <li>• Very high proportion of lone person households (37%)</li> <li>• Largest proportion renting (30%)</li> <li>• Largest proportion in bottom two equivalised income quartiles (67%)</li> <li>• High levels of inequity, with pockets having very Low SEIFA rankings</li> </ul>
Rural South	<ul style="list-style-type: none"> <li>• Highest proportion of retirees (35%)</li> <li>• Largest proportion of home ownership (81%)</li> <li>• Highest levels of equivalised income</li> <li>• Highest residential land values, hence largest rate increases from SRV</li> </ul>
Wallerawang	<ul style="list-style-type: none"> <li>• Highest proportion of dependants (26%), and lowest proportion of retirees (24%)</li> <li>• Second largest proportion renting (23%)</li> <li>• Largest proportion of mortgaged properties (38%).</li> </ul>
Portland	<ul style="list-style-type: none"> <li>• Very high level of fully owned homes (45%)</li> <li>• Second Largest proportion in bottom two equivalised income quartiles (65%)</li> <li>• Very low SEIFA rankings</li> </ul>

From our analysis, it is apparent that there are significant levels of disadvantage within the LGA. Overall, the LGA scores low on SEIFA rankings of disadvantage, placing it in the 14<sup>th</sup> percentile for IRSD (compared to Regional NSW, which is in the 29<sup>th</sup> percentile) and within the 13<sup>th</sup> percentile for disadvantage and advantage (compared to regional NSW, which is in the 32<sup>nd</sup> percentile). At an area level, it is apparent that there is inequity within the LGA, with some areas experiencing significant levels of advantage compared to other areas experiencing relatively low levels of disadvantage. It is important that Council acknowledges these levels of disadvantage within the community and that it does not significantly marginalise particularly vulnerable individuals and households. The increases proposed under the SRV are relatively proportionate, generally aligning to the levels of advantage and disadvantage across the LGA.

Residential rates when compared with similar regional city councils (OLG group 4 classification), Lithgow City currently has the lowest average residential rates (\$869 per year). Should the SRV be implemented across the LGA, residential ratepayers are estimated to be an average of \$4.01 higher than they would be under normal rate increases (rate peg). This would still mean that average residential rates will still rank towards the lowest (22<sup>nd</sup> out of 25 reporting councils) amongst similar regional city councils (\$1,110 per year).

Rural South has the highest average residential land values, and as such, the impact here will be greatest for residential ratepayers. Rates here are estimated to be \$10.00 per week higher than they would be under normal rate increases. Mitigating this is that this area has the lowest levels of disadvantage and the highest levels of equivalised income within the LGA. Therefore, it is considered that there is capacity to absorb the proposed increases.

Wallerawang (which ranks in the 17<sup>th</sup> percentile IRSD), Lithgow (ranks 18<sup>th</sup> percentile) and Portland (ranks in the 11<sup>th</sup> percentile) will all see much lower impact, with rates estimated to range from \$3.41 to \$4.35 per week more than they would be under normal rate increases. Average rates are estimated to be \$806, \$977 and \$766 respectively, all well below the LGA average, and also the average for comparable group 4 regional city councils. Further, these areas have the highest level of renters (who will not bear the burden of rates rises). Therefore it is considered that these areas have reasonable capacity to pay the increased value.

The area least impacted is Rural North, both in terms of level of increase (just \$2.65 per week compared to normal rate peg increase) and also in terms of number of ratepayers impacted (the lowest number of residential ratepayers). This area has very high levels of fully owned homes and has the 3<sup>rd</sup> highest level of equivalised income, indicating capacity to absorb the increases.

At an overall level, Lithgow's average farmland rates currently also sit towards the lowest levels (using 2021 OLG time series data) when compared against comparable group 4 councils, and business rates are slightly above average when compared to these councils. Under the proposed SRV, average farmland rates may move into the top 15 amongst those comparable councils, and business rates may move into the top 6. Therefore, when compared to peers, there is capacity to absorb these increases.

Further, compared to these councils, Lithgow's level of rates income as a percentage of operating expenses (27%) is below average (29%) when compared to similar councils, indicating capacity of ratepayers to absorb rises. Council also has low levels of outstanding rates (in 2021, despite the impact of COVID-19, only climbing as high as 7%, and in 2022 it was 5%), and has been consistently below regional benchmarks (10%), indicating strong capacity and willingness to pay.

## 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 – Lithgow City 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.

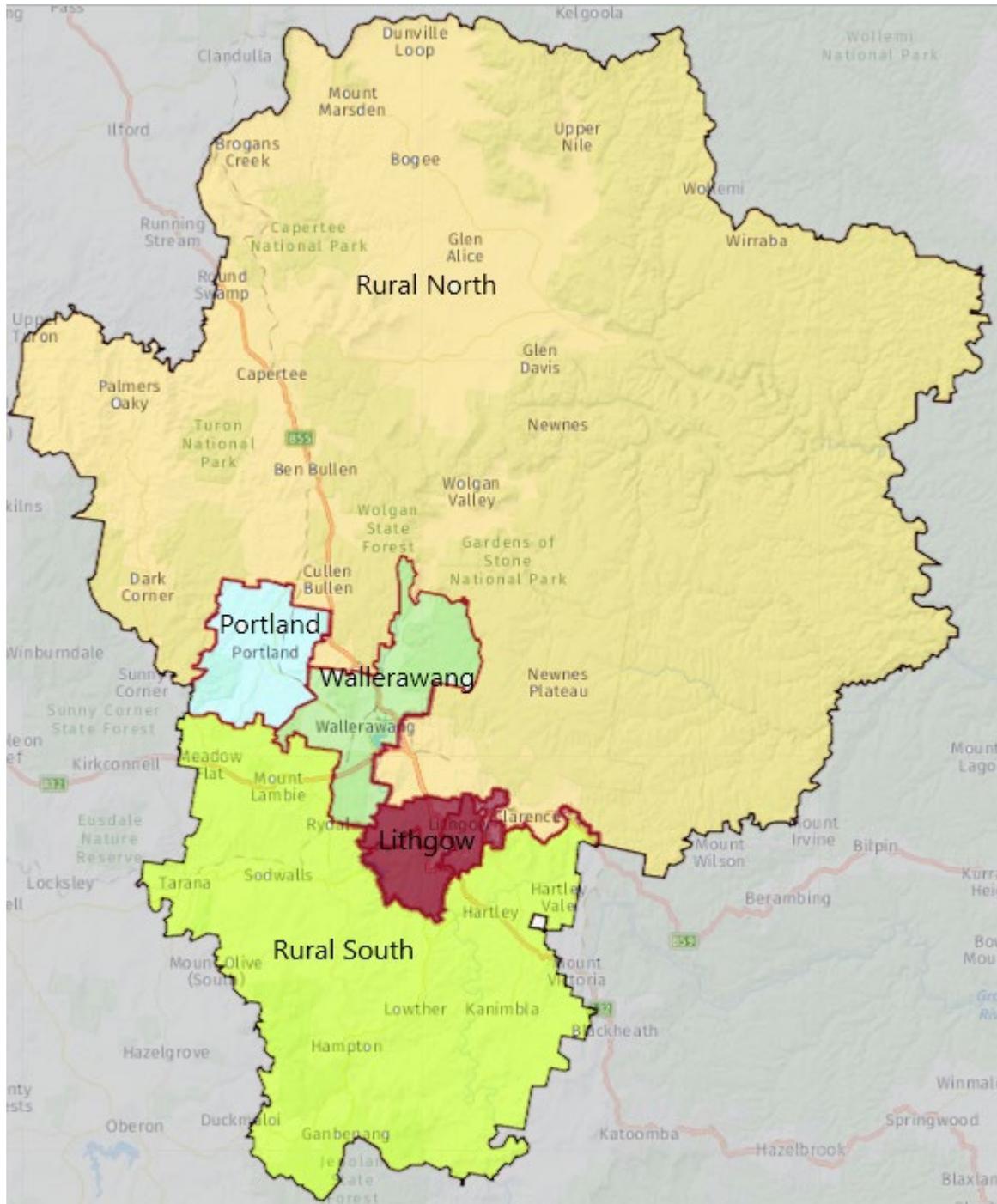
## Background

Lithgow City Council is divided into five groupings. Council is looking to ensure that equity is maintained between areas, as each grouping has differing economic and socio-economic profiles. A summary of the groupings and the areas they encompass has been provided in the following Table 2 and Figure 1 below.

**Table 2 Lithgow City Council area summary**

Area	Population (2021)	Includes
Rural North	1,953	Ben Bullen, Blackman's Flat, Bogee, Capertee, Clarence, Cullen Bullen, Dargan, Glen Alice, Glen Davis, Marrangaroo, Round Swamp, Wolgan Valley / Newnes
Lithgow	11,601	Bowenfels, Hermitage Flat, Lithgow, Littleton, South Bowenfels, Vale of Clwydd
Rural South	2,416	Good Forest, Hampton, Hartley, Hartley Vale, Kaninmbra, Little Hartley, Lowther, Megalong, Rydal, Sodwalls, Tarana
Wallerawang	2,443	Lidsdale, Wallerawang
Portland	2,447	Pipers Flat, Portland
<b>Lithgow City LGA</b>	<b>20,860</b>	

Figure 1 Lithgow City Council area 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
- 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
- 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.

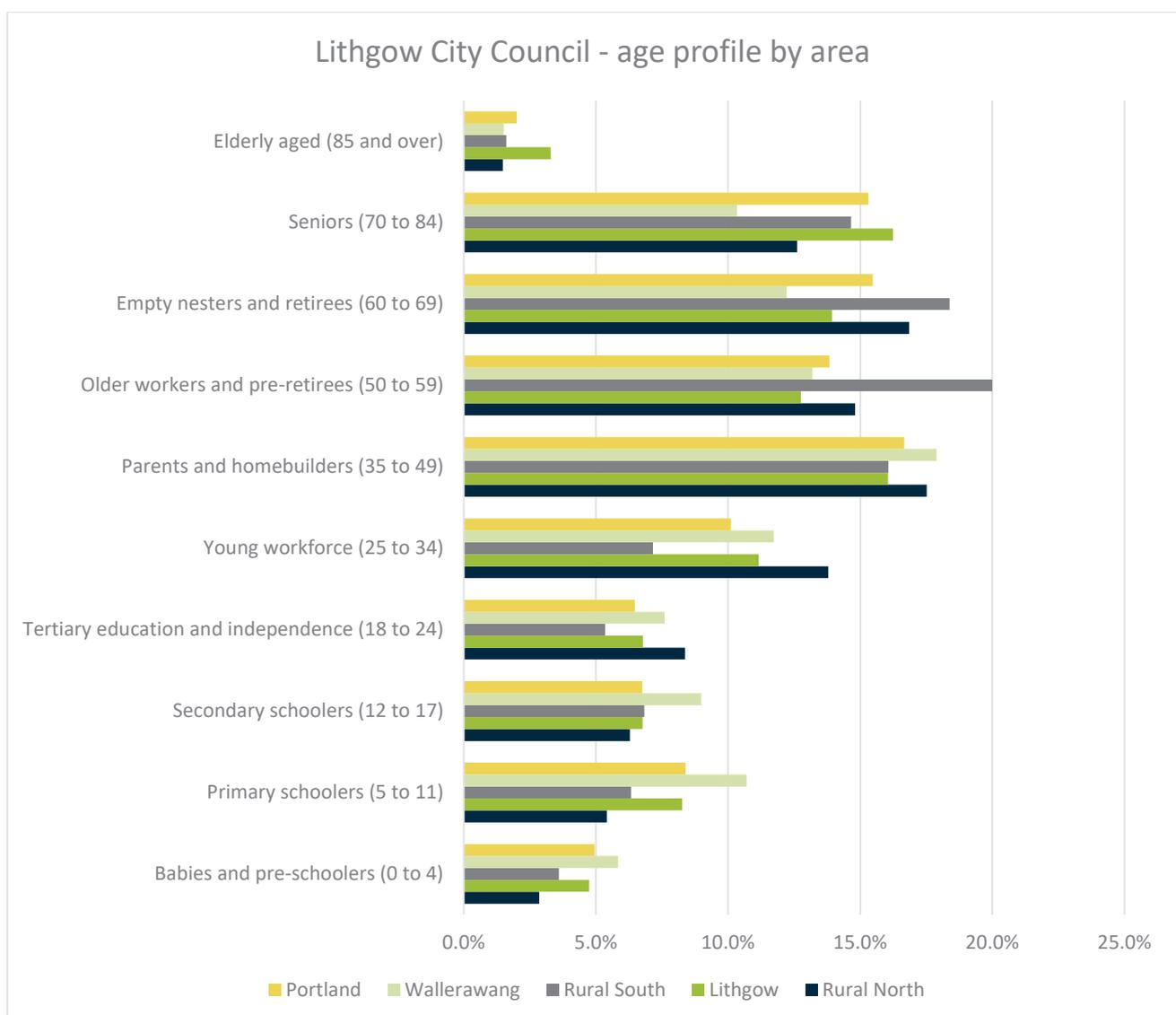
## Areas of social disadvantage

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 that 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 one representing the largest proportion) generates the following results.

**Table 3 Service age rankings**

Rank	Rural North	Lithgow	Rural South	Wallerawang	Portland
Dependants	5	3	4	1	2
Working age	1	5	3	2	4
Retirees	4	2	1	5	3

At an LGA level, the age profiles are relatively consistent with Upper Blue Mountains and Regional NSW:

- 20% of the population are dependants, higher when compared to the Upper Blue Mountains (17%) and in line with Regional NSW (21%).
- Working age population represents 48% of the population, consistent with Upper Blue Mountains (47%) and Regional NSW (49%).
- The proportion of population that are Retirees (32%) is lower than Upper Blue Mountains (36%) and above Regional NSW (29%).

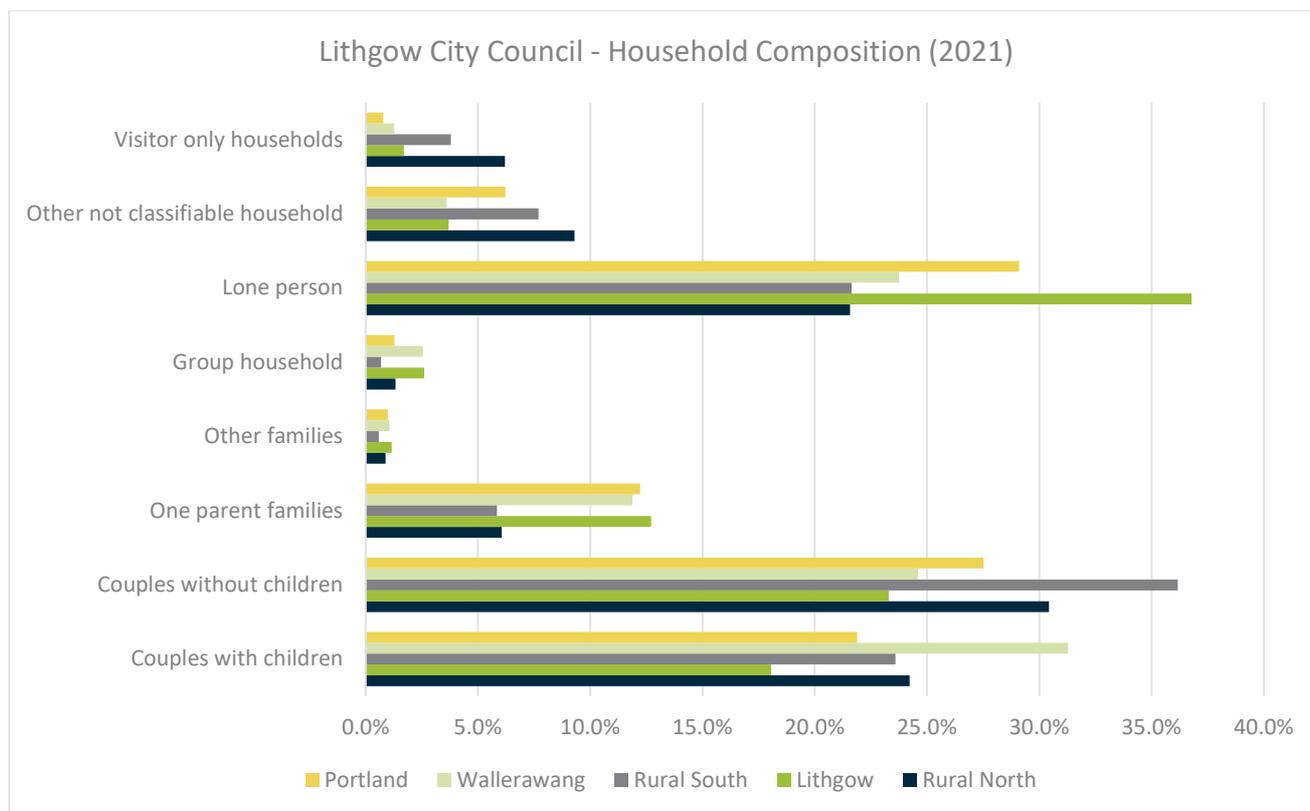
Looking into specific areas, we observe the following:

- Rural North has the largest proportion of working age population (54%) and lowest proportion being dependants (15%).
- Lithgow has the lowest proportion of working age (18-59) at 47%.
- Rural south has the highest proportion of retirees at 35%.
- Wallerang has the highest proportion of dependants at 26%, and lowest proportion of retirees at 24%.
- Portland is line with LGA averages.

## 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 following figure.

**Figure 3 Household composition**



Overall, the proportion of lone person households in the LGA (32%) is notably higher than the Regional NSW and Central West averages of 26% and 27% respectively. This is mainly due to Lithgow, which has a substantial proportion at 37%, significantly higher than Rural North (22%), Rural South (22%), Wallerang (24%) and the NSW average of 24%.

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 across the LGA as a whole, the at-risk group makes up 43% of the population, well above the NSW average of 34% and Regional NSW average of 37%. This large proportion is driven by Lithgow, where 52% of the households are considered to be ‘at risk’, with Portland also high side at 41%. It is important to note that of the 3,840 vulnerable households identified, 2,616 are within the Lithgow area (Portland having 419). Rural North (28%), Rural South (28%) and Wallerawang (36%) substantially lower.

Rural North and Rural South-South Bowenfels also have a high proportion of couples without children, at 30% and 36% respectively. These are higher than Regional NSW (28%) averages.

### Housing tenure

Analysis of housing tenure levels within the LGA allows us to identify which areas 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 depending 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 Lithgow City Council housing tenure**

Housing Tenure - % of households	Rural North	Lithgow	Rural South	Wallerawang	Portland	Lithgow City LGA
Fully owned	49%	37%	48%	34%	45%	40%
Mortgage	29%	24%	34%	38%	31%	28%
<b>Renting - Total</b>	<b>9%</b>	<b>30%</b>	<b>7%</b>	<b>23%</b>	<b>15%</b>	<b>23%</b>
Renting - Social housing	0%	7%	0%	6%	1%	5%
Renting - Private	9%	23%	7%	17%	13%	18%
Renting - Not stated	0%	0%	0%	0%	0%	0%
Other tenure type	2%	3%	3%	1%	1%	2%
Not stated	10%	6%	9%	5%	8%	7%
<b>Total households</b>	<b>696</b>	<b>5,278</b>	<b>1,040</b>	<b>935</b>	<b>1,016</b>	<b>8,947</b>

The Lithgow LGA home ownership average of 68% is higher than Regional NSW (66%) and NSW (61%) averages; however, slightly lower than the average for the Upper Blue Mountains (69%). Home ownership levels vary substantially throughout the LGA. Rural North (79%), Rural South (81%) and Portland (77%) have the highest proportion of resident ratepayers. Conversely, Lithgow has the lowest proportion at 61%, possibly reflective of the higher percentage of lone person households and one-parent families.

40% of households fully own their homes within the LGA, in line with the Upper Blue Mountains (41%), and higher than Regional NSW (36%) and NSW (30%). The Rural North (49%), Rural South (48%) and Portland (45%) have very high levels of fully owned homes, whilst Wallerawang is relatively low at 34%.

The proportion of owners with mortgages is in line with Upper Blue Mountains (28%), Regional NSW (29%) and NSW (31%). The proportion of contrasts across the LGA, with a low 24% in Lithgow compared to 38% in Wallerawang.

The majority of the LGA has very low levels of renters (23% overall), with Rural North at 9% and Rural South at 7%. This is substantially different to Lithgow, which has 30% of its households renting and therefore contains 76% of the LGA's renters. It is important to note that generally, the impact of these rates rises will not be passed onto renters.

Lithgow also contains the majority of the LGA's social housing (82% of the LGA's social housing is in this area) as 7% of its households fall into this category. Residents in social housing do not pay rates, and therefore are not impacted by the proposed SRV.

## 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.

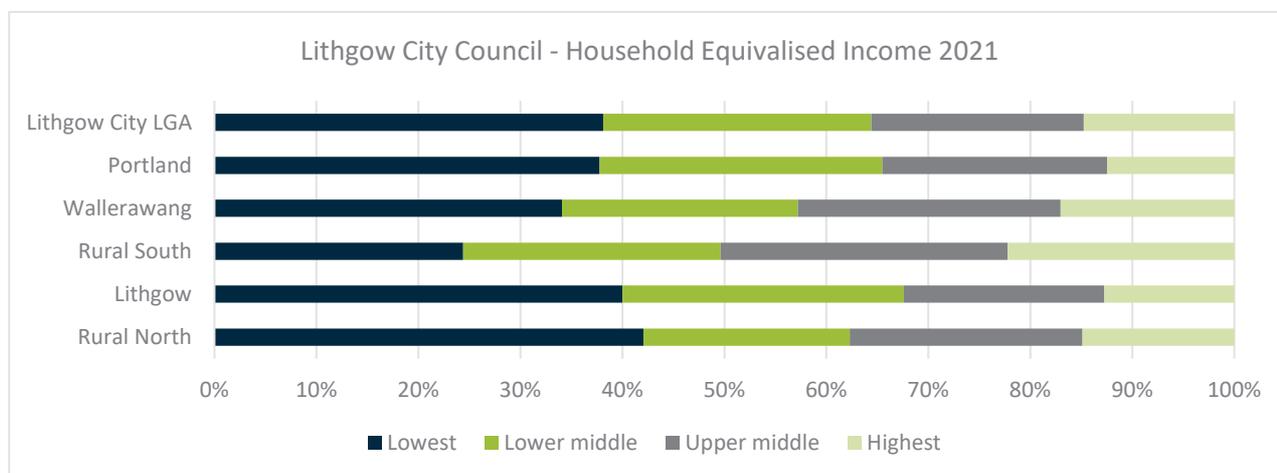
As this is a relative comparison, data has been presented in quartiles; regions of disadvantage will have a higher proportion of households in the bottom two quartiles than those of greater wealth and advantage. These quartiles were determined by reviewing the distribution of household incomes within 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 for 2021:

- Lowest: \$0 - \$603 – this range is representative of the bottom 25% of all equivalised household incomes in NSW.
- Medium lowest: \$604 - \$1,096 – this range is representative of the bottom 25% - 50% of all equivalised household incomes in NSW.
- Medium highest: \$1,097 - \$1,770 – this range is representative of the top 25% - 50% of all equivalised household incomes in NSW.
- Highest: \$1,771 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



The LGA as a whole has higher proportions in the lower two income quartiles, at 64% compared to 60% for Regional NSW and 61% for Upper Blue Mountains. All profile areas within the LGA also have higher proportions in the lowest two quartiles compared to the highest two quartiles, except for Rural South (50%).

The LGA lower amounts in the middle two quartiles, at 47% compared to 53% for both Upper Blue Mountains (53%) and Regional NSW (53%). Rural South (53%) and Portland (50%) stand out here as being higher than the rest of the LGA.

Rural South has the highest equivalised income levels at 50% in the upper two income quartiles, followed by Wallerawang (43%). Both compare favourably with the rest of the LGA (36%) as well as Upper Blue Mountains (39%) and Regional NSW (40%). Rural North is in line with averages at 38%, whilst Lithgow and Portland have comparatively lower levels in the upper two equivalised income quartiles.

**Table 5 Regional comparison of equivalised household income**

Equivalised income quartiles (2021)	Rural North	Lithgow	Rural South	Wallera-wang	Portland	Lithgow City LGA	Upper BM	Regional	NSW
Lowest	42%	40%	24%	34%	38%	38%	31%	31%	25%
Lower middle	20%	28%	25%	23%	28%	26%	30%	29%	25%
Upper middle	23%	20%	28%	26%	22%	21%	23%	24%	25%
Highest	15%	13%	22%	17%	12%	15%	16%	16%	25%
<b>Total Households</b>	506	4,321	698	724	710	<b>7,059</b>	100	100	100

## 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 advantage.

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**

Area	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Australia	1,001.9	46	1,003.1	57
NSW	1,001.0	45	1,011.0	62
Upper Blue Mountains	988.1	39	991.1	50
Regional NSW	971.0	29	959.0	32
<b>Lithgow City LGA</b>	<b>923.0</b>	<b>14</b>	<b>908.0</b>	<b>13</b>

Lithgow City Council's IRSD score of 923.0 is well below the NSW, Australia and Upper Blue Mountains rankings. The ranking places the LGA in the 14<sup>th</sup> percentile, meaning approximately 86% of Australian suburbs have a SEIFA IRSD ranking higher than this area (less disadvantaged), while 14% are lower.

IRSAD includes levels of both advantage and disadvantage. Lithgow City Council's score of 908.0 places the LGA into the 13<sup>th</sup> percentile. A lower IRSAD score compared to IRSD score is indicative of fewer opportunities within the LGA, e.g. lower equivalised incomes, lower education levels, fewer employment opportunities within the area or less skilled jobs.

An area-level summary is provided in the table below.

**Table 7 Area-level SEIFA scores and percentiles**

Area	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Rural North	972.9	31.0	959.2	32.0
Lithgow	892.4	18.0	882.4	15.5
Rural South	1,032.7	66.0	1,018.3	66.0
Wallerawang	935.5	17.0	909.0	13.0
Portland	909.7	11.0	888.1	9.0

Analysis at the area level demonstrates significant inequity between different parts of the LGA. On the one hand, Rural South (IRSD in the 60<sup>th</sup> percentile and IRSAD in the 56<sup>th</sup> percentile) has levels of disadvantage below the average levels in NSW, Upper Blue Mountains and Regional NSW. Portland, Lithgow and Wallerawang show significant disadvantage, with all three areas scoring very low.

**Table 8 Suburb SEIFA rankings**

Suburb	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Rural South - Little Hartley	1032.7	66	1018.3	66
South Bowenfels - Littleton - South Littleton	1012.7	53	983.8	45
Rural North - Marrangaroo	972.9	31	959.2	32
Wallerawang - Lidsdale	935.5	17	909	13
Portland	909.7	11	888.1	9
Lithgow - Hermitage Flat and District (Lithgow)	892.1	9	878.3	8
Morts Estate - Oaky Park - Vale Of Clwydd (Lithgow)	871.3	7	860.8	6
Bowenfels (Lithgow)	793.3	3	806.8	3

At a suburb profile level, Lithgow area is one of the most disadvantaged areas in the country. This low score is driven by low scores in the suburbs of Bowenfels (ranking in the 3<sup>rd</sup> percentile for IRSD and IRSAD) and Morts Estate - Oaky Park - Vale Of Clwydd (7<sup>th</sup> percentile IRSD, 6<sup>th</sup> percentile IRSAD). The combined population of these suburbs represents 17% of the LGA; therefore, it is important that this inequality is considered by Council, for example, through appropriate hardship policies.

## 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 – 2021**

Workforce status	Rural North	Lithgow	Rural South	Wallerawang	Portland	Lithgow City LGA
Employed	97%	93%	98%	96%	93%	95%
Employed full-time	59%	53%	52%	57%	53%	54%
Employed part-time	28%	32%	35%	31%	32%	32%
Employed, away from work	9%	9%	11%	7%	7%	9%
Unemployed (Unemployment rate)	3%	7%	2%	4%	7%	5%
Looking for full-time work	2%	4%	1%	3%	5%	3%
Looking for part-time work	1%	3%	1%	1%	2%	2%
<b>Total labour force</b>	<b>784</b>	<b>4,691</b>	<b>1,197</b>	<b>1,130</b>	<b>987</b>	<b>8,783</b>

Note: Pensioners and other non-participants are not included in the total labour force.

In 2021, unemployment within the LGA (5%) was equivalent to the averages for Upper Blue Mountains, Regional NSW and NSW (all 5%). It is noted that Lithgow (7%, representing 316 people) and Portland (7%, representing 74 people) had higher levels.

## 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
Rural North	1,296	Tbc	Tbc
Lithgow	6,018	Tbc	Tbc
Rural South	1,262	Tbc	Tbc
Wallerawang	1,168	Tbc	Tbc
Portland	1,196	Tbc	Tbc
<b>Lithgow City LGA</b>	10,940	<b>TBC</b>	<b>TBC</b>

Across the LGA there are **TBC** pensioner assessments. These eligible pensioners have access to 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	Percentage
Rural North	84	4%
Lithgow	1,030	9%
Rural South	114	5%
Wallerawang	168	7%
Portland	197	8%
<b>Lithgow City LGA</b>	1,582	8%

We observe that those needing assistance are concentrated in the Lithgow area. Both Rural North (4%) and Rural South (5%) have low proportions of the population requiring assistance, compared to Lithgow (9%) which has the highest proportion. Overall, the LGA is in line with Upper Blue Mountains and Regional NSW (both 7%) averages.

## Housing stress

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 under significant financial stress and vulnerable to sudden increases in council rates. A comparison of the levels of monthly mortgage repayments in each grouping is provided in Table 12.

**Table 12 Analysis of households where mortgage costs >30% of income**

Mortgage costs >30% of income, 2021	Number	Number of households with mortgage	% where mortgage costs >30% income
Rural North	30	195	15%
Lithgow	157	1,271	12%
Rural South	55	336	16%
Wallerawang	32	346	9%
Portland	36	320	11%
Lithgow City LGA	306	2,459	12%
Regional NSW	42,576	334,073	13%
New South Wales	163,060	942,804	17%
Australia	468,822	3,242,448	14%

The table above, while not specifically identifying mortgage stress, does give an indication of areas where mortgage stress may be likely. At an LGA level, 306 (12%) of households with mortgages have mortgage costs exceeding 30% of income. This is in line with Regional NSW (13%) but lower than NSW (17%) levels. Those areas with the lowest levels of equivalised income also have lower proportions of households with mortgages greater than 30% of income (Lithgow, Portland), indicating an increased likelihood of mortgage stress.

The Rural South has the highest levels at 16%, however, it must also be considered that this area also has the highest levels of household income, therefore reducing the likelihood of mortgage stress.

Rural North also has a relatively high proportion at 15%, represented by 30 households. This area has 62% of households in the lowest two equivalised income quartiles, therefore indicating that some of these households are likely to experience mortgage stress.

## Trends in cost of living

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. The following table presents the changes in typical household expenditure throughout the Lithgow City LGA over a five-year period.

**Table 13 Five-year comparison of cost of living in Lithgow City Council LGA<sup>1</sup>**

Household expenditure (totals)	2020/21		2015/16		Change		
	\$ per household	% of expenditure	\$ per household	% of expenditure	\$ per household	% of expenditure	%
Food	\$8,584	10%	\$8,837	10%	-\$253	1%	-3%
Alcoholic beverages and tobacco	\$3,602	4%	\$4,464	5%	-\$862	-1%	-19%
Clothing and footwear	\$3,453	4%	\$3,271	4%	\$182	1%	6%
Furnishings and equipment	\$4,227	5%	\$4,075	4%	\$153	1%	4%
Health	\$5,531	7%	\$5,326	6%	\$205	1%	4%
Transport	\$8,041	10%	\$10,610	12%	-\$2,569	-2%	-24%
Communications	\$1,690	2%	\$1,507	2%	\$183	0%	12%
Recreation and culture	\$9,671	11%	\$10,469	11%	-\$799	0%	-8%
Education	\$4,240	5%	\$4,369	5%	-\$128	0%	-3%
Hotels, cafes and restaurants	\$5,312	6%	\$7,641	8%	-\$2,329	-2%	-30%
Miscellaneous goods and services	\$11,860	14%	\$13,576	15%	-\$1,715	-1%	-13%
Housing	\$15,798	19%	\$14,679	16%	\$1,119	3%	8%
Utilities	\$3,042	4%	\$3,496	4%	-\$454	0%	-13%
<b>Total expenditure</b>	<b>\$85,051</b>	<b>100%</b>	<b>\$92,319</b>	<b>100%</b>	<b>-\$7,268</b>	<b>0%</b>	<b>-8%</b>
Net savings	\$22,749	21%	\$11,475	11%	\$11,274	10%	98%
<b>Total disposable income</b>	<b>\$107,801</b>	<b>0%</b>	<b>\$103,794</b>	<b>0%</b>	<b>\$4,006</b>	<b>0%</b>	<b>4%</b>
Non discretionary	\$46,139	54%	\$47,726	52%	-\$1,587	3%	-3%
Discretionary	\$38,912	46%	\$44,594	48%	-\$5,682	-3%	-13%

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

<sup>1</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.

Table 13 shows over the five-year period, total disposable income across the LGA has increased by an average of \$4,006, and net annual savings have increased by \$11,274, which indicates capacity to absorb increases in rates as proposed. Total expenditure has been reduced by 8%, with a 13% decrease in discretionary spending. These trends indicate potential concerns held by the community over the economic outlook and recent concerns with the effects of the COVID-19 pandemic.

## Industry

In 2021, the main industries in order of employment remained mining (13.4%), health care and social assistance (12.1%), and professional, administrative and support services (public administration and safety at 11.1%). Construction, however, is no longer considered one of the top five key industries within the LGA and has fallen to seventh place (6.1%). The most recent data indicates the following trends over the ten years from 2011 to 2021, in these core sectors:

- mining (coal mining) is in a long-term decline, with 437 fewer jobs
- construction has dropped out of the top industries for employment within the LGA, with 334 fewer jobs
- health care and social assistance increased by 248 jobs
- public administration and safety jobs increased by 119
- manufacturing has become a key industry with an increase of 95 jobs.
- Electricity, Gas, Water and Waste services is still a key employer, with growth in electricity supply industry (37 jobs) offset by reductions in Water Supply, Sewerage and Drainage (19 fewer jobs) as well as waste collection, treatment and disposal services (38 fewer jobs).

It is noted that 79.5% of Lithgow City Council's resident workers work within the LGA, with 21.2% travelling outside the LGA to work (mainly to the Blue Mountains and Bathurst LGAs).

Mining remains the most productive industry for the Lithgow City LGA, generating 33.9% of the region's value (as value added) compared to 8.8% for Regional NSW. This is however, a drop of over \$85.9 million since 2010/11, when it contributed 40.8% for the Lithgow City LGA. Electricity supply (included within Electricity, Gas, Water and Waste Services) remains the second most valuable industry for the area, at 11.5% compared to 10.5% in 2010/11. This contrasts with 2.7% and 3.3% respectively for Regional NSW.

**Table 14 Value added by industry sector**

Industry	2020/21			2010/11			2010/11 - 2020/21
	Lithgow City \$m	Lithgow City %	Regional NSW %	Lithgow City \$m	Lithgow City %	Regional NSW %	Lithgow City change \$m
Agriculture, Forestry and Fishing	27.90	1.9%	7.5%	24.50	1.7%	9.6%	3.40
Mining	487.20	33.9%	8.8%	573.10	40.8%	8.5%	-85.90
Manufacturing	81.50	5.7%	7.0%	61.70	4.4%	8.4%	19.80
Electricity, Gas, Water and Waste Services	169.40	11.8%	3.8%	162.90	11.6%	4.8%	6.50
Construction	77.10	5.4%	11.0%	105.80	7.5%	10.6%	-28.70

Industry	2020/21			2010/11			2010/11 - 2020/21
	Lithgow City \$m	Lithgow City %	Regional NSW %	Lithgow City \$m	Lithgow City %	Regional NSW %	Lithgow City change \$m
Wholesale Trade	27.00	1.9%	3.0%	15.80	1.1%	2.7%	11.30
Retail Trade	38.30	2.7%	6.0%	39.60	2.8%	5.7%	-1.30
Accommodation and Food Services	39.90	2.8%	3.3%	38.10	2.7%	3.7%	1.80
Transport, Postal and Warehousing	99.30	6.9%	4.2%	52.20	3.7%	5.0%	47.10
Information Media and Telecommunications	1.10	0.1%	0.9%	7.00	0.5%	1.1%	-5.90
Financial and Insurance Services	29.50	2.0%	3.9%	26.00	1.8%	4.5%	3.50
Rental, Hiring and Real Estate Services	15.80	1.1%	3.1%	13.70	1.0%	2.8%	2.10
Professional, Scientific and Technical Services	17.50	1.2%	5.1%	20.90	1.5%	4.3%	-3.40
Administrative and Support Services	61.50	4.3%	3.2%	43.10	3.1%	3.5%	18.40
Public Administration and Safety	110.40	7.7%	6.9%	90.80	6.5%	6.0%	19.60
Education and Training	52.30	3.6%	7.3%	51.20	3.6%	7.3%	1.00
Health Care and Social Assistance	81.30	5.7%	11.7%	58.60	4.2%	8.5%	22.70
Arts and Recreation Services	2.80	0.2%	0.6%	2.50	0.2%	0.6%	0.30
Other Services	19.10	1.3%	2.5%	16.80	1.2%	2.3%	2.20
<b>Total industries</b>	<b>1,438.80</b>	<b>100%</b>	<b>100%</b>	<b>1,404.30</b>	<b>100%</b>	<b>100%</b>	<b>34.50</b>

Council's Gross Regional Product was \$1.64 billion in the year ending June 2021, growing 8.5% since the previous year and 2.9% since 2010/11. The local industry to residents ratio has dropped slightly from 1.01 in 2010/11 to 0.97 in 2021. This indicates that generally, most residents are still contributing to their economic productivity within the LGA, however, some may now be commuting out more than in previous years.

## Discussion

The Lithgow City LGA as a whole can be considered to be a disadvantaged socio-economic area; however, there are a variety of differences emerging between the different areas, and this is also evident when reviewing SEIFA rankings. Overall, we observe greater levels of advantage in Rural South-South Bowenfels when compared with Lithgow-Morts Estate-Bowenfels and Portland-Wallerawang, and in particular, the suburbs of Bowenfels and Morts Estate - Oaky Park - Vale Of Clwydd.

Key aspects of the Lithgow-Morts Estate-Bowenfels area, which has an IRSD ranking in the 6<sup>th</sup> percentile, and an IRSAD ranking (including factors of advantage) in the 6<sup>th</sup> percentile, include:

- the second highest proportion of retirees (age 60 and over) and the second lowest proportion of working age

- the highest proportion of vulnerable households, which were either ‘lone person’ or ‘single parent’ households and the highest level of unemployment
- a high level of social housing (8%) and the lowest level of resident ratepayers (58%)
- the highest proportion in the lowest two equivalised income quartiles (70%), but also the highest proportion in the lowest two monthly loan repayment quartiles (85%)
- the highest proportion of the population requiring assistance (10%).

Key aspects of the Portland-Wallerawang area, with an IRSD ranking in the 14<sup>th</sup> percentile, and IRSAD ranking in the 11<sup>th</sup> percentile, are:

- the highest percentage of dependants but the lowest proportion of retirees and over 50s; also the second highest working age
- the second highest proportion of vulnerable households were either ‘lone person’ or ‘single parent’ households (39%)
- the highest percentage of owners with mortgages and the second highest social housing
- the second highest unemployment rate at 6%
- the second highest percentage in the top two household income quartiles (39%) but the second lowest in the highest two mortgage repayment quartiles (20%).

Key aspects of the Rural North area, contributing an IRSD ranking in the 31<sup>st</sup> percentile, and IRSAD ranking in the 32<sup>nd</sup> percentile, are:

- largest proportion of working age and lowest proportion of dependants
- the lowest percentage of vulnerable households, however, this does still account for over a quarter of the area’s population
- highest proportion of resident ratepayers with the highest percentage of fully owned homes
- the second highest proportion in the lowest two income quartiles (62%)
- the joint lowest unemployment rate at 3%
- the highest proportion of households in the top two mortgage repayment quartiles (42%) and the lowest proportion in the lowest two quartiles (57%)
- the potential for higher levels of financial stress due to proportion of equivalised income, mortgage repayments and resident ratepayers
- it is important to note that this area has the lowest population, at 1,953.

Key aspects of the Rural South-South Bowenfels area, which has an IRSD ranking in the 60<sup>th</sup> percentile, and IRSAD ranking in the 56<sup>th</sup> percentile, are:

- highest proportion of retirees and lowest proportion of working age
- second lowest proportion of vulnerable households (33%) and the joint lowest unemployment rate
- second highest percentage of resident ratepayers and second highest proportion of owners with mortgages (33%)
- highest proportion of households in the highest and middle two income quartiles
- highest proportion of households with mortgage repayments in the middle two quartiles (55%).

It is important to note that although there is disparity between the more advantaged and disadvantaged areas within Council's LGA, the most disadvantaged suburbs were in the lowest 3% (Bowenfels) and 7% (Morts Estate - Oaky Park - Vale Of Clwydd) in the country.

The ABS has 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

We have reviewed average rates by area, proposed category and subcategory. We compared rates average rates under the following two options presented by Council:

- Option 1, apply a special rate variation to all categories of 24.0% in addition to the normal annual rate peg increase of 3.7% (total increase is 27.7%);
- Option 2, apply the normal annual rate peg increase of 3.7% only to all rate categories.

## Residential rates impact

The table below sets out the impact of applying the SRV (option 1) compared with increasing rates by the normal annual rate peg increase (option 2).

**Table 15 Estimated 2023/24 average residential rates – option 1 and option 2**

Residential ratepayers - 2023/24 comparison of average rates	Average Option 1 SRV	Average Option 2 no SRV	Average annual increase Option 1	Average weekly increase Option 1
Rural North	733	595	138	2.65
Lithgow	1,203	977	226	4.35
Rural South	2,768	2,248	520	10.00
Wallerawang	993	806	187	3.59
Portland	944	766	177	3.41
<b>Lithgow City LGA</b>	<b>1,110</b>	<b>901</b>	<b>209</b>	<b>4.01</b>

At an LGA level, under the SRV scenario (option 1) residential ratepayers will pay an additional \$4.01 per week compared to what they would pay if there was no SRV (i.e. option 2). The impact of increases, however, in rates will be unequal across the LGA due to the variance in land values (as determined by the NSW Valuer General) from area to area.

As a result of higher average land values in Rural South, residential ratepayers will pay an additional \$10.00 per week under option 1 compared to what they would pay should there be no SRV (option 2). This area has the highest levels of equivalised income within the LGA and the lowest levels of disadvantage. This compares to Rural North (the lowest number of residential ratepayers), where ratepayers will pay an average of \$2.65 per week more under option 1 (when compared to option 2).

In areas with significant disadvantage the impact is much lower, however Council should consider the impact on individual ratepayers. In Wallerawang and Lithgow, residential ratepayers will pay an average of \$3.59 and \$4.35 respectively, per week, more under option 1 (when compared with option 2). These areas have significant levels of disadvantage, however the proportion of residential ratepayers is low, 23% of households renting in Wallerawang and 30% in Lithgow. In Portland, residential ratepayers are expected to pay an average of \$3.41 under option 1 (compared with option 2).

## Farmland rates impact

Table 16 Estimated 2023/24 average farmland rates – option 1 and option 2

Farmland ratepayers - 2023/24 comparison of average rates	Average Option 1 SRV	Average Option 2 no SRV	Average annual increase Option 1	Average weekly increase Option 1
Rural North	1,833	1,489	345	6.63
Lithgow	2,286	1,856	430	8.26
Rural South	2,852	2,316	536	10.31
Wallerawang	1,846	1,499	347	6.67
Portland	1,788	1,452	336	6.46
<b>Lithgow City LGA</b>	<b>2,178</b>	<b>1,769</b>	<b>409</b>	<b>7.87</b>

The table above sets out the average impact of applying the SRV (option 1) compared with increasing rates by the normal annual rate peg increase (option 2) for farmland ratepayers.

Across the LGA, under the SRV scenario (option 1) farmland ratepayers will pay, on average, an additional \$7.87 per week compared to what they would pay if there was no SRV (i.e. option 2). As with the residential category, the impact will vary from area to area due to the variance in land values (as determined by the NSW Valuer General).

## Business rates impact

Table 17 Estimated 2023/24 average farmland rates – option 1 and option 2

Business ratepayers - 2023/24 comparison of average rates	Average Option 1 SRV	Average Option 2 no SRV	Average annual increase Option 1	Average weekly increase Option 1
Rural North	1,386	1,126	261	5.01
Lithgow	10,153	8,245	1,908	36.70
Rural South	2,721	2,210	511	9.83
Wallerawang	9,466	7,687	1,779	34.21
Portland	1,744	1,417	328	6.30
<b>Lithgow City LGA</b>	<b>5,382</b>	<b>4,371</b>	<b>1,012</b>	<b>19.45</b>

Table 17 sets out the average impact of applying the SRV (option 1) compared with increasing rates by the normal annual rate peg increase (option 2) for business ratepayers.

Business ratepayers will pay, on average, an additional \$19.45 per week under the SRV scenario (option 1) compared to what they would pay if there was no SRV (i.e. option 2). The impact of increases, however, in rates will be unequal across the LGA due to the large variance in land values (as determined by the NSW Valuer General) from area to area.

## Other rating considerations

Table 18 Actual (2021) average estimated 2023/24 rates for OLG Group 4 regional town/city councils

Estimated average rates for 2023/24 - using likely SRV Option C - 43% SRV							
Region 4 LGA	Est. average residential (\$)	Residential rank	Est. average farmland (\$)	Farmland rank	Est. average business (\$)	Business rank	Notified IPART of SRV?
Albury	1,493	5	4,725	1	6,624	3	
Armidale Regional	1,132	19	3,560	6	4,097	12	Yes
Ballina	1,210	14	1,888	19	3,815	16	
Bathurst Regional	1,237	13	1,651	23	4,697	10	
Bega Valley	1,235	2	2,546	4	2,816	13	Yes
Broken Hill	1,170	16	---	---	6,571	4	
Byron	1,514	4	2,754	9	3,760	17	
Cessnock	1,349	8	3,317	7	3,855	15	
Clarence Valley	1,337	9	1,815	21	3,331	18	
Dubbo Regional	1,148	18	3,911	5	5,304	6	
Eurobodalla	1,185	15	1,757	22	3,997	14	
Goulburn Mulwaree	1,110	21	1,993	18	5,652	5	
Griffith	1,106	22	4,184	3	2,969	20	
Kempsey	1,374	7	2,274	13	2,841	21	
Kiama (not provided)	---	---	---	---	---	---	
Lismore	1,415	6	2,661	12	5,068	8	
Lithgow (Option 2)	901	25	1,646	24	4,359	11	Yes
Lithgow (Option 1)	1,110	22	2,178	15	5,382	6	
Mid-Western Regional	1,037	23	2,719	11	2,317	24	
Orange	1,586	3	2,054	16	6,721	1	
Queanbeyan-Palerang	1,313	10	2,745	10	5,120	7	Yes
Richmond Valley	1,130	20	1,861	20	3,057	19	
Singleton	1,267	11	2,251	14	2,664	22	
Snowy Monaro Regional	915	24	2,020	17	2,459	23	Yes

Estimated average rates for 2023/24 - using likley SRV Option C - 43% SRV							
Region 4 LGA	Est. average residential (\$)	Residential rank	Est. average farmland (\$)	Farmland rank	Est. average business (\$)	Business rank	Notified IPART of SRV?
Tamworth Regional	1,169	17	2,116	15	349	25	
Wagga Wagga	1,237	12	3,077	8	6,648	2	
Wingecarribee	1,929	1	4,229	2	4,914	9	

Table 18 above shows estimated average rates for the 2023/24 financial year (calculated by forecasting OLG time series reported year for group 4 regional town/city councils). These councils are similar in size to Lithgow and are used for comparison. Within this group, Lithgow’s average rates for residential (ranking lowest) and farmland (ranking second lowest) are well below these comparable councils. Business rates sit just above average levels. When allowing for the proposed SRV (option 1), Lithgow’s average residential rates will still be at the lower end of the range for group for regional town/city councils (estimated to rank 22<sup>nd</sup>). Average farmland rates will also be below average, whilst business rates will be above the average (ranking 6<sup>th</sup> highest).

**Figure 5 Actual (2021) rates as a percentage of operating expenses for OLG Group 4 regional town/city councils**

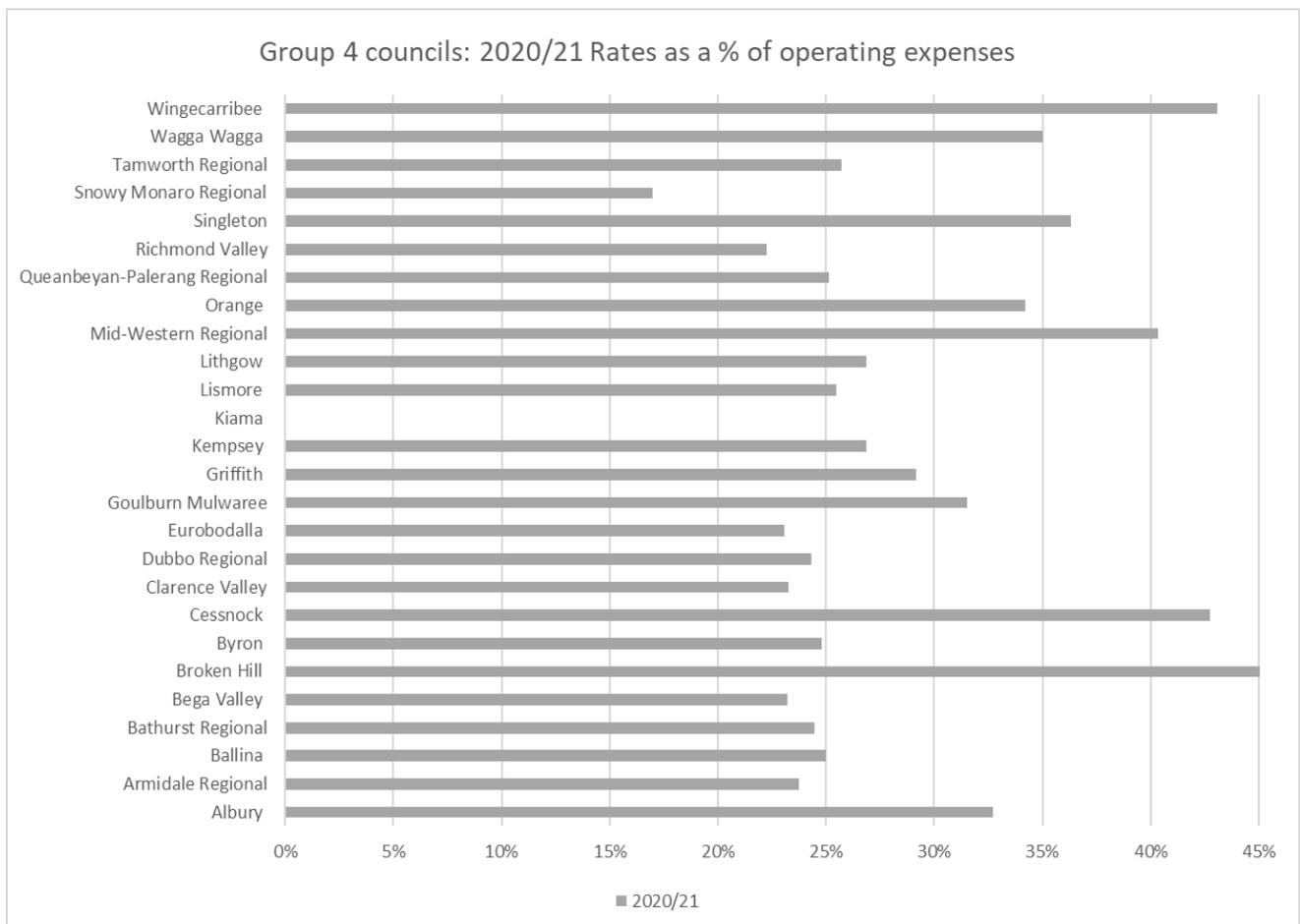


Figure 5 shows total council rates as a percentage of operating expenditure for group 4 regional town/city councils. For the 2020/21 financial year Broken Hill had the highest level of rates as a percentage of operating expenses (at 45%), and at the lower end was Snowy Monaro at 17%. The average for group for regional town/city councils was 29%. Lithgow ranked 12th out of 25 councils, with rates income representing 27% of total operating expenditure. A lower percentage is an indication that Council's rates are below the level required to service the community.

**Table 19 Actual outstanding rates and charges for OLG Group 4 regional towns/city councils**

Rates and Annual Charges Outstanding (%)	2020/21	2019/20	2018/19
Albury	12%	11%	11%
Armidale Regional	5%	6%	5%
Ballina	4%	5%	3%
Bathurst Regional	6%	6%	6%
Bega Valley	7%	6%	5%
Broken Hill	16%	15%	12%
Byron	8%	7%	5%
Cessnock	6%	5%	2%
Clarence Valley	7%	7%	7%
Dubbo Regional	5%	6%	5%
Eurobodalla	2%	2%	3%
Goulburn Mulwaree	4%	3%	3%
Griffith	11%	8%	6%
Kempsey	8%	10%	6%
Kiama	Not Provided	2%	2%
Lismore	9%	9%	9%
Lithgow	7%	6%	5%
Mid-Western Regional	3%	4%	4%
Orange	8%	7%	6%
Queanbeyan-Palerang Regional	9%	10%	6%
Richmond Valley	11%	12%	12%
Singleton	3%	4%	3%
Snowy Monaro Regional	21%	18%	16%
Tamworth Regional	7%	7%	5%
Wagga Wagga	5%	5%	5%
Wingecarribee	6%	4%	2%

Table 19 above shows outstanding rates and charges over the past three reporting years for NSW regional town/city (group 4) councils. The NSW benchmark for regional councils is 10%, and Lithgow has consistently been at or below this benchmark. This is an indicator of capacity and willingness to pay. For 2022 this has reduced to 5%.

## Conclusion

From our analysis it is apparent that there are significant levels of disadvantage within the LGA. Overall, the LGA scores low on SEIFA rankings of disadvantage, placing it the 14<sup>th</sup> percentile for IRSD (compared to Regional NSW which is in the 29<sup>th</sup> percentile) and within the 13<sup>th</sup> percentile for disadvantage and advantage (compared to regional NSW which is in the 32<sup>nd</sup> percentile). At an area level, it is apparent that there is inequity within the LGA, with some areas experiencing significant levels of advantage compared to other areas experiencing relatively low levels of disadvantage. It is important that Council acknowledges these levels of disadvantage within the community, and that it does not significantly marginalise particularly vulnerable individuals and households. The increases proposed under the SRV are relatively proportionate, generally aligning to the levels of advantage and disadvantage across the LGA.

Residential rates when compared with similar regional city councils (OLG group 4 classification), Lithgow City currently has the lowest average residential rates (\$869 per year). Should the SRV be implemented across the LGA residential ratepayers are estimated to be an average of \$4.01 higher than they would be under normal rate increases (rate peg). This would still mean that average residential rates will still rank towards the lowest (22<sup>nd</sup> out of 25 reporting councils) amongst similar regional city councils (\$1,110 per year).

Rural South has the highest average residential land values, and as such, the impact here will be greatest for residential ratepayers. Rates here are estimated to be \$10.00 per week higher than they would be under normal rate increases. Mitigating this is that this area has the lowest levels of disadvantage and the highest levels of equivalised income within the LGA, therefore it is considered that there is capacity to absorb the proposed increases.

Wallerawang (which ranks in the 17<sup>th</sup> percentile IRSD), Lithgow (ranks 18<sup>th</sup> percentile) and Portland (ranks in the 11<sup>th</sup> percentile) will all see much lower impact, with rates estimated to range from \$3.41 to \$4.35 per week more than they would be under normal rate increases. Average rates are estimated to be \$806, \$977 and \$766 respectively, all well below the LGA average, and also the average for comparable group 4 regional city councils. Further, these areas have the highest level of renters (who will not bear the burden of rates rises). Therefore it is considered that these areas have reasonable capacity to pay the increased value.

The area least impacted is Rural North, both in terms of level of increase (just \$2.65 per week compared to normal rate peg increase) and also in terms of number of ratepayers impacted (the lowest number of residential ratepayers).

At an overall level, Lithgow's average farmland rates currently also sit towards the lowest levels (using 2021 OLG time series data) when compared against comparable group 4 councils, and business rates are slightly above average when compared to these councils. Under the proposed SRV, average farmland rates may move into the top 15 amongst those comparable councils, and business rates may move into the top 6. Therefore, when compared to peers, it is likely that there is capacity to absorb these increases.

Further, compared to these councils, Lithgow has low levels of rates income as a percentage of operating expenses when compared to similar councils, indicating capacity of ratepayers to absorb rises. Council also has low levels of outstanding rates (in 2021, despite the impact of COVID-19, only climbing as high as 7%, and in 2022 it was 5%), and has been consistently below regional benchmarks (10%), indicating strong capacity and willingness to pay.