



# REPORT ON PROPOSED SPECIAL RATES VARIATION

For Singleton Council

# REPORT ON PROPOSED SPECIAL RATES VARIATION

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## EXECUTIVE SUMMARY

Singleton Council seeks to build a sustainable future for ratepayers. Recognising the issue of meeting the performance benchmarks as set out by the 'Fit for the Future' reform package ensuring the adequate funding for asset renewal and maintenance, Council is considering securing its rates revenue by increasing rates across all categories through a Special Rates Variation (SRV).

In addition to the SRV, the Council is proposing to implement a notional rate mix change. Under the proposed rate mix change, the residential proportion of the total rate yield will decline by 1.85 percentage points and the farmland proportion will remain unchanged. Both the business and mining proportions will increase by 0.87 and 0.98 percentage points respectively.

### Proposed notional rate mix change

Notional Rate Mix	Residential	Business	Farmland	Mining
Current rate mix	46.66%	9.63%	9.19%	34.52%
Proposed rate mix	44.81%	10.50%	9.19%	35.50%
Difference	-1.85	0.87	0.00	0.98

Council seeks to increase residential, farmland and business rates over a four year period commencing 1 July 2016. Under the proposed notional rate mix change and the proposed SRV the average annual rate increase for the years 2016/17 to 2019/20 is 8.81% for residents, 13.38% for businesses and 10.19% for farmland which includes an estimated rate peg of 2.5%.<sup>1</sup>

### Rate yield under the proposed rate mix change and SRV

Rate Yield	Residential (\$)	Business (\$)	Farmland (\$)
2015/16	7,266,742	1,499,677	1,431,457
2016/17	7,656,989	1,794,228	1,570,403
2017/18	8,157,539	1,911,449	1,672,852
2018/19	8,953,311	2,097,844	1,836,212
2019/20	9,826,775	2,302,404	2,015,178

### Percentage change under the proposed rate mix change and SRV

Annual Growth	Residential (% change)	Business (% change)	Farmland (% change)
2016/17	5.37%	19.64%	9.71%
2017/18	6.54%	6.53%	6.52%
2018/19	9.75%	9.75%	9.77%
2019/20	9.76%	9.75%	9.75%
Annual Average <sup>2</sup>	8.81%	13.38%	10.19%

<sup>1</sup> Estimated rate peg has been set by Council in lieu of IPART's 2016/17 determination.

<sup>2</sup> Annual Average growth has been calculated as follows: (Rate yield of year 2019/20 divided by the rate yield for year 2016/17) divided by the number of years over the SRV period.

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**Note:** Singleton Council has an existing SRV that expires on the 30 June 2017 which will reduce Council's General Rate income by approximately \$501,000 from the 2017/18 financial year<sup>3</sup>.

The Western Research Institute (WRI) was engaged to assess the impact of the implementation of the proposed rate increases. As part of this impact assessment, WRI considered the following questions:

- Is the proposed rates increase comparable to other price and cost increases in Singleton Local Government Area (LGA)?
- What is the impact of the proposed rates increase on household expenditure and business viability?
- What is the impact of the proposed rates increase on Singleton LGA's ranking relative to its peers in terms of personal income and socio-economic indicators?

This report examines the impact of the proposed rates increase (and change in notional rate mix) on general rates only for residential, farmland and non-farmland business. A comparison of mining rates across LGAs is not feasible and therefore not included in this report. In addition, selected comparisons to the impacts of the SRV alone (**without** a notional rate mix change) are also provided.

## Summary

WRI has analysed the rates increases proposed by Singleton Council in terms of comparison with other costs and prices, impact on households, farms and non-farm businesses, and the ranking of Singleton Council against peer LGAs.

For households, compared to other costs and prices, understanding the impact and the ranking of the Council against its peers, the reasonableness tests are partially satisfied. The following results were found:

- The proposed rate increase will be **below** experienced and forecast price changes in childcare, electricity and gas prices. The rate increase will exceed experienced and forecast price changes in all other cost categories. However, when examining the impact of the SRV only (**without** a notional rate mix change) on price changes, the planned SRV will be **below** experienced and forecast changes for only 1 out of the 19 cost categories.
- The proposed increase of residential rates in Singleton is likely to have a negligible impact, because under the proposed SRV, rates as a percentage of total household expenditure will not change, remaining constant at 0.01% between 2016/17 and 2019/20 in the 'All households' category. Therefore, the proposed SRV will not unduly compromise residents overall expenditure and the reasonableness criterion is satisfied.
- Singleton residential rates have been rising in accordance with its peer LGAs' rates, Singleton Council ranks favourably, having rates well below the respective peer group median. This indicates that Singleton residents are likely to be able to continue to pay their rates under the SRV.
- Regarding the affordability of the increase across socio-economic indicators, Singleton is ranked favourably against its peers and within NSW LGAs. Socio-Economic Indexes for Areas (SEIFA) rankings suggest Singleton is less disadvantaged relative to its peers. In addition, Singleton Council

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<sup>3</sup> Singleton Council

has a rates hardship policy in place that provides assistance to ratepayers who are experiencing genuine difficulties with the payment of their rates and charges.

The results for farmland businesses are variable; on price comparisons the reasonableness test is not satisfied however in understanding the impact and ranking of the council to its peers, the reasonableness tests are satisfied in part. The following results were found:

- The rates increase under the SRV will be above assumed changes in all input and output prices and wage costs. Under the SRV, the proposed farm rate increases will exceed experienced and forecast price changes in all categories.
- In terms of impact, the rates/value added ratio is above 1%, however the change in this ratio is less than 1%.
- Singleton rates have been rising steadily along with those of Group 4 LGAs and neighbouring LGAs. When comparing Singleton farmland businesses to other farmland rates in peer LGAs, it is considered to have relatively lower rates. Its position is expected to remain unchanged throughout the SRV period.

The results for non-farm businesses are considered to be variable; on price comparisons the reasonableness test is not satisfied, however in understanding the impact and ranking of the council to its peers the reasonableness test is satisfied in part. The following results were found:

- The rates increase under the SRV will be above assumed changes in all input and output prices and wage costs. Under the SRV the proposed business rates increase will exceed experienced and forecast price changes in all other non-farm cost categories. Therefore, the reasonableness test for input and output prices and wages is not satisfied.
- The proposed rates increases under the SRV are considered serviceable for non-farm businesses and will not have a significant impact on their financial bottom line.
- Singleton rates have been rising in line with those of Group 4 LGAs and neighbouring LGAs. When comparing Singleton non-farm businesses to other non-farm business rates they remain well below their peer LGAs. It is expected that Singleton's non-farm business rates position is expected to remain unchanged throughout the SRV period.

# REPORT ON PROPOSED SPECIAL RATES VARIATION

## 1. INTRODUCTION

Singleton Council seeks to secure its rate revenue and increase the ordinary rates by means of a Special Rate Variation. The SRV is important for long term financial sustainability and to sustain council services to the community. The SRV funding will provide a sustainable increase in rates revenue across all rating categories and will be used to address the following:

- To meet the performance benchmark ratio as set out by the NSW Government reform package 'Fit for the Future' within 5 years<sup>4</sup>.
- To generate revenue that will go back into asset maintenance and renewal ensuring council's infrastructure is adequately funded removing the burden on future generations<sup>5</sup>.

In addition to the SRV, the Council is proposing to implement a notional rate mix change. Under the proposed rate mix change, the residential proportion of the total rate yield will decline by 1.85 percentage points and the farmland proportion will remain unchanged. Both the business and mining proportions will increase by 0.87 and 0.98 percentage points respectively.

**Table 1: Proposed notional rate mix change**

Notional Rate Mix	Residential	Business	Farmland	Mining
Current rate mix	46.66%	9.63%	9.19%	34.52%
Proposed rate mix	44.81%	10.50%	9.19%	35.50%
Difference	-1.85	0.87	0.00	0.98

Council seeks to increase residential, farmland, business rates over a four year period commencing 1 July 2016. Under the proposed notional rate mix change and the proposed SRV the average annual rate increase for the years 2016/17 to 2019/20 is 8.81% for residents, 13.38% for businesses and 10.19% for farmland which includes an estimated rate peg of 2.5%.<sup>6</sup>

**Table 2: Rate yield under the proposed rate mix change and SRV**

Rate Yield	Residential (\$)	Business (\$)	Farmland (\$)
2015/16	7,266,742	1,499,677	1,431,457
2016/17	7,656,989	1,794,228	1,570,403
2017/18	8,157,539	1,911,449	1,672,852
2018/19	8,953,311	2,097,844	1,836,212
2019/20	9,826,775	2,302,404	2,015,178

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4 <http://www.fitforthefuture.nsw.gov.au/> Accessed 21.09.15

5 <http://www.singletonargus.com.au/story/3363978/rate-rise-needed-to-guarantee-singleton-council-fit-for-the-future/?cs=1534>  
Accessed 21.09.15

6 Estimated rate peg has been set by Council in lieu of IPART's 2016/17 determination.

**Table 3: Percentage change under the proposed rate mix change and SRV**

Annual Growth	Residential (% change)	Business (% change)	Farmland (% change)
2016/17	5.37%	19.64%	9.71%
2017/18	6.54%	6.53%	6.52%
2018/19	9.75%	9.75%	9.77%
2019/20	9.76%	9.75%	9.75%
Annual Average <sup>7</sup>	8.81%	13.38%	10.19%

**Note:** Singleton Council has an existing SRV that expires on the 30 June 2017 which will reduce Council's General Rate income by approximately \$501,000 from the 2017/18 financial year<sup>8</sup>.

By the end of the proposed notional rate mix and SRV implementation period, the cumulative increase across residential rates in Singleton Council will be 35.23%, 40.78% across farmland rates and 53.53% across business rates.

If the notional rate mix remained unchanged, the average annual rate increase under the proposed SRV for the years 2016/17 to 2019/20 is approximately 8.95% which includes an agreed rate peg of 2.5%<sup>9</sup>.

**Table 4: Percentage change under the proposed SRV**

Annual Growth	Residential	Business	Farmland
2016/17	9.73	9.74	9.71
2017/18	6.53	6.53	6.52
2018/19	9.76	9.76	9.77
2019/20	9.75	9.75	9.75
Average	8.94	8.95	8.94

The rate increase will be in excess of the pegging percentage set by IPART, and therefore a separate application by Council has to be made to IPART, providing justification for a rates increase above the pegging threshold.

IPART guidelines specify that the relevant evidence supporting the application for the rate increase should include a discussion of the community's capacity to bear the effects of the rate increase (e.g. the SEIFA rankings, disposable income levels, land values), and a comparison of rate levels and socio-economic indicators with peer group councils.

The following report gives due consideration to IPART guidelines and examines three issues pertaining to the proposed rate increases and Singleton Council's application to IPART. The three issues are:

- The comparison of the proposed rate increases with the increase in costs and prices, recently experienced by Singleton Council residents and farm and non-farm businesses.

<sup>7</sup> Annual Average growth been calculated as follows: (Rate yield year 2019/20 divided by the rate yield for 2016/17) divided by the number of years over the SRV period.

<sup>8</sup> Singleton Council

<sup>9</sup> The annual rate for 2017/18 represents the loss of an existing SRV therefore reducing the average annual growth rate.

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- The impact of the proposed rate increases on Singleton Council residents' household expenditure, and the viability (financial bottom line) of Singleton Council farm and non-farm businesses.
- A comparison of the socioeconomic indicators in the Singleton Council area and peer local government areas (LGAs), following the implementation of the rate increases.

Singleton Council is also planning a special rate variation for the mining category for the period 2016/17 to 2019/20 however mining rates were not considered in this report because a comparison of mining rates across LGAs is not feasible.<sup>10</sup>

This report examines the impact of the proposed rates increase on general rates only (residential, farmland and business) in the case of an SRV implemented and notional rate mix change. In addition, selected comparisons to the impacts of the SRV alone (**without** a notional rate mix change) are also provided.

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<sup>10</sup> Office of Local Government, NSW Government, Comparative Information on NSW Local Government Councils, 2013/14: For the LGA's in the Group 4 peers; only 12 LGAs have data that is available for comparison. However this data is variable (different mining categories, mining lifecycles and size variations) and a direct comparison cannot be made.



## 2. METHODOLOGY

This report analyses the proposed rate increases for reasonableness. Three aspects of reasonableness are considered - price comparison, impact and peer comparison.

### Price comparisons

To determine the reasonableness of the rate increases for households, this report first considers cost increases of major items of goods, services and utilities borne by households over the last 4 years. It is assumed, for the purposes of this report that similar increases will occur over the 4 year SRV implementation phase.

To determine the reasonableness of the rate increases for farm businesses, input price increases over the last 4 years for major farm inputs are considered, while for non-farm businesses, input price increases over the last 4 years for each of the major industries in Singleton Council LGA are considered. Again it is assumed that similar increases will occur over the 4 year SRV implementation phase.<sup>11</sup>

The rate increase is considered reasonable if:

- It is in line with the majority of other price and cost increases over the next 4 years; or
- If the proposed rate increases are **below** experienced and forecast price changes over the 4 year period<sup>12</sup>.

### Impact

The impact of the rate increase for households will depend upon the relative size of the rate increase in the household budget. Actual estimates of household expenditure and individual expenditure items in Singleton are not available, but proxy estimates can be constructed from the Australia-wide household expenditure survey and Singleton's average household income. Proposed residential rates can then be compared to the average expenditure of Singleton's households. The relevant calculations are performed for all households, as well as for households that have various income levels (income quintiles), sources of income (wages and salaries, superannuation and annuities etc), and households that receive various forms of government payments (age pension, unemployment benefits etc).

The impact of the rate increase on households is considered insignificant if rates, as a percentage of household expenditure, change by less than 1 percentage point, and the level of rates as a percentage of household expenditure remains under 1%.

The impact of the rate increase for Singleton farm and non-farm businesses will depend upon how the increase affects the business bottom line or Gross Operating Surplus (GOS). Figures for GOS across businesses in Singleton are not available but GOS is part of the value-added of Singleton's industry and the two concepts are related. Therefore, the ratio of rates to industry value added is a good proxy for the

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<sup>11</sup> The timeframes over which price index changes are measured may shift slightly depending on the data available at the time of reporting.

<sup>12</sup> Measured as changes in prices over the past 4 years plus assumed changes in prices over the next 4 years minus past rate changes.

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impact of rates on industry viability and is used in the analysis of Singleton Council industries over the 2015/16 – 2019/20 periods.<sup>13</sup>

The impact of the rate increase on the viability of Singleton Council businesses is considered insignificant if the rate increase as a percentage of industry value added changes by less than 1 percentage point, and the level of rates as a percentage of industry value added remains under 1%. This assumes company tax of 30% has been deducted.

## Peer Comparison

Singleton Council is compared to three peers: New South Wales as a whole, 'Group 4 LGAs' to which Singleton Council belongs and a combined 'Group 4 & neighbouring LGAs'. Group 4 LGAs include Albury, Armidale, Ballina, Bathurst, Bega, Broken Hill, Byron, Cessnock, Clarence, Deniliquin, Dubbo, Eurobodalla, Goulburn, Great Lakes, Greater Taree, Griffith, Kempsey, Kiama, Lismore, Lithgow, Maitland, Mid-Western, Orange, Port Stephens, Queanbeyan, Richmond, Shellharbour, Tamworth, Wagga Wagga and Wingecarribee. Neighbouring LGAs include Cessnock, Dungog, Hawkesbury, Lithgow, Maitland, Mid-Western Regional, Muswellbrook and the Upper Hunter Shire.<sup>14</sup>

Specifically, WRI has examined whether rates in Singleton have been in line with its peers, and how Singleton Council has ranked relative to its peers in areas such as socio-economic disadvantage of its population and average personal incomes. This latter aspect is crucial, as a low ranking in this area may point to the unaffordability of the rates' increase. In addition WRI makes a projection of the future ranking of Singleton Council in terms of rates.

The rate increases are considered consistent with Singleton Council rankings in terms of personal income and socio-economic (dis-)advantage, if:

- Following the implementation of the SRV, the rates ranking of Singleton Council is brought in line with its average personal income ranking;
- Some form of assistance accompanying the rate increases is provided in order to compensate for the rate increases in Singleton Council over the 4 year period.

Appendix 1 outlines the methodological procedures employed, assumptions made, intermediate results and data sources.

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<sup>13</sup> It should be noted that rates are tax deductible so for the comparison the company tax rate should be deducted from the rate increase.

<sup>14</sup> See Appendix 2 for Map of Singleton and Neighbouring LGAs.

### 3. RESULTS

#### 3.1 Price comparisons

##### a. Households

When assessing proposed rate increases in Singleton, WRI assumed that for all cost items, the past growth trend is likely to continue in the short term with cumulative price increases between 2016/17 – 2019/20 being commensurate with Consumer Price Index (CPI) gains between June 2011 and June 2015. This view is based on forecasts by the Reserve Bank of Australia<sup>15</sup> and the Commonwealth Government of no major acceleration or deceleration of inflation in the short term.

Table 5 (overleaf) shows uneven inflation over the past four years across selected industries and sectors. The cumulative All Groups CPI change for the period June 2011 to June 2015 was 9.17%. Utilities, as a combination of all services, rose by 29.21%. Gas (49.89%), electricity (31.76%) and childcare (31.50%) experienced the greatest cost changes while communications (-0.71%) experienced the smallest change. Household equipment and clothing and footwear, declined by 7.75% and 2.74% respectively, while healthcare, travel and accommodation and property rates and charges rose by 21.05%, 10.15% and 21.09% respectively. The cost of goods component of the 'All groups' CPI rose by 5.38% over the past four years, while the services component experienced a 14.21% growth for the same period.

The data in Table 5 (Column 2) suggests the proposed SRV (including rate peg), which will see a 35.23% cumulative increase in residential rates over the SRV implementation period, will be:

- below assumed price changes for gas; and
- above assumed price changes for all other categories.

Table 5 (Column 3) also indicates that the proposed rate increase will be **below** experienced and forecast price changes in childcare, electricity and gas prices. The rate increase will exceed experienced and forecast price changes in all other cost categories.

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<sup>15</sup> <http://www.rba.gov.au/media-releases/2014/mr-14-19.html>

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The cumulative increase of the proposed SRV (**without** a notional rate mix change) would be 40.80%, representing a 5.57 percentage point increase above the combined rate and notional rate mix change. In this case, the proposed SRV will be **below** experienced and forecast price changes for one of the 19 cost categories (gas prices).

**Table 5: Actual and projected costs for Singleton Council households based on Sydney CPI (cumulative % change)**

Period	Past change June 2011 - June 2015)	Assumed change (2016/17 - 2019/20)	Past change + Assumed change - past rate change
All groups CPI	9.17	9.17	-7.43
1. Services	14.21	14.21	2.64
Healthcare	21.05	21.05	16.31
Education	26.97	26.97	28.17
Insurance and financial services	12.17	12.17	-1.44
Travel and accommodation	10.15	10.15	-5.47
Recreation and culture	2.60	2.60	-20.58
Communications	-0.71	-0.71	-27.19
Child care	31.50	31.50	37.22
2. Goods	5.38	5.38	-15.01
Food and beverages	2.15	2.15	-21.49
Alcohol and tobacco	19.43	19.43	13.08
Clothing and footwear	-2.74	-2.74	-31.26
Household equipment	-7.75	-7.75	-41.29
3. Utilities	29.21	29.21	32.64
Electricity	31.76	31.76	37.74
Electricity (AEMO forecast)	8.82	4.61	-12.35
Gas	49.89	49.89	74.01
Water and sewerage	11.62	11.62	-2.55
4. Property rates and charges	21.09	21.09	16.40
5. Singleton rates	25.78		
Special rate variation		35.23	

WRI has sought to verify likely electricity price projections from a number of sources. The information available is highly variable. The Australian Energy Market Operator, which operates Australia's National Electricity Market (NEM), provides aggregated State data on both electricity consumption and price. The

Total Electricity Price Index (TEPI) forecasts a 4.61% cumulative price change for NSW electricity over the SRV implementation period<sup>16</sup>.

This information implies that it is likely that the rate increases proposed by Singleton Council will exceed anticipated changes in electricity prices in the short term.

*For Singleton Council households:*

- *The proposed cumulative rates increase under the SRV will be below assumed price changes for gas.*
- *Under the SRV, the proposed residential rate increase will be below experienced and forecast price changes in gas, electricity and childcare but will exceed experienced and forecast price changes in all other cost categories.*

*Overall, the reasonableness criterion is only partially satisfied (3 of the 19 categories).*

## b. Farm businesses

In assessing proposed farmland rate increases in Singleton, WRI assumed that input cost changes that Singleton Council farm businesses will experience over the SRV implementation period (2016/17 – 2019/20) will be identical in terms of magnitude to the input cost changes experienced over the 2009/10 - 2013/14 period.<sup>17</sup>

Table 6 (overleaf) shows the variation in farm input costs over the 2009/10 - 2013/14 period. Large increases were seen in costs associated with electricity (30.75%), seed, seedlings & plants (19.96%), marketing (18.82%) fuel & lubricants (15.31%) and labour (10.78%), while major farm inputs relating to fodder & feedstuff (12.23%), chemicals (2.27%) and fertiliser (1.81%), declined over the period. Other major farm inputs including store and breeding stock, rose by 5.35%.

The proposed farmland rate increases under the SRV (40.78% cumulative increase over 2016/17 – 2019/20 period) will be **above** all input price changes likely to be experienced by farm businesses in the Singleton Council.

When examining the impact of the SRV on price changes the planned SRV will exceed experienced and forecast changes for all of the cost categories. The total change of the proposed SRV (**without** a notional rate mix change) will remain at 40.78%. So, the impact will remain the same as for the case where the SRV is accompanied by a notional rate mix change.

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<sup>16</sup> The AEMO TEPI is a real index and does not take into account inflation, while the electricity CPI is a nominal index.

<sup>17</sup> However, it is plausible for agriculture that future price changes will not mirror past price changes as it is unlikely the Australian dollar will appreciate to the same extent as in the past.

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**Table 6: Farm business input costs<sup>18</sup> (cumulative % change)**

Farm Inputs	Past Change - (2009/10 - 2013/14)	Assumed change (2016/17 - 2019/20)	Input prices (past change + assumed change - past rate change)
<b>Materials and services</b>			
Fodder and feedstuffs	-12.23	-12.23	-67.13
Seed, seedlings and plants	19.96	19.96	-2.74
Store and breeding stock	5.35	5.35	-31.96
Chemicals	-2.27	-2.27	-47.21
Electricity	30.75	30.75	18.82
Fertiliser	-1.81	-1.81	-46.29
Fuel and lubricants	15.31	15.31	-12.05
<b>Labour</b>	10.78	10.78	-21.10
<b>Marketing</b>	18.82	18.82	-5.03
<b>Overheads</b>			
Insurance	16.76	16.76	-9.16
Interest paid	-23.33	-23.33	-89.33
Rates and taxes	10.78	10.78	-21.10
Other Overheads	11.60	11.60	-19.47
<b>Capital items</b>	11.48	11.48	-19.70
Singleton rate variation			
Past farmland rate change	42.67		
-Special Rate variation (including rate peg)		40.78	

*For Singleton Council farmland:*

- *The rates increase under the SRV will be above assumed changes in all input and output prices and wage costs.*
- *Under the SRV, the proposed farm rate increases will exceed experienced and forecast price changes in all categories including past rate increases.*

**Overall, the reasonableness criterion is not satisfied**

<sup>18</sup> ABARES Agricultural Commodity Statistics 74a and b - Indexes of prices paid by farmers in Australia.

## c. Non-farm businesses

Table 7 (below) shows variation in input/output prices and wage costs across non-farm business industries over the 2009/10 - 2014/15 periods. In the mining industry, metal ore and coal experienced input price declines of 17.05% and 45.93% respectively, with wage costs rising by 13.75%. Wage cost increases were seen in electricity (15.44%), public administration and safety (12.75%), manufacturing (12.65%), house construction (12.62%), accommodation and food services (11.03%), education and training (12.31%) and healthcare and social assistance (12.28%) industries. Output prices for road and bridge construction (11.72%) exceeded the cumulative CPI (9.17%) for the same period. The smallest change in non-farm business costs over the 2009/10 - 2014/15 period occurred in manufacturing (1.69%).

The proposed cumulative business rates increase under the SRV (53.53%) will be above all price and cost changes likely to be experienced by non-farm businesses in the Singleton Council area (Table 8, overleaf).

**Table 7: Non-farm business costs (2010/11 – 2014/15 cumulative % change)**

Industry	Input prices	Output prices	Wages
Metal ore mining	-17.05		13.75
Coal mining	-45.93		13.75
Electricity	25.05		15.44
Manufacturing	1.69		12.65
House construction	7.41		12.62
Road & bridge construction		11.72	
Non-residential construction		5.23	
Accommodation & food services		3.33	11.03
Rail freight		8.81	
Road freight		7.91	
Public administration & safety			12.75
Education & training			12.31
Health care & social assistance			12.28
Imported materials	10.61		
Domestic materials	-3.74		
Intermediate inputs	5.03		
Singleton rates variation			
- Special rate variation (non-farm businesses)	53.53		

The total cumulative increase of the proposed SRV (without a notional rate mix change) would be 40.83%, representing a 12.70 percentage point decrease below the combined rate and notional rate mix change. However, the planned SRV will exceed experienced and forecast changes for all of the cost categories.

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**Table 8: Comparison of rate increases with experienced and forecast price and costs changes**

Industry	Input prices (past change + assumed change - past rate change)	Output prices (past change + assumed change - past rate change)	Wages (past change + assumed change - past rate change)
Metal ore mining	-77.04		-15.44
Coal mining	-134.80		-15.44
Electricity	7.16		-12.06
Electricity (AEMO forecast)	-13.28		-12.06
Manufacturing	-39.57		-17.64
House construction	-28.13		-17.72
Road construction & maintenance		-19.51	
Non-residential construction		-32.49	
Accommodation & food services		-36.28	-20.89
Rail freight		-25.33	
Road freight		-27.12	
Public administration & safety			-17.45
Education & training			-18.33
Health care & social assistance			-18.38
Imported materials	-21.72		
Domestic materials	-50.42		
Intermediate inputs	-32.89		
Past business rate change (2010/11 to 2014/15)	42.95		
<b>Singleton Council</b>			
Special rate variation (non-farm businesses)	53.53		

**Note.** For the purpose of this assessment an assumption was made that changes in imported and domestic material prices and intermediate input prices would affect all industries.

*For Singleton Council non-farm businesses:*

- The rates increase under the SRV will be above assumed changes in all input and output prices and wage costs.
- Under the SRV the proposed business rate increase will exceed experienced and forecast price changes in all other non-farm cost categories.
- **Overall, the reasonableness criterion is not satisfied.**



## 3.2 Impact

### a. Household expenditure

Table 9 presents residential rates as a proportion of the overall expenditure of Singleton households currently and under the proposed SRV (with a notional rate mix change).

**Table 9: Singleton Council rates as a proportion of total expenditure (% in 2019/20)**

#### a). Level of income

	Lowest	Second	Third	Fourth	Highest	All households	Second and third deciles
Initial (2014/15)	0.02	0.01	0.01	0.01	0.01	0.01	0.02
After SRV implementation (2019/20)	0.02	0.02	0.01	0.01	0.01	0.01	0.02
Change (2014/15-2019/20)	0.00	0.00	0.00	0.00	0.00	0.00	0.00

#### b). Sources of income

	Wages and salaries	Own unincorporated business income	Other income	All households
Initial (2014/15)	0.01	0.01	0.01	0.01
After SRV implementation (2019/20)	0.01	0.01	0.01	0.01
Change (2014/15-2019/20)	0.00	0.00	0.00	0.00

#### c). Sources of government transfers

	Receives age Pensions	Receives disability and carer payments	Receives unemployment and study payments	Receives family support payments	Receives other payments
Initial (2014/15)	0.02	0.02	0.02	0.02	0.02
After SRV implementation (2019/20)	0.03	0.02	0.03	0.02	0.03
Change (2014/15-2019/20)	0.00	0.00	0.00	0.00	0.00

#### Notes:

1. Changes are calculated as rates/household expenditure ratio in 2019/20 minus rates/household expenditure ratio in 2014/15.
2. The change from 2014/15 – 2019/20 is not exact due to rounding.

WRI notes that Singleton Council has a rates hardship policy in place that provides assistance to ratepayers who are experiencing genuine difficulties with the payment of their rates and charges.<sup>19</sup>

<sup>19</sup> Applications under the Singleton Council Financial hardship policy, seek to provide; assistance to ratepayers who are experiencing genuine difficulties with the payment of their rates and charges; and to provide a decision making framework for the appropriate assessment of all financial hardship applications. May 2013.

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Council also provides a rebate to assist the payment of ordinary rates and a rebate to assist the payment of sewer charges to eligible pensioners in accordance with Section 575 of the Local Government Act 1993. Singleton Council have indicated that, based on the number of assessments and pension claims this year, only 10.6% of the rate base are eligible pensioners. As a result, rates as a proportion of total expenditure are likely to be smaller for these ratepayer categories than the numbers in Table 9 indicate.

It is shown that:

- Under the proposed SRV, the total cost of residential rates incurred by the households in the lowest quintiles will not exceed 0.02% of the total expenditure by 2019/20.
- For those households receiving the age pension, the costs will stand at 0.03% of total expenditure under the proposed SRV.
- For all categories of government support recipients, under the proposed SRV the rates/household expenditure ratio will remain between 0.02% and 0.03% in 2019/20.
- For all households, the cost of residential rates will be 0.01% of total expenditure under the proposed SRV in 2019/20 financial year.

When examining the impact of the SRV only, there is little to no change for the period 2014/15 – 2019/20.

*The proposed increase of residential rates in Singleton is likely to have a negligible impact, because under the proposed SRV, rates as a percentage of total household expenditure will not change remaining constant at 0.01% between 2016/17 and 2019/20 in the 'All households' category. Therefore, the proposed SRV will not unduly compromise residents overall expenditure; the reasonableness criterion is satisfied.*

The ranking of Singleton Council against its peers in terms of rates/household expenditure ratio is modelled, assuming that Singleton Council increases its rates under the proposed SRV, while rates in Group 4 LGAs and neighbouring LGAs increase under two alternative scenarios:

**Scenario 1.** Rates in Group 4 LGAs and neighbouring LGAs increase by 7.96% per annum over 2016/17 – 2019/20 period. This weighted average rate increase is based on historical IPART determinations for NSW LGAs. These increases were permitted by IPART between 2011/12 and 2014/15 for the ten year period ending in 2020/21.

**Scenario 2.** Rates in Group 4 LGAs and neighbouring LGAs increase by 4.2% respectively per annum over 2015/16 – 2019/20 periods in line with 10 year past trend data. This past trend data has been calculated using average rates from the Office of Local Government for the period of 2004/05 to 2013/14. WRI forecasted the average rates for 2014/15 and 2015/16 based on the LGAs' past rate trend<sup>20</sup> and applied this to the 2016/17-2019/20 period.

As shown in Table 10 (overleaf), assuming peer LGAs grow at Scenario 1 growth rate, the rates/household expenditure ranking of Singleton Council LGA against its peers will remain the same if the SRV (**with** the notional rate mix change) is implemented. If peer LGAs grow at Scenario 2 growth

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<sup>20</sup> Office of Local Government, NSW Government. Comparative Information on NSW Local Government Councils, 1994/95 – 2010/11; Office of Local Government, NSW Government. Comparative Information on NSW Local Government Councils: Measuring Local Government Performance, 2012-13 and 2013/14

rates, the ranking of Singleton LGA, if the SRV (**with** the notional rate mix change) is implemented, will decline moving Singleton from 3<sup>rd</sup> lowest to 4<sup>th</sup> lowest.

WRI notes that under the proposed SRV, between 2015/16 and 2019/20 the change in rates/household expenditure ratio in Singleton LGA will not exceed one percentage point. In absolute terms the rates/household expenditure ratio will be below 1%.

*Despite the rate increase for households being considered as serviceable (as the change is less than 1%), according to the rankings the reasonableness criterion is only partially satisfied.*

**Table 10: Rates (with a notional rate mix change) as a percentage of total household expenditure in Singleton and peer LGAs**

LGA	Current (2014-15)	Scenario 1: 7.96% growth	Scenario 2: 4.2% growth
Albury City Council	0.018	0.023	0.020
Armidale Dumaresq Council	0.016	0.020	0.017
Ballina Shire Council	0.015	0.018	0.016
Bathurst Regional Council	0.014	0.018	0.015
Bega Valley Shire Council	0.019	0.024	0.021
Broken Hill City Council	0.012	0.016	0.014
Byron Shire Council	0.021	0.026	0.023
Cessnock City Council	0.016	0.020	0.018
City of Lithgow Council	0.009	0.012	0.010
Clarence Valley Council	0.018	0.023	0.020
Deniliquin Council	0.017	0.021	0.018
Dubbo City Council	0.016	0.020	0.018
Dungog Shire Council	0.013	0.016	0.014
Eurobodalla Shire Council	0.016	0.020	0.018
Goulburn Mulwaree Council	0.015	0.018	0.016
Great Lakes Council	0.022	0.028	0.024
Greater Taree City Council	0.018	0.023	0.020
Griffith City Council	0.015	0.019	0.017
Hawkesbury City Council	0.016	0.020	0.018
Kempsey Shire Council	0.016	0.021	0.018
Lismore City Council	0.021	0.026	0.022
Maitland City Council	0.014	0.018	0.015
Mid-Western Regional Council	0.014	0.017	0.015
Muswellbrook Shire Council	0.009	0.011	0.010
Orange City Council	0.017	0.022	0.019
Port Stephens Council	0.015	0.019	0.017
Queanbeyan City Council	0.013	0.016	0.014
Richmond Valley Council	0.014	0.018	0.016
Shellharbour City Council	0.017	0.021	0.018
<b>Singleton Council</b>	0.010	0.012	0.012

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Tamworth Regional Council	0.015	0.019	0.017
The Council of the Municipality of Kiama	0.020	0.025	0.022
Upper Hunter Shire Council	0.010	0.012	0.011
Wagga Wagga City Council	0.016	0.020	0.017
Wingecarribee Shire Council	0.015	0.019	0.017
Ranking of Singleton Council ( <b>with</b> a notional rate mix change)	3rd lowest	3rd lowest	4th lowest

Under the proposed SRV (**without** a notional rate mix change) Singleton Council's rankings remain the same as those reported **with** a notional rate mix change, except under scenario one whereby Singleton Council is ranked 4<sup>th</sup> lowest as seen in Table 11.

**Table 11: Rates (**without** a notional rate mix change) as a percentage of total household expenditure in Singleton and peer LGAs**

LGA	Current (2014-15)	Scenario 1: 7.96% growth	Scenario 2: 4.2% growth
Ranking of Singleton Council ( <b>without</b> a notional rate mix change)	3rd lowest	4th lowest	4th lowest

## b. Farm and non-farm business viability

The impact of farmland rates on the viability of farm enterprises will vary depending on projections of agricultural value added in Singleton and the forecast of the number of farms.

WRI examined the factors that affect agricultural production in rural NSW and Singleton and considered that a growth scenario where farm value added fluctuates around a 4 year mean is the most plausible, taking into account seasonal factors, the likelihood of drought and certain adverse economic conditions (e.g. weak Australian dollar putting pressure on input prices) that may affect agricultural producers in Singleton during 2016/17 to 2019/20.

WRI has also examined the number of farms over the last 5 years and assumed that the number of businesses in 2016/17 - 2019/20 will follow a medium to long term deterministic trend.

Table 12 shows that during the SRV implementation period, the number of farms in Singleton will decline, while agricultural value added will experience moderate growth in the 2018/19 period and falling in the next year. The implementation of the proposed SRV will result in:

- The farmland rate/value added ratio standing at 2.51% in 2019/20; and
- The farmland rate/value added ratio increasing by 0.42 percentage points between 2014/15 and 2019/20.

**Table 12: Farmland rates and farm business viability**

Year	Farmland rates (\$)	No. of farms	Value added (\$M)	Rates/value added (%)
2014/15	1481	951	47.24	2.09
2015/16	1516	951	45.27	2.23
2016/17	1664	912	53.91	1.97
2017/18	1772	874	52.86	2.05
2018/19	1945	838	48.98	2.33
2019/20	2135	803	47.76	2.51
Change (2014/15-2019/20)				0.42

**Notes:**

1. The results presented in the table have been generated assuming the random fluctuation of aggregate farm value added in Singleton LGA. The magnitude of fluctuation and the aggregate farm value added levels were specified based on REMPLAN data provided by Council for August 2015.
2. Rates have been deflated by the 30% company tax rate before calculating the rates/value added ratio.
3. The number of farms in 2015/16 – 2019/20 is assumed to follow a medium to long-term trend, with an annual decrease of 4.14%. This rate was determined in consultation with Singleton Council as farm numbers declined significantly between 2010/11 -2011/12. This decline was due to land rezoning from farming to residential and adverse market condition.

WRI examined the number of non-farm business in Singleton over the last 10 years and assumed that the number of non-farm businesses between 2016/17 and 2019/20 will follow a long term deterministic trend. Regarding the viability of non-farm businesses, with a small number of businesses and high value added, the average revenues of non-farm businesses were high and therefore the business rates/value added ratios quite low. WRI assumes that this structural pattern will be preserved during the course of the SRV implementation.

Table 13 (overleaf) shows that the implementation of the proposed SRV is expected to result in:

- The business rates/value added ratio being 0.04% by 2019/20; and
- The business rates/value added ratio slightly increasing between 2014/15 and 2019/20.

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**Table13: Business rates and non-farm business viability**

Year	Business rates (\$)	No. of businesses	Value added (\$'000)	Rates/value added (%)
2014/15	1680	872	3,583	0.03
2015/16	1705	871	3,720	0.03
2016/17	2039	890	3,863	0.03
2017/18	2173	910	4,011	0.03
2018/19	2385	930	4,165	0.04
2019/20	2617	950	4,325	0.04
Change (2014/15 - 2019/20)				0.01

**Notes:**

1. The number of businesses for 2015/16 has been provided by Singleton Council. The number of businesses in 2016/17 to 2019/20 is assumed to follow a long term trend.
2. Rates have been deflated by the 30% company tax rate before calculating the rates/value added ratio.
3. The results presented in the table have been generated assuming the growth of non-farm value added in Singleton is 2.02% per annum over the next 4 years.

The viability of non-farm businesses and businesses under the proposed SRV (without a notional rate mix change) did not reveal any significant differences to those presented above for the combined notional rate mix change and SRV.

*The proposed rates increases under the SRV are considered serviceable for non-farm businesses and will not have a significant impact on their financial bottom line.*

*Overall the **reasonableness criterion is satisfied** for both farm and non-farm businesses.*

## 3.3 Peer Comparison: Singleton Council and its peers

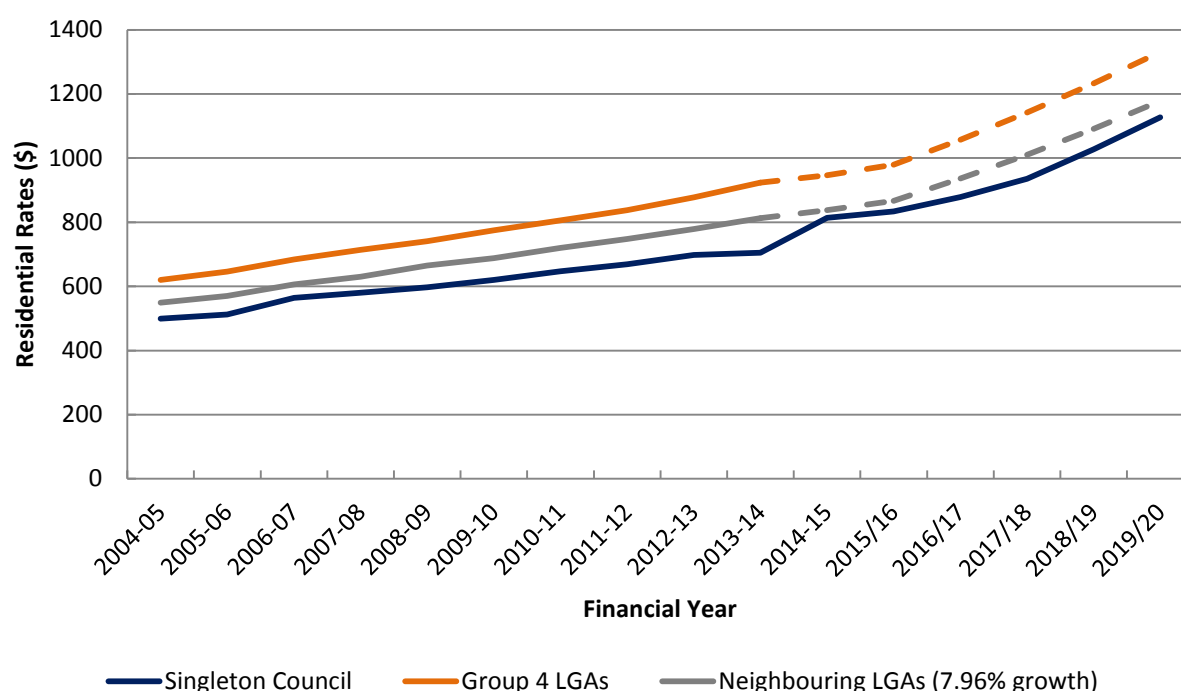
WRI has examined past and projected council rates in Singleton, Group 4 peer LGAs and neighbouring LGAs (Cessnock, Dungog, Hawkesbury, Lithgow, Maitland, Mid-Western Regional, Muswellbrook and Upper Hunter Shire) in the context of the proposed SRV.

In addition, WRI considered the likelihood of rate changes in peer LGAs over the 2015/16-2019/20 period. As stated in the 2009-12 NSW Treasury Corporation report, the financial position of 78% of NSW local governments was either moderate or unsustainable, meaning that raising funds via rate increases to address operational deficits and infrastructure backlogs would be needed.<sup>21</sup>

As to the magnitude of the likely rates' increase, historical IPART determinations can provide guidance. The weighted average annual rate increase permitted under IPART determinations for Group 4 LGAs has been estimated at 7.32%, while the weighted average for Singleton neighbouring LGAs has been estimated at 7.05%. For the purpose of this assessment, WRI has assumed rates in all peer LGAs will grow at a weighted average annual rate of 7.96% over 2016/17 – 2019/20, based on historical IPART determinations for NSW LGAs (scenario 1).

### a. Residential, farmland and business rate comparisons using Scenario 1 for peer LGAs – Growth at 7.96% per annum

**Figure 1: Growth in annual residential rates**



**Note.** Past trend data has been calculated using average rates from the Department of Local Government for the period of 2004/05 to 2013/14, this is shown as a solid line for Singleton, Group 4 LGAs and Neighbouring LGAs. WRI forecasted the average rates for 2014/15 - 2019/20 period for Group 4 LGAs and neighbouring LGAs, this is

21 New South Wales Treasury Corporation. Financial Sustainability of the New South Wales Local Government Sector: Findings, Recommendations and Analysis, April 2013, p. 10.

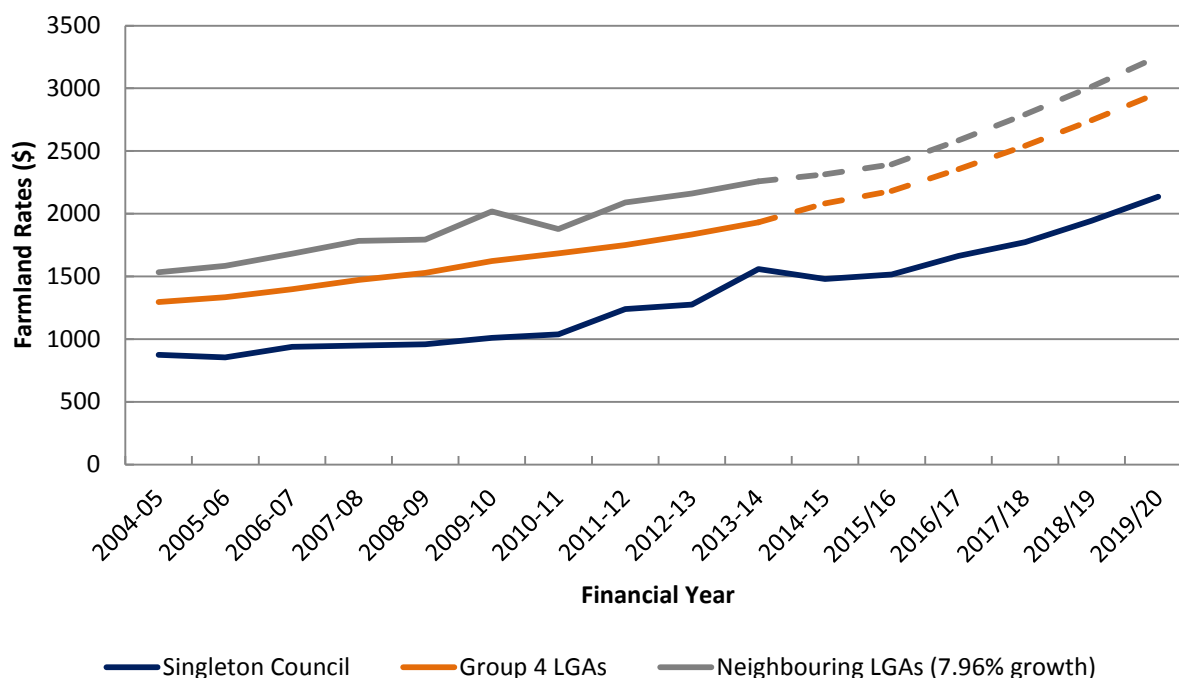
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shown as a dotted line. Singleton Council provided actual rates data for the period 2013/14 - 2019/20 and this is shown as a solid line. This is the same for figures 2 and 3.

Residential rates in Singleton LGA have been rising steadily since 2004/05, this is in line with increases in peer LGAs rates. Under the 7.96% growth scenario in peer LGAs and SRV implementation, Singleton residential rates will be below Group 4 LGA levels by 18.08% and below neighbouring LGA levels by 4.52% in 2019/20 indicating that there is significant difference between Singleton rates and its peer LGAs. When examining residential rates under scenario 2, residential rates will be below Group 4 LGA levels by 3.04% but above neighbouring LGA levels by 9.19%.

When examining the impact of the SRV (without a notional rate mix change) on residential rates, Singleton's rates increase remains below those of its neighbouring LGAs in 2019/20.

**Figure 2: Growth in annual farmland rates**

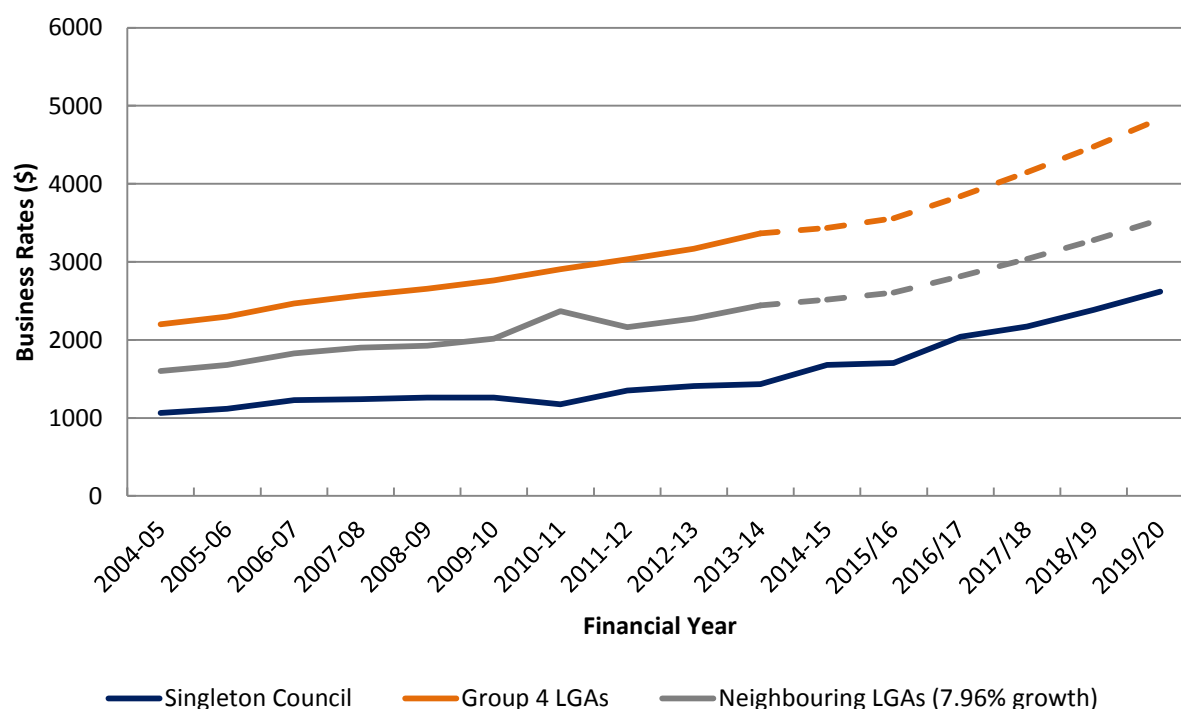


Singleton farmland rates have been steadily increasing from 2004/05 to 2015/16. Under the 7.96% growth scenario in peer LGAs and SRV implementation, Singleton's rates will remain well below Group 4 LGA levels by 38.82% and neighbouring LGA's by 52.40% respectively in 2019/20.

While under the proposed SRV scenario (without a rate mix change), Singleton farmland rates will continue to experience a steady increase. However, rates will still remain well below peer LGAs levels in 2019/20.



Figure 3: Growth in annual business rates



WRI notes that over the past 10 years business rates in Singleton LGA have been below neighbouring LGA and Group 4 LGA levels. Assuming business rates in peer LGAs grow at 7.96% per annum and the SRV is implemented, business rates in Singleton will still remain well below neighbouring LGAs and Group 4 LGAs. By 2019/20 Singleton business rates will be below Group 4 LGA and neighbouring LGA's by 84.72% and 35.33% respectively.

When examining the impact of the SRV (without a notional rate mix change) on Singleton business rates, business rates continue to remain below its peer LGAs and neighbouring LGAs levels.

**Note.** Comparisons to Scenario 2 did not reveal any significant differences in Singleton's comparative position for Business and Farmland rates to those presented for Scenario 1 above.

#### b. Comparison of outstanding rates

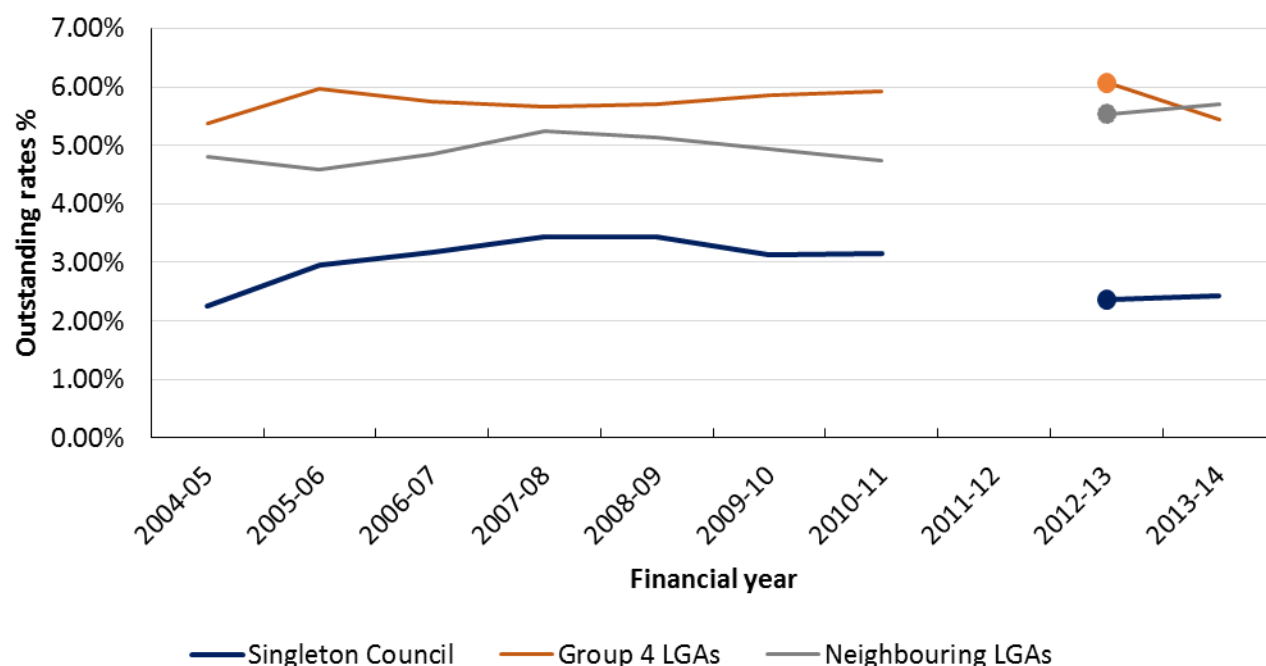
As shown overleaf, the ratio of outstanding rates to the total rates collected in Singleton has been consistently below Group 4 LGAs and neighbouring LGA's averages during the 2004/05– 2013/14 period.

The ratio has been relatively flat from 2009/10 to 2010/11 in Singleton. While there is no data available for 2011/12, the data for 2012/13 indicates a slight fall for Singleton, dropping 2.36% from 3.16% in the 2010/11 financial year. However, the decline was only felt by Singleton Council as there was an increase in outstanding rates for Group 4 LGAs (5.93% to 6.07%) and Neighbouring LGAs (4.74% to 5.54%) for the same time period.

The level of outstanding rates / total rates ratio may increase once the SRV is implemented. The magnitude of the increase cannot be known in advance and therefore Council as a precaution should monitor this.

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Figure 4: outstanding rates



**Note.** No data available in 2011/12

When ranked against its peers on outstanding rates Singleton Council's position is considered to be favourable. Compared to 'Group 4 and neighbouring' LGAs, Singleton ranks 4<sup>th</sup> lowest out of 35 LGAs. Compared with the rest of NSW, Singleton ranks 13<sup>th</sup> lowest from the 152 LGAs with their level being below the median 5.65% for the state. When examining the impact of the SRV only on outstanding rates, there is no impact on rankings with Singleton still maintaining 13<sup>th</sup> lowest in NSW and 4<sup>th</sup> lowest for all 35 LGAs.

## c. Comparison of council rate rankings

As shown in Table 14, Singleton Council was ranked favourably relative to NSW, Group 4 LGAs and 'Group 4 and neighbouring' LGAs in terms of residential rates, having its residential rates below the respective peer groups' medians. Among the 152 NSW LGAs, Singleton Council had the 67<sup>th</sup> lowest residential rates.

**Table 14: Council rates (2012-13)**

LGA	Sample	Residential	Farmland	Business
NSW	n=152	67th lowest	24th lowest	55th lowest
Group 4 LGAs	n=31	3rd lowest	11th lowest	Lowest
Group 4 LGAs & neighbouring LGAs	n=35	5th lowest	11th lowest	3rd lowest

**Note.** Rates ranking pertain to the 2013-14 Financial Year.

## d. Comparison of socio-economic rankings

WRI used the Socio-Economic Index for Areas (SEIFA)<sup>22</sup> along with personal income information to assess the impact of rate variations in areas. When examining the results for SEIFA, a lower rank indicates that an area is relatively disadvantaged compared to an area with a higher rank. Even when the index is named 'Index of Socio-Economic Disadvantage', a higher rank indicates a more positive position relative to other lower ranks. Essentially, a higher rank will indicate greater advantage.

Regarding the affordability of the proposed rates' increase and associated socio-economic standing, Singleton was ranked favourably in terms of socio-economic indicators against its peers, as well as NSW LGAs except for Index of education & occupation.

As shown in Table 15, Singleton is ranked well above the Group 4 LGAs, 'Group 4 and neighbouring' LGAs and NSW LGA medians in all components of SEIFA. Overall, the SEIFA rankings suggest that the socio-economic situation in Singleton is less disadvantaged relative to its peers.

**Table 15: SEIFA (2011)**

LGA	Sample	Index of relative socio-economic advantage & disadvantage	Index of relative socio-economic disadvantage	Index of economic resources	Index of education & occupation
NSW	n=153 <sup>23</sup>	38th Highest	36th Highest	16th Highest	31st Lowest
Group 4 LGAs	n=31	4th Highest	4th Highest	Highest	11th Lowest
Group 4 LGAs & neighbouring LGAs	n=35	5th Highest	5th Highest	Highest	12th Lowest

As shown in Table 16 (overleaf), the average personal income of Singleton for wage and salary earners is well above the NSW median average income (Singleton average income \$67,209, NSW median is

22 Australian Bureau of Statistics, 2033.0.55.001 - Census of Population and Housing: Socio-Economic Indexes for Areas (SEIFA), Australia, 2011

23 SEIFA includes 'Unincorporated NSW' as an LGA

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\$43,674)<sup>24</sup>, Singleton has a ranking of 12<sup>th</sup> highest average income of 152 LGAs. However when compared to Group 4 LGAs and 'Group 4 and neighbouring' LGAs, Singleton's average income for wage and salary earners is the highest amongst the group.

Overall, Singleton's wage and salary earners are likely to be able to accommodate rate increases better than business owners, investors and superannuation earners. Average income rankings for these categories for NSW and Group 4 LGAs and 'Group 4 and neighbouring' LGAs are ranked poorly and are well below the median. In particular, business owners have the lowest rank in Group 4 LGAs and 'Group 4 and neighbouring'.

When assessed at the total average personal income level, the data suggests Singleton residents are likely to be able to accommodate rate increases compared to many of its peers, particularly in Group 4 LGAs and 'Group 4 and neighbouring LGAs.

**Table 16: Average personal income (2010-11)**

LGA	Sample	Wage and salary earners	Own unincorporated businesses	Investment income earners	Superannuation & annuity earners	Total
NSW	n=153	12th Highest	3rd Lowest	35th Lowest	39th Lowest	15th Highest
Group 4 LGAs	n=31	Highest	Lowest	9th Lowest	3rd Lowest	Highest
Group 4 LGAs & neighbouring LGAs	n=35	Highest	Lowest	10th Lowest	4th Lowest	Highest

24 Australian Bureau of Statistics, Estimates of Personal Income for Small Areas, Time Series, 2005-06 to 2010-11

## e. Forecasted rate rankings for councils

WRI has modelled the ranking of Singleton among its respective peer groups in terms of all three rating categories, assuming that rates in 'Group 4 LGAs and neighbouring' LGA peer groups grow at 7.96% (scenario 1).

Singleton is considered to have lower rates when compared to its peers with the forecasted rates being below the median for 'Group 4 and neighbouring' LGA peer groups. For the year 2016/17 Singleton residential rates were projected<sup>25</sup> to be \$878 while the median was \$1,006. This is consistent for both farmland and business categories in the 2016/17 time period.

For the 2016/17 through to 2019/20 time period, Singleton's position in rates rankings compared with peer LGAs is relatively low. Rates are projected to remain constant over the SRV period for Farmland but will fluctuate for Residential and Business.

**Table 17: Dynamics of Singleton Council rate (*with a notional rate mix change*) rankings (Group 4 LGAs and Neighbouring LGAs)**

Year	Sample	Residential	Farmland	Business
2014/15	n=35	10th Lowest	8th Lowest	3rd Lowest
2015/16	n=35	9th Lowest	8th Lowest	3rd Lowest
2016/17	n=35	7th Lowest	8th Lowest	6th Lowest
2017/18	n=35	6th Lowest	8th Lowest	5th Lowest
2018/19	n=35	7th Lowest	8th Lowest	6th Lowest
2019/20	n=35	9th Lowest	8th Lowest	6th Lowest

WRI notes that the ranking of Singleton does not necessarily indicate an inability of Singleton residents or businesses to bear the costs of proposed rates increases.

Under examination of an SRV (*without* a notional mix change), residential rates will fluctuate between 9<sup>th</sup> and 11<sup>th</sup> position, ultimately ending 11<sup>th</sup> lowest in 2019/20 (refer to Table 18). Farmland rates will remain 8<sup>th</sup> lowest and business rates will decline slightly, becoming 3<sup>rd</sup> lowest over the 2014/15-2019/20 period.

**Table 18: Dynamics of Singleton Council rate (*without a notional rate mix change*) rankings (Group 4 LGAs and Neighbouring LGAs)**

Year	Sample	Residential	Farmland	Business
2014/15	n=35	10th Lowest	8th Lowest	3rd Lowest
2015/16	n=35	9th Lowest	8th Lowest	3rd Lowest
2016/17	n=35	10th Lowest	8th Lowest	3rd Lowest
2017/18	n=35	9th Lowest	8th Lowest	3rd Lowest
2018/19	n=35	11th Lowest	8th Lowest	3rd Lowest
2019/20	n=35	11th Lowest	8th Lowest	3rd Lowest

<sup>25</sup> Projections for the 2014/15 and 2015/16 based on past trend data from 2013/14. Source: Office of Local Government. Projections for 2016/17 and 2019/20 are based on the IPART growth rate of 7.96%

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## Overall:

- *Singleton's rates have been steadily increasing in line with its peer LGAs. Growth rates across residential, farmland and non-farmland businesses are below Group 4 LGAs and neighbouring LGA's. The proposed SRV does not change their overall position and therefore has minimal impact for residents, farmland or non-farmland businesses*
- *When ranked against its peers on outstanding rates, Singleton Council's position is considered to be favourable. Singleton was ranked favourably in terms of socio-economic indicators against its peers, as well as NSW LGAs,*
- *Singleton is considered to have low rates when compared to its peers with the forecasted rates being well below the median for 'Group 4 LGAs and neighbouring' LGA peer groups over the 2016/17-2019/20 period.*

*Given the minimal impact that the proposed SRV will have on residents, farmland and non-farmland business categories, the criteria for reasonableness are partially satisfied.*

## CONCLUSION

WRI has analysed the rates increases proposed by Singleton Council in terms of comparison with other costs and prices, impact on households, farms and non-farm businesses, and the ranking of Singleton Council against peer LGAs.

For households, compared to other costs and prices, understanding the impact and the ranking of the Council against its peers, the reasonableness tests are partially satisfied. The following results were found:

- The proposed rate increase will be **below** experienced and forecast price changes in childcare, electricity and gas prices. The rate increase will exceed experienced and forecast price changes in all other cost categories. However, when examining the impact of the SRV only (without a notional rate mix change) on price changes the planned SRV will be **below** experienced and forecast changes for only 1 out of the 19 cost categories.
- The proposed increase of residential rates in Singleton is likely to have a negligible impact, because under the proposed SRV, rates as a percentage of total household expenditure will not change, remaining constant at 0.01% between 2016/17 and 2019/20 in the 'All households' category. Therefore, the proposed SRV will not unduly compromise residents overall expenditure and the reasonableness criterion is satisfied.
- Singleton residential rates have been rising in accordance with its peer LGA rates. Singleton Council ranks favourably, having rates below the respective peer group median. This indicates that Singleton residents are likely to be able to continue to pay their rates under the SRV.
- Regarding the affordability of the increase across socio-economic indicators, Singleton is ranked favourably against its peers and within NSW LGAs. SEIFA rankings suggest Singleton is less disadvantaged relative to its peers. Singleton Council has a rates hardship policy in place that provides assistance to ratepayers who are experiencing genuine difficulties with the payment of their rates and charges.

The results for farmland businesses are variable; on price comparisons the reasonableness test is not satisfied however in understanding the impact and ranking of the council to its peers, the reasonableness tests are satisfied in part. The following results were found:

- The rates increase under the SRV will be above assumed changes in all input and output prices and wage costs. Under the SRV, the proposed farm rate increases will exceed experienced and forecast price changes in all categories. In terms of impact, the rates/value added ratio is above 1%, however the change in this ratio is less than 1%.
- Singleton rates have been rising steadily along with Group 4 LGAs and neighbouring LGAs. When comparing Singleton farmland businesses to other farmland rates in peer LGAs it is considered to have relatively lower rates. Its position is expected to remain unchanged throughout the SRV period.

The results for non-farm business are considered to be variable; on price comparisons the reasonableness test is not satisfied, however in understanding the impact and ranking of the council to its peers the reasonableness test is satisfied in part. The following results were found:

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- The rates increase under the SRV will be above assumed changes in all input and output prices and wage costs. Under the SRV the proposed business rate increase will exceed experienced and forecast price changes in all other non-farm cost categories. Therefore, the reasonableness test for input and output prices and wages is not satisfied however, the proposed rates increases under the SRV are considered serviceable for non-farm businesses and will not have a significant impact on their financial bottom line.
- Singleton rates have been rising in line with Group 4 LGAs and neighbouring LGAs. When comparing Singleton non-farm businesses to other non-farm business rates they remain well below their peer LGAs. It is expected that Singleton's non-farm business rates position is expected to remain unchanged throughout the SRV period.



## APPENDIX 1: TECHNICAL NOTES

### 1. Costs of residents

The costs incurred by Singleton residents over –2011 - 2015 period (Table 4) are based on compounded percentage changes of the Consumer Price Index (CPI) for relevant sub-groups and expenditure classes over the June 2011 – June 2015 period in Sydney.<sup>26</sup>

The change in electricity prices (AEMO forecast) for the 2011-15 period is based on the percentage change in the Total Electricity Price Index (TEPI) by the Australian Energy Market Operator.

### 2. Costs of businesses

The costs incurred by non-farm businesses in Singleton over the 2010/11 – 2014/15 period (table 5) are based on the cumulative percentage changes of farm business input costs.<sup>27</sup>

WRI first examined the Singleton industrial profile and identified the major industries. It then compared proposed business rates' increases with compounded percentage changes in either input or output prices for the respective industries in Singleton LGA. As in the case of residents' costs, it is assumed that growth in national production costs and output over the implementation periods (2016/17 – 2019/20) will not deviate from the growth in –2011 - 2015.<sup>28</sup> For some industries (accommodation and food services, rail and road freight, road and bridge construction and non-residential construction), no input price indices were available and therefore output prices are used for comparison.<sup>29</sup> For the house construction industry, the Sydney input price index was used as a proxy. Also, wage price indices for the non-farm business industries in question were used as a proxy for labour costs to complement producer price data. The wage price index data is available at a national level.<sup>30</sup>

### 3. Household expenditure

The procedure for extracting the Singleton LGA expenditure data is as follows.

Firstly, the average weekly expenditure data for NSW households is obtained from the ABS Household Expenditure Survey, 2009-10.<sup>31</sup> The numbers are inflated by the compounded growth in disposable income factor for the relevant period (June 2010 – June 2015) in order to obtain 2015 data. The disposable income series are contained in the ABS Catalogue: 5206.0 Australian National Accounts – Table 14. The 2009-10 numbers are also inflated by the CPI growth for each individual expenditure item

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26 The raw data is obtained from Australian Bureau of Statistics. Table 11. CPI: Group, Sub-group and Expenditure Class, Index Numbers by Capital City. ABS Cat. No. 6401.0.

27 ABARES Agricultural Commodity Statistics 74a and b - Indexes of prices paid by farmers in Australia, December 2014.

28 The raw data is obtained from Australian Bureau of Statistics. Tables 12-13, 17, 18-20. Producer Price Indexes, Australia. ABS Cat. No. 6427.0.

29 The NSW output price index was used as a proxy for road and bridge construction and non-residential construction. The raw data is obtained from Australian Bureau of Statistics. Table 17. Producer Price Indexes, Australia. ABS Cat. No. 6427.0.

30 The raw data is obtained from Australian Bureau of Statistics. Table 5b. Total Hourly Rates of Pay Excluding Bonuses: Sector by Industry, Original. ABS Cat. No. 6345.0.

31 Australian Bureau of Statistics (2011) Household Expenditure Survey, Australia: Summary of Results, 2009-10. ABS Cat. No. 6530.0 (NSW Data Tables, Tables 5, 9 and 11).

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during 2011 - 2015.<sup>32</sup> Due to the double speed nature of the Australian economy, the CPI growth rates (and growth in individual expenditure items) are not uniform.

Secondly, the average weekly expenditure data for Singleton households is obtained. The assumption is made that Singleton's household expenditure is larger (or smaller) than NSW household expenditure in the same proportion as Singleton's personal income is larger (or smaller) than NSW personal income, i.e. the savings patterns in Singleton and NSW as a whole are similar. The average household size in Singleton and NSW in general is similar.

Thirdly, the average weekly expenditure (total, as well as individual items) for Singleton is calculated for the period 2016/17 to 2019/20 (corresponding to the Singleton Council rates increase implementation timeframe). The 2015 figures are inflated by the expected growth in the disposable income (commensurate with the long term growth of Australian economy) and CPI growth rates, unique for each expenditure item. Residential rates are allowed to grow according to the SRV proposed by Singleton Council.

As a final step, the new levels of residential rates in 2019/20 are compared to the new levels of household expenditure, and an assessment is made as to the ability of Singleton residents to bear the new rates.

## 4. Farm and non-farm businesses viability

For the Singleton agricultural sector, the relationship between proposed farmland rates and future farm value added is estimated as follows. Agricultural value added for Singleton LGA was provided from REMPLAN data accessed by Singleton Council for August 2015, the most recent figure available being for 2014/15, equal to \$47.24 million. The number of farms was obtained from Singleton Council for the financial years 2014/15 and 2015/16. The number of farms in 2016/17 - 2019/20 is assumed to follow a long term trend, with an annual decrease of 4.15%. The future value of Singleton agricultural value added has been generated assuming the random fluctuation of aggregate value added in Singleton LGA, inflated by a CPI growth factor of 1.77% per annum. WRI considers this reasonable, due to constraints on agricultural production in Singleton LGA.

Non-farm value added has been calculated from REMPLAN data for 2014/15, equal to \$3,583 million. Singleton Council provided the number of businesses for 2014/15 and 2015/16. The number of farms in 2016/17 - 2019/20 is assumed to follow a long term trend, with an annual increase of 2.19%. The non-farm value added is assumed to grow based on the past growth of NSW GDP over a 10 year period (2.03%) and inflated by a CPI growth factor of 1.77% per annum. The non-farm value added is assumed to be growing moderately in light of socio-economic challenges that Singleton and the Australian economy face.

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<sup>32</sup> The raw data is obtained from Australian Bureau of Statistics. Table 11. CPI: Group, Sub-group and Expenditure Class, Index Numbers by Capital City. ABS Cat. No. 6401.0.

## 5. Singleton Council and its peers

In terms of average personal income, socio-economic standing and the level of rates, Singleton LGA is compared to 'Group 4 LGAs' peers, as well as neighbouring LGAs (Cessnock, Dungog, Hawkesbury, Lithgow, Maitland, Mid-Western Region, Muswellbrook and the Upper Hunter Shire). The average personal income data is sourced from the ABS.<sup>33</sup> The socio-economic data is taken from the Socio-Economic Indexes for Areas (SEIFA) 2011 survey conducted by the ABS, and includes four indexes – Index of Relative Socio-Economic Disadvantage, Index of Relative Socio-Economic Advantage and Disadvantage, Index of Economic Resources and Index of Education and Occupation.<sup>34</sup> Historical council rates are obtained from the NSW Office of Local Government.<sup>35</sup>

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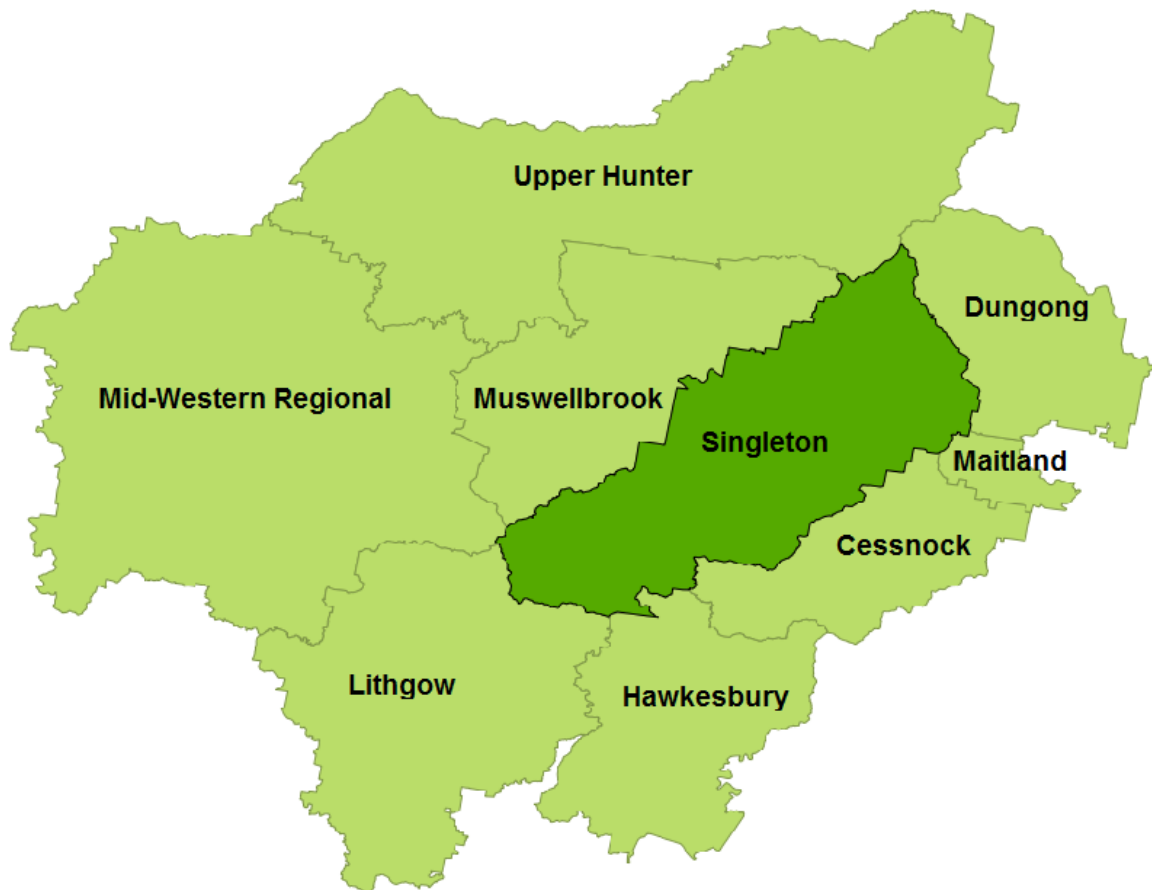
33 Australian Bureau of Statistics (2011) Estimates of Personal Income for Small Areas, Time Series, 2009-10. ABS Cat. No. 6524.0.55.002 (NSW, Table 1).

34 Australian Bureau of Statistics (2011) Census of Population and Housing: Socio-Economic Indexes for Areas (SEIFA). ABS Cat. No. 2033.0.55.001 (Local Government Areas, Tables 2-5).

35 Office of Local Government, NSW Government. Comparative Information on NSW Local Government Councils, 1994/95 – 2010/11; Office of Local Government, NSW Government. Comparative Information on NSW Local Government Councils: Measuring Local Government Performance, 2012-13 and 2013-/14

## APPENDIX 2: SINGLETON AND NEIGHBOURING LGAs

Figure 5: Local Government Areas surrounding Singleton LGA.



## WESTERN RESEARCH INSTITUTE

WRI is a regional development research organisation located in Bathurst, New South Wales. WRI holds a wealth of knowledge on employment, business development and investment issues affecting regional Australia. It has worked with Commonwealth, State and Local Governments and industry groups on numerous investment and development programs in regional areas. WRI has strong credentials in business and commercial market consulting and applied economic modelling including input-output analysis, shift-share, agribusiness and regional socio-economic surveys and analysis.

### **Ms Danielle Ranshaw – Chief Executive Officer** BEc&Fin UNSW

Danielle leads the team at WRI, managing overall research output and developing the organisation's business and profile. Danielle is an experienced researcher, having worked with WRI for seven years in roles ranging from survey development, data analysis, in-depth interview, stakeholder consultation, focus group facilitation, project management and client presentation. She joined WRI having several years' experience as a project manager within the information technology sector and a few years of experience working in academic support program development at Charles Sturt University. Additionally, Danielle has extensive experience in business process analysis, performance planning and review, report writing and project planning.

Danielle is currently a member of the Australasian Evaluation Society and has considerable experience in developing monitoring and evaluation frameworks, having completed both large scale and small evaluations for organisations in the Central West of NSW. She is also enrolled in postgraduate study related to community engagement work.

### **Mr Alistair MacLennan – Senior Research Officer** BA Political Economy, First Class Honours (UNE)

Having served in a variety of parliamentary, public service and private sector roles, Alistair brings a wealth of research experience to WRI. Alistair has well developed skills in data analysis, economics and business, and has a wide understanding of government. In addition, Alistair also has experience in policy development in the energy sector, where he engaged with industry, government agencies and NGOs to inform policy. Alistair's experience in engaging with clients, stakeholders and the public assists WRI to fully understand its client's needs and provide tailored research.

### **Ms Rebecca Hood – Senior Research Officer** BBus (Fin/Acc) With Distinction CSU

After working in the Financial Services Industry for several years coupled with a degree in Finance and Accounting from Charles Sturt University, Rebecca brings strong skills in finance, economics, business and accounting to WRI projects. Rebecca's experience in the finance field and her high level understanding of current market knowledge gives Rebecca a solid understanding of the financial needs of regional and rural Australia. In her role as Senior Research Officer, Rebecca has worked on a wide range of projects covering many aspects of regional economic development including; economic and social impacts of mining and mine related developments, manufacturing operations, sporting events, not for profit social housing and aged care. Rebecca plays a key role in performing high level and varied economic impact (input-output) modelling and also has strong skills in benefit cost analysis, human capital modelling, survey questionnaire development and the preparation of socio-economic profiles.

### **Ms Wai Matthews – Research Officer** BBus (Fin/Eco) CSU

With a background in Business Administration and Bookkeeping, Wai brings to WRI strong experience and knowledge in local business operations, management and finance. Wai has great interest in economic issues affecting regional areas which led to her attaining an internship with the NSW Department of Industry as an Economic Analyst. As an intern, Wai has gained a wealth of knowledge and experience in data analytics and reporting as well as a good understanding of government. Wai will undertake Post Graduate study in Applied Statistics to further her skills.

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## **Ms Dale Curran - Executive Officer**

BA (ANU)

Dale is responsible for all administrative processes at WRI including executive support, finance, management of the Board of Directors and maintenance of policies. Dale has worked in a variety of roles at WRI, including Fieldwork Supervisor and Research Assistant, and has worked on several community and business surveys. As a result, she brings a strong understanding of research processes to her administrative role. Dale brings a high level of organisational skill and efficiency to her role as Executive Officer.

## **Ms Elspeth Morris - Administration Officer** **Dip Bus-Mgt Adv Dip Hosp-Mgt**

Joining WRI in a maternity relief role, Elspeth brings with her over 20 years of workplace experience in hospitality, banking and administration roles including;

- Development of social media policy and profiles
- Develop document templates and document register maintenance, policy development and collaboration on risk management analyses
- Publishing of key operational materials, as well as branding and marketing guidelines and materials.

Elspeth's formal qualifications include Dual Diplomas in Hospitality Management and a Diploma in Management (Business). Her most recent relevant experience includes Executive Support; encompassing diary and appointment management, administrative and record-keeping services, minute-taking and arrangement of accommodation and travel. Elspeth is also experienced in fleet reporting and management, general office management; including cost-centre journaling of expenses to program budgets and budget monitoring, general administrative duties and supervision and training of administration staff.

