



# Capacity to Pay Report

Northern Beaches Council

December 2024

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## Executive summary

Northern Beaches Council ('Council') is currently considering an application for a special variation ('SV') to rates, and Council has released four rate rise options to the community (which includes option 1 of rate peg only). These options are designed to help improve Council's financial sustainability, address Council's natural and environmental risks, address the funding gap for the renewal and maintenance of existing assets and support the creation of new priority assets for the community.

The options it is considering, which all include a rate peg of 3.8% in 2025/26, 3.4% in 2026/27 and 3.1% in 2027/28, are:

- Option 1 (base case - do nothing) consists of rate peg increases only, resulting in a cumulative increase of 10.7% by 2027/28.
- Option 2 proposes a 9.8% increase in 2025/26, 9.4% increase in 2026/27 and 9.1% increase in 2027/28, and results in a cumulative increase of 31.1% by 2027/28.
- Option 3 proposes a 12.1% increase in 2025/26, 11.7% increase in 2026/27 and a 11.5% increase in 2027/28, and results in a cumulative increase of 39.6% by 2027/28.
- Option 4 proposes a 13.8% increase in 2025/26, 13.4% increase in 2026/27 and 13.1% increase in 2027/28, and results in a cumulative increase of 46.0% by 2027/28.

## About this report

This report provides an analysis of a wide range of socio-economic factors and other data and evaluates the general financial capacity of ratepayers to pay the proposed rate changes. It also considers the financial vulnerability and exposure of different community groups within the local government area (LGA).

It analyses both LGA-wide data along with resident-specific data from four geographic groupings within the Northern Beaches LGA. These groupings have been selected because they have aligned geographic and socio-economic characteristics - utilising data from the Northern Beaches Council Community Profile.<sup>1</sup>

These groupings are:

- Central-East
- North-East
- South
- West and North-West.

A breakdown of the suburbs included within each grouping is detailed on pages 5 and 6 of this report.

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<sup>1</sup>.id (informed decisions), October 2024. Northern Beaches Council - Community Profile, Social Atlas, Economic Profile. (Sourced from: <https://profile.id.com.au/northern-beaches>)

## About the Northern Beaches LGA

Northern Beaches Council is predominantly a residential area with a large portion of bushland, but also has some more commercial and industrial areas. Major features of the LGA include a substantial number of National Parks and aquatic reserves, Manly Reservoir, Manly Dam, Dee Why Lagoon, Narrabeen Lagoon, North Head Sanctuary, the Manly Town Centre, the Mona Vale Town Centre, Pittwater Place Shopping Centre, Balgowlah Village, Warriewood Square Shopping Centre, Westfield Warringah Mall Shopping Centre, Northern Beaches Hospital, Mona Vale Hospital, Coastal Environment Centre, Manly Art Gallery & Museum, The Northern Sydney Institute of TAFE (Northern Beaches Campus), Sydney Academy of Sport and Recreation, Stony Range Regional Botanic Garden, Bicentennial Coastal Walkway, Manly Scenic Walkway, North Harbour Walk, Scotland Island, Barrenjoey Lighthouse and numerous beaches, rockpools, lookouts, marinas, and wharves.

The LGA is characterised by a relatively high socioeconomic status, low unemployment rate, lower average ordinary business rates and below average residential rates (when comparing residential rates on properties with a land value of \$1 million), and low levels of outstanding rates. All suburbs in the LGA have lower disadvantage levels, and greater advantage levels, compared to the Greater Sydney, NSW and Australian results.

## Grouping analysis for residential ratepayers

The groupings of North-East, South and West and North-West have significant levels of advantage, as demonstrated by high levels of household income, high socio-economic scores and high levels of home ownership. These groupings are all ranked within the top 5% of areas in Australia for advantage according to the Socio-Economic Indexes for Areas (SIEFA) and Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD).

At the end of 2027/28, residential ratepayers in the South and North-East groupings would be paying, depending on the SV option, between \$389 and \$675 more than they would have under the normal rate increases, while West and North-West would be paying between \$308 and \$533 more, therefore it is considered that there is capacity to pay.

The Central-East grouping has a higher disadvantage level, but both this and the level of advantage is still above the averages for Greater Sydney, however, they are weaker scores compared to the groupings mentioned above. Residential ratepayers in these areas will be paying between \$284 and \$491 more than they would have under the normal rate increases. Noting that these areas will be paying the lowest average residential rate increases in the LGA (due to lower property values) and have the joint highest proportion of renters who are not immediately affected by any increase, it is considered these areas have capacity to pay the proposed increases (but less capacity than other parts of the LGA).

The application of an appropriate hardship policy remains an important consideration in the implementation of any rate increase, particularly for the Central-East grouping.

## Business rates

On average, business ratepayers across the LGA will receive an increase between \$854 and \$1,478<sup>2</sup>, phased in over three years, depending on the SV option selected. From all the groupings, South will receive the highest average increase in rates of between \$1,083 and \$1,875, this grouping contains only 20% of the LGA's business ratepayers. Central-East contains 40% of the LGA's business ratepayers and this grouping will see the second lowest increase in averages rates (between \$809 and \$1,400 by the third year, depending on the SV option), after the North-East grouping which has the second highest number of business ratepayers and will see the lowest increase in rates (between \$729 and \$1,262 by the third year, depending on the SV option).

Before the proposed rate increases, Northern Beaches had the third lowest overall ordinary business category rate out of the 18 Office of Local Government (OLG) Group 3 councils. Even with the largest increase, Northern Beaches will move just three spots to the 13th highest. When looking at rates for a business property with a land value of \$1 million, the estimated business rate for 2027/28 would sit between 6<sup>th</sup> and 1<sup>st</sup> against comparable group 3 councils, dependent on the SV option applied. In light of our industry analysis, which identifies a significant increase in full-time equivalent jobs of 14,163 and an overall increase in value-added of \$3.37 million since 2012/13, it is considered that for business ratepayers there is capacity to pay across all groupings.

## Rate rise choice

Council is considering three permanent three-year SV options from 2025/26 to 2027/28, in addition to not applying an SV (base case or option 1 – rate peg only). The three proposed SV increases are, as cumulative over three-years, 31.1% for option 2, 39.6% for option 3 and 46.0% for option 4. While option 2 has the least impact on ratepayers and therefore an enhanced capacity to pay when compared to the other options, Council will also need to consider the community feedback, need to improve financial sustainability and a wide range of other factors in making its final decision on its preferred SV option.

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<sup>2</sup> Please note that the total average business rate per grouping was calculated by dividing all business income by business properties per grouping and does not therefore directly equate to any business category or sub-category.

## 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 – Northern Beaches 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

For the purposes of this report, the Northern Beaches LGA is divided into four groupings. Council is looking to ensure that equity is maintained between areas, as each area has differing economic and socio-economic profiles. A summary of the groupings and the suburbs they encompass has been provided in the following Table 1 and Figure 1.

**Table 1 Northern Beaches Council area grouping summary**

Area	Population	Suburbs
<b>Central-East</b> (identified yellow on map)	66,294	Brookvale, Collaroy, Collaroy Plateau, Cromer, Dee Why, Narrabeen, Narrabeena, Wheeler Heights
<b>North-East</b> (identified green on map)	61,381	Avalon Beach - Clareville, Bayview, Bilgola, Elanora Heights, Ingleside, Mona Vale, Newport, North Narrabeen, Palm Beach - Whale Beach, Warriewood
<b>South</b> (identified grey on map)	75,938	Balgowlah, Balgowlah Heights - Clontarf, Curl Curl - North Curl Curl, Fairlight, Freshwater, Manly (Eastern Hill), Manly (Pittwater Road), Manly (Town Centre), Manly Vale, North Balgowlah, North Manly, Queenscliff, Seaforth
<b>West and North-West</b> (identified purple on map)	59,930	Allambie Heights, Beacon Hill, Belrose - Oxford Falls, Church Point - Scotland Island - Ku-ring-gai Chase, Davidson, Forestville, Frenchs Forest, Killarney Heights, Terrey Hills - Duffys Forest
<b>Northern Beaches Council total</b>	<b>263,543</b>	



Figure 1 Northern Beaches 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 investigate 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:

- 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.

- **Industry**

We will then compare employment by industry type, as well as value added by industry sector and the key productive sectors.

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. Our analysis will also compare with the average rates of other Group 3 and neighbouring councils, in addition to outstanding rates ratios and other factors that can help indicate whether the Northern Beaches community has a willingness to pay increased rates.

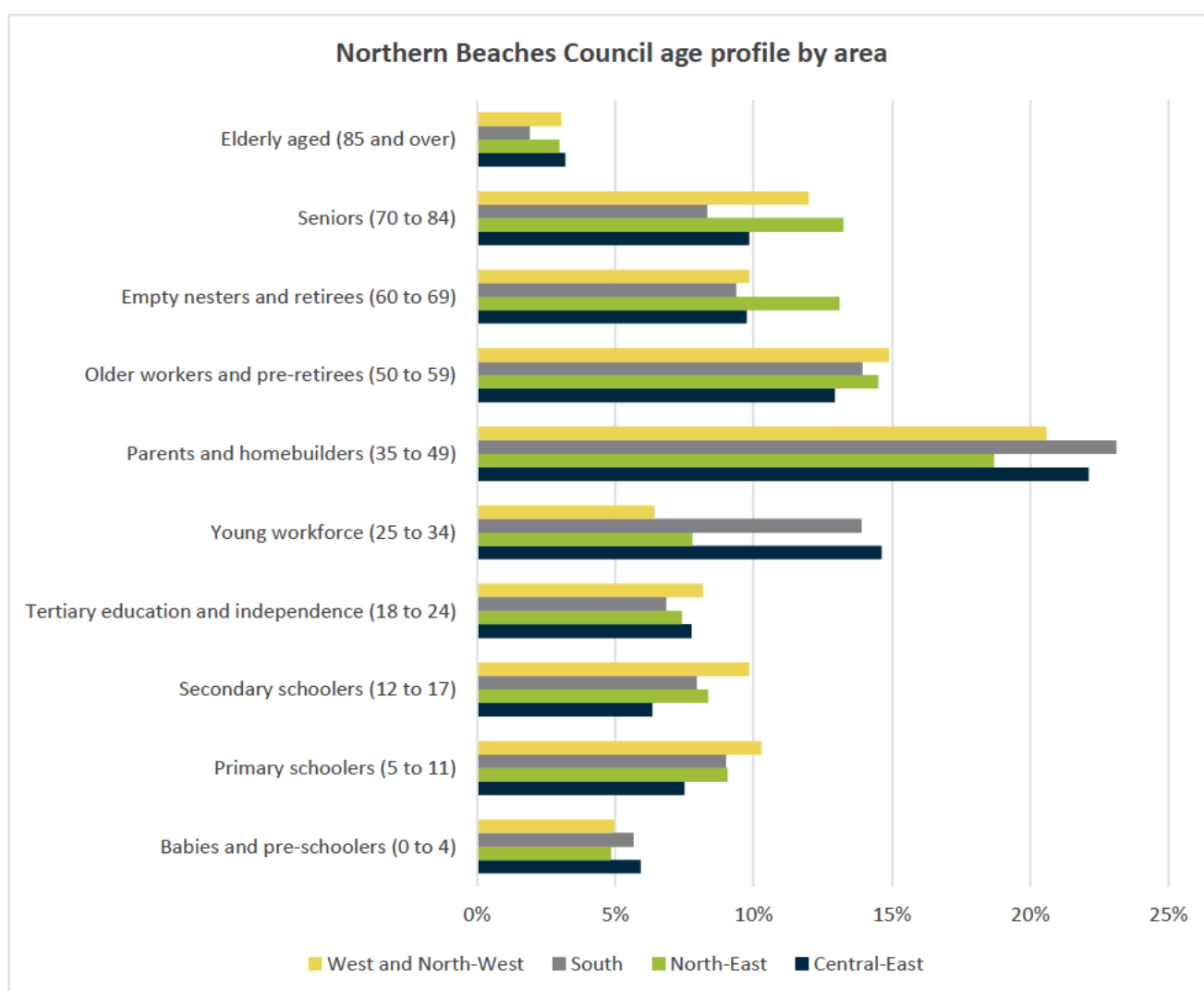
## Areas of social disadvantage

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 age-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 (0-17 years), workforce (18-59 years), and retirees (60-85+ years), and ranking them in terms of proportion of population (with one representing the largest proportion) generates the following results.

**Table 2 Service age rankings**

Rank	Central-East	North-East	South	West and North-West
Dependents	4	3	2	1
Working age	2	4	1	3
Retirees	3	1	4	2

At an LGA level, there is a slightly lower proportion in the young workforce (25-34 age group) at 11%, compared with the Greater Sydney average of 16% and NSW average of 14%. Conversely there is a slightly higher proportion in the 50-59 age group (14%), compared to the North District<sup>3</sup> average (13%) and Greater Sydney and NSW averages (both 12%). Overall, the proportion of those in the working age group is slightly lower at 54%, compared to the Greater Sydney average of 58%, and the proportion in the retirees age group is higher at 24% when compared to the Greater Sydney average of 20% and North District average of 23%.

Looking into specific areas, we observe the following:

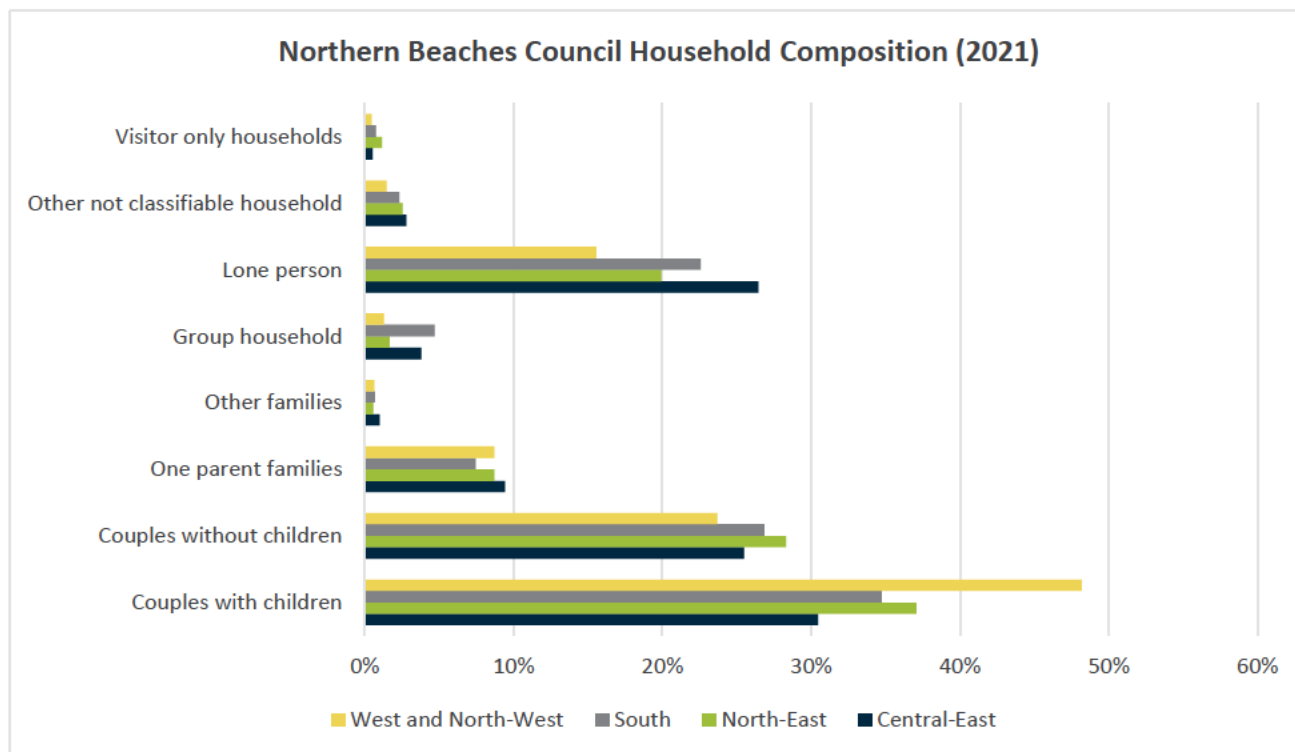
- Central-East - has the lowest proportion of dependents (20%) and second highest proportion of working age (57%) - this is due to a low proportion in the 12-17 age group (6%) and a high proportion in the young workforce (15%).
- North-East - has the lowest proportion of working age (48%) at nearly 10% lower than the Greater Sydney average, and highest proportion of retirees (29%) which is 5% higher than the average for the LGA as a whole and 9% higher than the Greater Sydney average.
- South - has the highest proportion of working age (58%) and lowest proportion of retirees (20%), both of which are in line with the Greater Sydney averages of 58% and 20% respectively. It also has the second highest proportion of dependents (23%).
- West and North-West - has the highest proportion of dependents (25%) and this is also high when compared to North District and Greater Sydney averages (21% and 22% respectively). It also has the second lowest proportion of working age (50%) which is lower than both North District and Greater Sydney averages (55% and 58% respectively).

## 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 complete picture of the people, families and communities in each area. A summary of household type is provided in the following figure.

<sup>3</sup> The North District includes the local government areas of Hornsby, Hunter's Hill, Ku-ring-gai, Lane Cove, Mosman, North Sydney, Northern Beaches, Ryde and Willoughby.

Figure 3 Household composition



Overall, the proportion of one parent households in the LGA (9%) is slightly higher than the North District average and slightly below the Greater Sydney average, at 8% and 10% respectively. The proportion of couples with children in the LGA (37%) is slightly higher than the North District average (36%) and higher than the Greater Sydney average (34%), this is predominantly a result of the high proportion within the West and North-West grouping (48%).

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 30% of the population, this is slightly below the average for the North District (31%) and below the averages for Greater Sydney (33%) and NSW (34%).

There is, however, a higher proportion of 'at risk' households in the Central East grouping at 36%, particularly when compared to the West and North-West grouping which has 24% in this category. The Central East grouping has 26% of its households within the lone person category whereas West and North-West has only 16%. Of the households 9% are one parent families in all area groupings, aside from the South grouping, which has a lower proportion at 7%.



## Housing tenure

Analysis of housing tenure levels within the LGA allows us to identify which areas are most impacted by changes in council rates. For example, the direct impact of a change in rates will be felt by homeowners, whereas renters are not expected to experience such a direct increase due to the nature of lease agreements, however there is a likelihood of rate increases being passed onto tenants by property owners over the longer term. Furthermore, individuals in social housing will not be immediately impacted by a change in rates, however there is potential for the social housing provider to pass some of these costs on over time.

**Table 3 Northern Beaches Council housing tenure**

Housing Tenure - % of households	Central-East	North-East	South	West and North-West	Northern Beaches LGA
Fully owned	27%	41%	31%	40%	34%
Mortgage	31%	35%	31%	41%	34%
Renting - Total	35%	17%	34%	15%	26%
Renting - Social housing	3%	0%	2%	1%	2%
Renting - Private	32%	16%	32%	13%	25%
Other tenure type	4%	3%	1%	2%	2%
Not stated	4%	4%	3%	2%	3%
<b>Total households</b>	<b>26,428</b>	<b>22,262</b>	<b>29,045</b>	<b>19,579</b>	<b>97,377</b>

The Northern Beaches LGA resident ratepayer (fully owned plus mortgaged) average of 68% is higher than the North District (64%), Greater Sydney (59%) and NSW (61%) averages. When reviewing at an area level, the proportion of resident ratepayers ranges widely from Central-East (55%), which is well below all comparison averages, up to West and North-West (81%), which is significantly higher than comparison averages.

The LGA has slightly higher rates of fully owned home ownership (34%) relative to the North District average (32%) and noticeably higher than Greater Sydney (27%). North-East (41%) and West and North-West (40%) have a very high proportion of fully owned households, whilst Central-East (27%) and South (31%) are significantly lower in comparison. Higher levels are generally indicative of higher household wealth and therefore increased capacity to pay; however, it is worth noting that property ownership is not always indicative of higher income or excess disposable income.

Across the LGA, 34% of households have mortgages, which is slightly higher when compared with North District and Greater Sydney (both 32%) and NSW (31%). The proportion of mortgaged homes also contrasts across the LGA, with a lower 31% in both Central-East and South and higher 41% in West and North-West. Lower levels of mortgages are indicative of increased capacity to absorb rates increases.

The LGA overall has low levels of renters (26%), however there is again a wide range when groupings are compared, with South having a 34% proportion of renters and West and North-West 15%. The overall LGA renter average is below the North District and Greater Sydney averages (31% and 35% respectively). It is important to note that generally, the impact of these rates rises will not be immediately passed onto renters due to the longer-term nature of rental agreements, however the likelihood of longer-term rental increases, due to the increase in rates, does become more likely.

Central-East contains the majority of the LGA's social housing (48%) as 3% of its households fall into this category; this is driven by Narrabeena which has a 15% proportion of its households living in social housing. Residents in social housing do not pay rates and will not be immediately impacted by the proposed SV, however it is important to acknowledge that accommodation costs may be increased by the social housing provider over the longer term.

## 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.

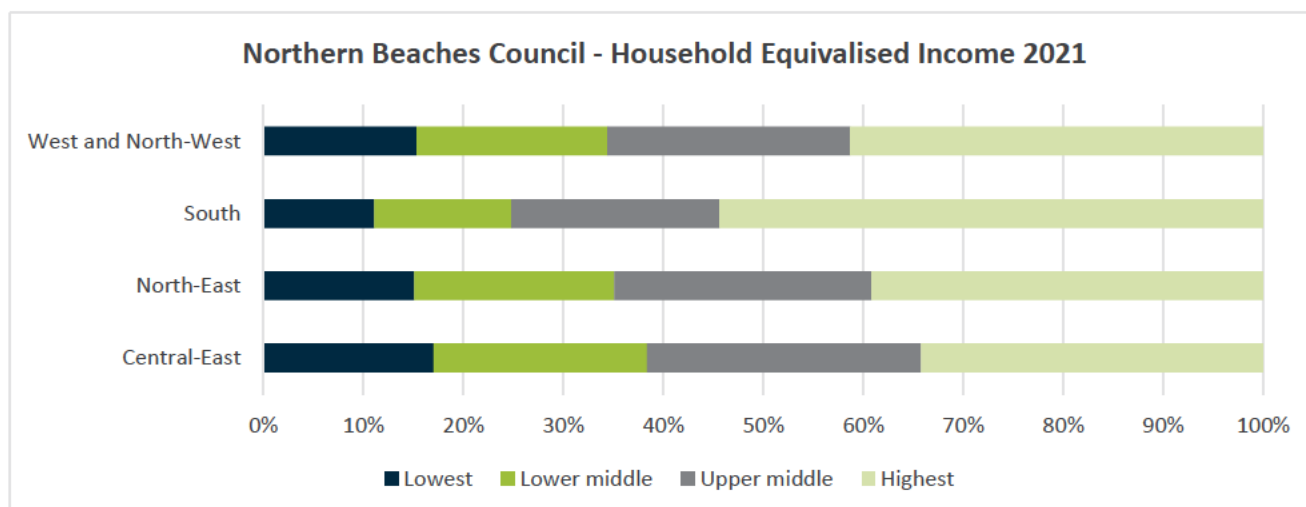
As this is a relative comparison, data has been presented in quartiles; regions of disadvantage will have a higher proportion of households in the bottom two quartiles than those of greater wealth and advantage. These quartiles were determined by reviewing the distribution of household incomes within 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 upper two income quartiles, at 67% compared to 55% for Greater Sydney (North District average is also 67%). All profile areas within the LGA also have higher proportions in the highest two quartiles compared to the lowest two quartiles. The LGA also has lower proportions in the lowest two quartiles, at 33% compared to 45% for Greater Sydney (again this is in line with the North District average of 33%).

There is some income disparity across the LGA, as shown in the following observations from the data:

- Central-East has the highest proportion in the lowest two quartiles, at 38%, and lowest in the highest two income quartiles, at 62%. However, these proportions are still worth considering relatively to the Greater Sydney averages (45% in lowest two quartiles and 55% in highest two quartiles).
- South has the highest proportion in the highest two income quartiles (75%), which is significantly higher than all other groupings and the average for the North District (67%). It also has the lowest proportion in the lowest two quartiles (25%), again notably lower than comparable averages.

**Table 4 Comparison of equivalised household income**

Equivalised income quartiles (2021)	Central-East	North-East	South	West and North-West	Northern Beaches LGA	North District	Greater Sydney	NSW
Lowest two quartiles	38%	35%	25%	34%	33%	33%	45%	50%
Middle two quartiles	49%	46%	34%	43%	43%	42%	48%	50%
Highest two quartiles	62%	65%	75%	66%	67%	67%	55%	50%



## 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 1,000.

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

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

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

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

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

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

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

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

Further analysis of these factors is provided in the discussion section. A comparison summary, including related comparison metro and national percentiles, is provided in the table on the following page.

**Table 5 Comparison SEIFA scores and percentiles**

Area	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Mosman Council	1,109.50	98	1,169.00	100
Ku-ring-gai Council	1,108.10	98	1,164.80	100
North Sydney Council	1,096.00	96	1,164.10	100
<b>Northern Beaches Council</b>	<b>1,088.60</b>	<b>93</b>	<b>1,125.50</b>	<b>98</b>
North District	1,085.30	92	1,131.60	98
Hornsby Shire Council	1,082.20	91	1,115.70	97
Willoughby City Council	1,074.70	88	1,142.40	99
Greater Sydney	1,010.00	48	1,045.00	82
NSW	1,000.00	42	1,016.00	67
Australia	1,001.20	42	1,002.60	60

Northern Beaches Council's IRSD score of 1,088.6 is above the NSW and Greater Sydney rankings, and slightly above the North District ranking. The ranking places the LGA in the 93<sup>rd</sup> percentile, meaning approximately 7% of Australian suburbs have a SEIFA IRSD ranking higher than this area (less disadvantaged), while 93% are lower (more disadvantaged).

IRSAD includes levels of both advantage and disadvantage. Northern Beaches Council's score of 1,125.50 places the LGA into the 98<sup>th</sup> percentile. A higher IRSAD score compared to IRSD score is indicative of more opportunities within the LGA, e.g. higher equivalised incomes, higher education levels, more employment opportunities within the area or more skilled jobs. The LGA therefore ranks notably higher than Greater Sydney and NSW and is in line with the percentile ranking for the North District, although noting it has a slightly lower IRSAD score.

A grouping-level summary is provided in the following table.

**Table 6 Grouping-level SEIFA scores and percentiles**

Area	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
South	1,106.39	97	1,162.01	99
West and North-West	1,102.57	97	1,136.40	99
North-East	1,095.90	95	1,121.08	98
<b>Northern Beaches LGA</b>	<b>1,088.60</b>	<b>93</b>	<b>1,125.50</b>	<b>98</b>
Central-East	1,064.48	78	1,091.30	93

Analysis at the grouping level demonstrates some inequity between different areas of the LGA. South and West and North-West are both in the 99<sup>th</sup> percentile for IRSAD scores, meaning that only 1% of areas have higher levels of advantage. Whereas Central-East (IRSD in the 78<sup>th</sup> percentile and IRSAD in the 93<sup>rd</sup> percentile) has levels of disadvantage higher than the other groupings and neighbouring councils and slightly lower levels of advantage. Although it's worth noting that both scores are still in the top 25% of all scores and the IRSAD score is in the top 10%.

There is, however, more depth to the scoring when it is considered at a suburb level.

**Table 7 Suburb SEIFA rankings**

Suburb	Grouping	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Balgowlah Heights - Clontarf	South	1136.9	100	1197.6	100
North Balgowlah	South	1129.6	100	1184.1	100
Davidson	West and North-West	1125.9	100	1162.4	100
Seaforth	South	1120.5	100	1180.7	100
Queenscliff	South	1117.2	99	1170.3	100
Palm Beach - Whale Beach	North-East	1116	99	1143.7	99
Fairlight	South	1113.8	99	1171.4	100
Bilgola	North-East	1113.3	99	1149.2	99
Collaroy Plateau	Central-East	1112.9	99	1137.3	99
Killarney Heights	West and North-West	1111.9	99	1156.5	100
Wheeler Heights	Central-East	1111.3	99	1126.9	98
Curl Curl - North Curl Curl	South	1107.9	98	1150.3	99
Elanora Heights	North-East	1107.4	98	1133.1	99
Freshwater	South	1105.7	98	1151.4	99
Terrey Hills - Duffys Forest	West and North-West	1105.7	98	1122.6	98
Church Point - Scotland Island - Ku-ring-gai Chase	West and North-West	1105.1	98	1136.1	99
Manly (Pittwater Road)	South	1103.6	97	1169.5	100
Frenchs Forest	West and North-West	1103.5	97	1139.7	99
Manly (Eastern Hill)	South	1103.5	97	1168.2	100
Avalon Beach - Clareville	North-East	1099.8	97	1124.7	98
Newport	North-East	1099.7	97	1123.8	98
Allambie Heights	West and North-West	1099.5	96	1136.9	99
Belrose - Oxford Falls	West and North-West	1098.1	96	1132	99
Balgowlah	South	1093.3	95	1146.3	99
North Manly	South	1092.5	95	1137.1	99
Warriewood	North-East	1090.3	94	1118.3	97
Manly (Town Centre)	South	1089.1	94	1167.9	100
Forestville	West and North-West	1086.9	93	1124.4	98
Beacon Hill	West and North-West	1086.5	93	1117	97
Ingleside	North-East	1086.4	93	1104.4	96
Bayview	North-East	1085.1	92	1113.5	97
Collaroy	Central-East	1085.1	92	1113.6	97
Cromer	Central-East	1083	92	1104.1	96
Mona Vale	North-East	1082.1	91	1100	96
North Narrabeen	North-East	1078.9	90	1100.1	96
Manly Vale	South	1069.5	85	1111.3	97
Brookvale	Central-East	1041.4	67	1072.2	91
Narrabeen	Central-East	1036.7	64	1059.7	87
Dee Why	Central-East	1034.1	62	1071.1	90
Narraweena	Central-East	1011.3	49	1045.5	82

When reviewing SEIFA rankings at a suburb level we see the distribution of disadvantage through the LGA varies, with Narrabeena sitting in the 49<sup>th</sup> percentile and Dee Why in the 62<sup>nd</sup>, whereas Balgowlah Heights-Clontarf, North Balgowlah, Davidson and Seaforth all sit in the 100<sup>th</sup> percentile for IRSD. Narrabeena and Dee Why do however both sit much higher when advantage (IRSAD) is also considered, sitting at the 82<sup>nd</sup> and 90<sup>th</sup> percentiles respectively. This means that while, for Narrabeena, 51% of areas have less disadvantage, there are only 18% of areas that have more advantage. This identifies that within the area itself there are notable pockets of disadvantage but that there is a lot of opportunity and pockets of wealth.

Overall, the LGA as a whole can be considered an area with a lot of advantage but with some pockets of increased disadvantage, notably Narrabeena, Dee Why, Narrabeen and Brookvale, which all sit within the Central-East grouping. These suburbs, however, do still have significant levels of advantage within them, as can be seen by higher IRSAD to IRSD scores; with all suburbs within the LGA sitting within the top 20% of all areas within Australia and all but one suburb (Narrabeena) sitting within the top 10%.

## Vulnerable groups or individuals

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

### Workforce status

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

Table 8 Community workforce status – 2021

Workforce status	Central-East	North-East	South	West and North-West	Northern Beaches LGA
<b>Employed</b>	97%	97%	97%	97%	97%
Employed full-time	56%	52%	60%	55%	56%
Employed part-time	31%	35%	28%	32%	31%
Employed, away from work	10%	10%	8%	10%	9%
<b>Unemployed (Unemployment rate)</b>	3%	3%	3%	3%	3%
Looking for full-time work	2%	2%	2%	2%	2%
Looking for part-time work	2%	2%	1%	2%	2%
<b>Total labour force</b>	<b>36,673</b>	<b>31,261</b>	<b>42,544</b>	<b>30,290</b>	<b>140,742</b>

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

In 2021, unemployment within the LGA (3%) was below the averages for the North District (4%), Greater Sydney and NSW (both 5%). The unemployment rate average is consistent across all groupings.

## 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. The following table shows the number of assessments receiving pensioner rebates compared to the total number of assessments for that area.

**Table 9 Number of pensioner assessments**

Number of pensioner properties	Total assessments	Statutory pensioner assessments	Statutory pensioner assessments %
Central-East	24,657	2,288	9%
North-East	22,630	2,365	10%
South	29,987	1,866	6%
West and North-West	19,080	2,427	13%
<b>Northern Beaches Council total</b>	<b>96,354</b>	<b>8,946</b>	<b>9%</b>

It is observed that the largest proportion of pensioners resides within West and North-West (13%), followed by North-East (10%). South has the lowest proportion and number of pensioner rebates, at 6% or 1,866 individuals, which is lower than the LGA average of 9%. The Group 3 council average proportion of residential pensioners is 10%, with a range from 21% to 4%,<sup>4</sup> therefore Northern Beaches sits about average overall when compared to other similar councils.

Eligible pensioners have access to mandatory rebates (up to a maximum of \$250 per year) on their rates. In addition to the statutory pensioner rebate, Council also offers a voluntary rebate of \$150 to eligible pensioners on their general rates. There are 863 ratepayers receiving the voluntary general rates rebate across the LGA. This offers further assistance to a potentially more vulnerable portion of the community.

## Core assistance

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

**Table 10 Number of people requiring core assistance**

Assistance required (2021)	Number	Percent %
Central-East	3,041	5%
North-East	2,208	4%
South	2,157	3%
West and North-West	2,745	4%
<b>Northern Beaches LGA</b>	<b>10,154</b>	<b>4%</b>

<sup>4</sup> Office of Local Government, 'Time Series Data 2022-2023'. Retrieved from: <https://www.olg.nsw.gov.au/public/about-councils/comparative-council-information/your-council-report/>.



We observe that Central-East has a slightly higher proportion (5%) of individuals requiring assistance, whereas South has a slightly lower proportion (3%). The LGA is generally in line with the North District average (4%) whereas Central-East is more in line with the Greater Sydney average (5%). All groupings sit below the NSW average of 6%.

## 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.

## Mortgage stress

A comparison of households where mortgage costs exceed 30% of income is as follows.

**Table 11 Households where mortgage costs exceed 30% of income**

Households with mortgage costs >30% of income (2021)	Number	Number of households with a mortgage	Percent %
Central-East	1,474	8,165	18%
North-East	1,522	7,854	19%
South	1,429	8,928	16%
West and North-West	1,216	8,015	15%
<b>Northern Beaches LGA</b>	<b>5,644</b>	<b>32,976</b>	<b>17%</b>
North District	19,335	100,462	19%
Greater Sydney	120,485	608,735	20%
NSW	163,060	942,804	17%

Overall, 5,644 (17%) households have mortgage costs exceeding 30% of their household income, below the North District and Greater Sydney averages (19% and 20% respectively). North-East has the highest proportion of all groupings at 19% (1,522 households) followed by Central-East at 18%. These groupings also both have highest proportions of households in the lowest two equivalised income quartiles, therefore there may be potential for some mortgage stress within these groupings. South (16%) and West and North-West (15%) both have lower proportions with mortgage costs exceeding 30% of income and also have the highest proportions in the highest two equivalised income quartiles, which would suggest that there is lower potential for mortgage stress within these groupings.

### **Rental stress**

Although renters are not usually immediately directly affected by an increase to council rates, there is generally considered to be a flow-on effect whereby landlords can pass on rate increases to the tenant via an increase in rental payments. It is therefore important to also consider rental stress and any areas within the LGA where this may be higher.

The following table compares the proportion of households with rental payments greater than 30% of household income.

**Table 12 Households where rental costs exceed 30% of income**

Households with rental costs >30% of income (2021)	Number	Number of households renting	Percent %
Central-East	3,616	9,086	40%
North-East	1,598	3,740	43%
South	3,077	9,654	32%
West and North-West	1,142	2,885	40%
<b>Northern Beaches LGA</b>	<b>9,451</b>	<b>25,365</b>	<b>37%</b>
North District	33,180	97,213	34%
Greater Sydney	231,957	657,317	35%
NSW	335,404	944,585	36%

Across the LGA, 9,451 (37%) households have rental costs exceeding 30% of their household income, which is above the North District and Greater Sydney averages (34% and 35% respectively). North-East has the highest proportion of all groupings at 43% (1,598 households) followed by West and North-West and Central-East, with both at 40%. North-East and Central East have the highest proportions of households in the lowest two equivalised income quartiles, therefore there may be potential for some rental stress within these groupings. It is, however, important to note that North-East and West and North-West have the lowest proportion of renting households of all groupings, at 17% and 15% respectively. West and North-West also has the second lowest proportion in the lowest two income quartiles and the second highest in the upper two quartiles, which suggests there is less likelihood for rental stress. South (32%) has lower proportions with rental costs exceeding 30% of income and also has the highest proportions in the highest two equivalised income quartiles, which would suggest that there is lower potential for rental stress within this grouping.

## 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 Northern Beaches LGA over a five-year period.

**Table 13 Five-year comparison of cost of living in Northern Beaches Council LGA<sup>5</sup>**

Household expenditure (totals)	2022/23		2017/18		Change		
	\$ per household	% of expenditure	\$ per household	% of expenditure	\$ per household	% of expenditure	%
Food	\$15,532	9%	\$16,021	9%	-\$488	0%	-3%
Alcoholic beverages & tobacco	\$6,639	4%	\$8,423	5%	-\$1,784	-1%	-21%
Clothing & footwear	\$6,900	4%	\$6,060	3%	\$840	1%	14%
Furnishings & equipment	\$7,801	4.4%	\$7,887	4.3%	-\$85	0%	-1%
Health	\$10,283	6%	\$9,404	5%	\$879	1%	9%
Transport	\$17,036	10%	\$22,833	12%	-\$5,798	-3%	-25%
Communications	\$3,155	2%	\$2,898	2%	\$256	0%	9%
Recreation & culture	\$17,273	10%	\$17,864	10%	-\$590	0%	-3%
Education	\$6,282	4%	\$6,366	3%	-\$84	0%	-1%
Hotels, cafes & restaurants	\$13,463	8%	\$14,315	8%	-\$851	0%	-6%
Miscellaneous goods & services	\$21,861	12%	\$24,791	13%	-\$2,930	-1%	-12%
Housing	\$47,015	27%	\$43,526	24%	\$3,489	3%	8%
Utilities	\$4,486	3%	\$4,999	3%	-\$514	0%	-10%
<b>Total expenditure</b>	<b>\$177,728</b>	<b>100%</b>	<b>\$185,388</b>	<b>100%</b>	<b>-\$7,660</b>	<b>0%</b>	<b>-4%</b>
Net savings	\$45,855	21%	\$36,836	17%	\$9,019	4%	24%
<b>Total disposable income</b>	<b>\$223,583</b>	<b>0%</b>	<b>\$222,224</b>	<b>0%</b>	<b>\$1,359</b>	<b>0%</b>	<b>1%</b>
Non-discretionary*	\$104,407	59%	\$105,741	57%	-\$1,334	2%	-1%
Discretionary	\$73,319	41%	\$79,646	43%	-\$6,327	-2%	-8%

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

<sup>5</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 \$1,359 (1%) and net annual savings have increased by \$9,019 (24%). Total expenditure has reduced by 4% with an 8% decrease in discretionary spending. This is mirrored across Greater Sydney and NSW, where discretionary spending has also reduced by 5% for both regions. However, total disposable income has decreased slightly in Greater Sydney, by \$1,640 or a reduction of 1%, whereas in NSW it has increased by 1% or \$1,179.

## Industry

In 2023, the main industries in order of employment (as full-time equivalent - FTE) remain construction (14.9%), health care and social assistance (13.9%), professional, scientific and technical services (11.7%), retail trade (10.9%) and education and training (8.3%). Since 2013, construction has moved ahead of professional, scientific and technical services to become the highest employing sector within the LGA. This differs to Greater Sydney, where professional, scientific and technical services remains the highest employing industry for 2023. The most recent data indicates the following trends, over the ten years from 2013 to 2023, in these core sectors:

- construction roles have increased by 5,416 (FTE)
- wholesale trade jobs have decreased by 2,086 (FTE)
- health care and social assistance jobs have increased by 4,163 (FTE)
- professional, scientific and technical services roles have increased by 2,696 (FTE)
- education and training sector has increased by 2,032 (FTE)
- manufacturing roles have decreased by 655 (FTE)
- overall, there are 14,163 more jobs (FTE) within the LGA in 2023 when compared to 2013.

It is noted that 53.8% of Northern Beaches Council's resident workers work within the LGA, with 46.2% travelling outside the LGA to work - mainly to City of Sydney, North Sydney and Willoughby LGAs.

Professional, scientific and technical services remain the most productive industry for the Northern Beaches LGA, generating 12.9% of the region's value (as value added) which is equal to Greater Sydney. This is an increase of \$551.2 million since 2012/13, when it contributed 11.9% for the Northern Beaches LGA. Health care and social assistance is now the second most valuable industry for the area, at 10.4% compared to 8.4% in 2012/13, with an increase of \$583.3 million in value added to the economy. Manufacturing (+\$63.8 million) and wholesale trade (-\$63.6 million) have both dropped from second and third respectively in 2012/13 to third and fifth, respectively in 2022/23. Construction remains in fourth place (+\$219.1 million), however its proportion of value add has dropped by 0.5% from 2012/13.

The overall value added by industries for the Northern Beaches LGA has increased by \$3.37 million since 2012/13, which, when combined with the significant increase in full-time equivalent jobs of 14,163, highlights the level of increasing opportunity and advantage within the area.

**Table 14 Value added by industry sector<sup>6</sup>**

Industry	2022/23			2012/13			Change (\$m)
	Northern Beaches \$m	Northern Beaches %	Greater Sydney %	Northern Beaches \$m	Northern Beaches %	Greater Sydney %	2012/13 - 2022/23
Agriculture, Forestry and Fishing	120.70	0.8	0.5	47.60	0.4	0.4	73.10
Mining	102.30	0.7	0.8	39.90	0.3	0.7	62.40
Manufacturing	1,316.10	8.8	6.4	1,252.30	10.8	8.7	63.80
Electricity, Gas, Water and Waste Services	179.90	1.2	1.7	161.70	1.4	2.4	18.20
Construction	1,194.50	8.0	7.8	975.50	8.5	7.6	219.10
Wholesale Trade	1,168.00	7.8	5.5	1,231.50	10.7	5.8	-63.60
Retail Trade	1,065.60	7.1	4.6	931.30	8.1	5.0	134.30
Accommodation and Food Services	649.10	4.4	2.6	502.60	4.4	2.7	146.60
Transport, Postal and Warehousing	574.20	3.8	6.7	418.80	3.6	7.7	155.40
Information Media and Telecommunications	555.60	3.7	5.7	276.80	2.4	3.8	278.80
Financial and Insurance Services	929.60	6.2	14.5	670.50	5.8	15.3	259.10
Rental, Hiring and Real Estate Services	981.80	6.6	4.6	698.10	6.0	4.3	283.80
Professional, Scientific and Technical Services	1,921.00	12.9	12.9	1,369.80	11.9	10.6	551.20
Administrative and Support Services	909.70	6.1	5.2	541.70	4.7	4.9	368.00
Public Administration and Safety	352.30	2.4	5.1	314.60	2.7	5.0	37.70
Education and Training	828.70	5.6	5.3	654.00	5.7	5.7	174.80
Health Care and Social Assistance	1,550.00	10.4	7.6	966.70	8.4	6.4	583.30
Arts and Recreation Services	168.30	1.1	0.9	127.90	1.1	1.0	40.30
Other Services	347.60	2.3	1.5	362.70	3.1	2.0	-15.10
<b>Total industries</b>	<b>14,914.90</b>	<b>100.0</b>	<b>100.0</b>	<b>11,543.80</b>	<b>100.0</b>	<b>100.0</b>	<b>3,371.00</b>

Council's Gross Regional Product was \$21.11 billion in the year ending June 2023, growing 2% since the previous year and increasing a substantial 27.7% since 2013. The local industry to resident's ratio has increased slightly from 0.72 in 2012/13 to 0.74 in 2023, which is the highest it has been since 2004. This indicates that generally most residents are contributing their economic productivity within the LGA, and that more residents may be working within the LGA than in previous years.

<sup>6</sup> NIEIR, 2021. Compiled and presented in economy.id by.

## Discussion

Our analysis shows that whilst Northern Beaches Council is a very advantaged area, there is some inequity within the LGA, with some areas experiencing higher levels of disadvantage even though there appears to be relatively similar levels of advantage across the LGA. There are a variety of differences emerging between the different areas, and this is also evident to some extent when reviewing SEIFA rankings. Overall, we observe greater levels of advantage in South, West and North-West and North-East when compared to Central-East.

Key aspects of the Central-East grouping, which has an IRSD ranking in the 78<sup>th</sup> percentile, and an IRSAD ranking (including factors of advantage) in the 93<sup>rd</sup> percentile, included:

- lowest proportion of dependents (20%) and second highest proportion of working age (57%), with the highest proportion of young workforce (15%)
- highest percentage of vulnerable households (36%) which are either 'lone person' or 'single parent' households
- a 3% unemployment rate (which is the same for all groupings) and is below the average for the North District and Greater Sydney as a whole
- majority of the LGA's social housing, joint lowest proportion of households with a mortgage (31%) and joint highest proportion of private renters (32%)
- highest proportion in the lowest two equivalised income quartiles (38%) and lowest proportion in the highest two quartiles (62%) – however both proportions are improved when compared to the Greater Sydney averages
- highest proportion of residents requiring assistance (5%)
- some potential for both mortgage and rental stress within this grouping.

Key aspects of the North-East grouping, with an IRSD ranking in the 95<sup>th</sup> percentile, and IRSAD ranking in the 98<sup>th</sup> percentile, are:

- highest proportion of retirees (29%) and lowest proportion of working age (48%)
- second lowest proportion of vulnerable households (29%)
- highest proportion of fully owned homes (41%), second highest proportion of households with a mortgage (35%) and second lowest proportion of private renters (16%)
- second highest proportion in the lowest two income quartiles (35%), however this is lower than the average for Greater Sydney and only slightly above the average for the North District
- some potential for mortgage and rental stress within this grouping
- second highest proportion of pensioners (10%).

Key aspects of the South grouping, contributing IRSD and IRSAD rankings in the 97<sup>th</sup> and 99<sup>th</sup> percentile respectively, are:

- highest proportion of working age (58%) and lowest proportion of retirees (20%)
- second highest proportion of vulnerable households (30%)
- joint lowest proportion of households with a mortgage (31%) and joint highest proportion of private renters (32%)

- highest proportion of households in the top two equivalised income quartiles (75%), well above the average for both Greater Sydney and the North District
- lowest proportion in the lowest two income quartiles (25%), well below Greater Sydney and North District averages
- highest proportion of workforce employed full-time (60%)
- less likelihood of mortgage and rental stress
- lowest proportion of residents requiring assistance (3%)
- lowest proportion of pensioners (6%).

Key aspects of the West and North-West grouping, which has an IRSD ranking in the 97<sup>th</sup> percentile, and IRSAD ranking in the 99<sup>th</sup> percentile, are:

- second lowest proportion of working age (50%) and highest proportion of dependents (25%)
- lowest proportion of vulnerable households (24%), with lowest proportion of lone person households (16%), both well below Greater Sydney and North District averages
- highest proportion of resident ratepayers (81%) and highest proportion of households with a mortgage (41%), contrasted with lowest proportions of private renters
- second highest in the top two income quartiles (66%) and second lowest in the lowest two quartiles (34%)
- lowest potential for mortgage stress and a lower likelihood of rental stress
- highest proportion of pensioners (13%).

It is important to note that although there is a significant level of advantage across each of the groupings within the LGA, there are some levels of disadvantage within the Central-East grouping, notably the suburbs of Narraweena, Dee Why, Narrabeen and Brookvale.

## Proposed rating changes

Northern Beaches Council has four options with respect to rates. These options, which are all permanent and all include a rate peg of 3.8% in 2025/26, 3.4% in 2026/27 and 3.1% in 2027/28, are:

- Option 1 (base case - do nothing) consists of rate peg increases only, resulting in a cumulative increase of 10.7% by 2027/28.
- Option 2 proposes a 9.8% increase in 2025/26, 9.4% increase in 2026/27 and 9.1% increase in 2027/28, and results in a cumulative increase of 31.1% by 2027/28.
- Option 3 proposes a 12.1% increase in 2025/26, 11.7% increase in 2026/27 and a 11.5% increase in 2027/28, and results in a cumulative increase of 39.6% by 2027/28.
- Option 4 proposes a 13.8% increase in 2025/26, 13.4% increase in 2026/27 and 13.1% increase in 2027/28, and results in a cumulative increase of 46.0% by 2027/28.

We have reviewed average rates by grouping and rate category. We compare the average rates for each scenario against the “do nothing” scenario (option 1 – rates to increase as normal, with rate peg only applied and no SV). The table below summarises the four scenarios and our analysis of each scenario follows.

Table 15 SV options

Option	2025/26	2026/27	2027/28
Option 1 is a cumulative increase of 10.7% at the end of 2027/28	rate peg (3.8%)	rate peg (3.4%)	rate peg (3.1%)
Option 2 is a cumulative increase of 31.1% at the end of 2027/28	9.8%	9.4%	9.1%
Option 3 is cumulative increase of 39.6% at the end of 2027/28	12.1%	11.7%	11.5%
Option 4 is cumulative increase of 46.0% at the end of 2027/28	13.8%	13.4%	13.1%

## Residential rates – impact analysis by scenario

Table 16 Option 2 residential average rates impact analysis

Residential - average rates	2024/25 average rate by grouping	2027/28 Option 1 - do nothing (\$)	2027/28 Option 2 average (\$)	Average increase (above rate peg) per year (\$)	Weekly increase above rate peg (\$)	Total increase (above rate peg) over 3 years (\$)
Central-East	1,392	1,540	1,824	95	1.82	284
North-East	1,908	2,111	2,500	130	2.49	389
South	1,913	2,117	2,507	130	2.50	390
West and North-West	1,509	1,670	1,978	103	1.97	308

The impact of increases in rates will be unequal across the LGA due to the wide variance in land value from area to area. Those in the higher land value areas of South (average to increase to \$2,507, an increase of \$2.50 per week by the end of 2027/28 when compared to option 1 'do nothing') as well as North-East (average to increase to \$2,500, an increase of \$2.49 per week by the end of 2027/28) are expected to see larger increases in average rates compared to the lower land value area of Central-East (average to increase to \$1,824, an increase of \$1.82 per week by the end of 2027/28).

**Table 17 Option 3 residential average rates impact analysis**

Residential - average rates	2024/25 average rate by grouping	2027/28 Option 1 - do nothing (\$)	2027/28 Option 3 average (\$)	Average increase (above rate peg) per year (\$)	Weekly increase above rate peg (\$)	Total increase (above rate peg) over 3 years (\$)
Central-East	1,392	1,540	1,943	134	2.58	403
North-East	1,908	2,111	2,664	184	3.54	553
South	1,913	2,117	2,671	185	3.55	554
West and North-West	1,509	1,670	2,107	146	2.80	437

As with option 2, residential ratepayers in the higher land value areas of South and North-East (averages to increase by \$554 and \$553 respectively, when compared to option 1 - do nothing, over three years) are expected to see larger increases in average rates, under option 3, compared to the lower land value areas of Central-East (total average increase over three years of \$403 or \$2.58 per week) and West and North-West (average increase of \$437 over three years or \$2.80 per week).

**Table 18 Option 4 residential average rates impact analysis**

Residential - average rates	2024/25 average rate by grouping	2027/28 Option 1 - do nothing (\$)	2027/28 Option 4 average (\$)	Average increase (above rate peg) per year (\$)	Weekly increase above rate peg (\$)	Total increase (above rate peg) over 3 years (\$)
Central-East	1,392	1,540	2,032	164	3.15	491
North-East	1,908	2,111	2,785	224	4.32	673
South	1,913	2,117	2,792	225	4.33	675
West and North-West	1,509	1,670	2,202	178	3.41	533

Under option 4, as with both options above, there will be unequal increases, with residential ratepayers in the higher land value areas of South (average to increase to \$2,792, an increase of \$225 per year by end of 2027/28) and North-East (average to increase to \$2,785, an increase of \$224 per year by the end of 2027/28) expected to see larger increases in average rates compared to the lower land value areas of Central-East (average to increase to \$2,032, an increase of \$164 per year by the end of 2027/28) and West and North-West (average to increase to \$2,202, an increase of \$178 per year by the end of 2027/28).



## Business rates – impact analysis by scenario

Table 19 Option 2 business average rates impact analysis

Business - average rates	2024/25 average rate by grouping	2027/28 Option 1 - do nothing (\$)	2027/28 Option 2 average (\$)	Average increase (above rate peg) per year (\$)	Weekly increase above rate peg (\$)	Total increase (above rate peg) over 3 years (\$)
Central-East	3,966	4,389	5,198	270	5.19	809
North-East	3,575	3,956	4,685	243	4.67	729
South	5,311	5,877	6,960	361	6.94	1,083
West and North-West	4,228	4,679	5,541	287	5.53	862

The impact of increases in rates will be unequal across the LGA due to the wide variance in land value from area to area, with those in the higher land value areas of South (average to increase to \$6,960, an increase of \$6.94 per week by the end of 2027/28) as well as West and North-West (average to increase to \$5,541, an increase of \$5.53 per week by the end of 2027/28) expected to see larger increases in average rates compared to the lower land value area of North-East (average to increase to \$4,685, an increase of \$4.67 per week by the end of 2027/28). It is observed that Central-East has the highest number of business ratepayers (3,126) and will see the second lowest average rate increase (to \$5,198 or \$5.19 per week).

Table 20 Option 3 business average rates impact analysis

Business - average rates	2024/25 average rate by grouping	2027/28 Option 1 - do nothing (\$)	2027/28 Option 3 average (\$)	Average increase (above rate peg) per year (\$)	Weekly increase above rate peg (\$)	Total increase (above rate peg) over 3 years (\$)
Central-East	3,966	4,389	5,537	383	7.36	1,149
North-East	3,575	3,956	4,991	345	6.64	1,035
South	5,311	5,877	7,415	513	9.86	1,538
West and North-West	4,228	4,679	5,903	408	7.85	1,224

As with option 2, business ratepayers in the higher land value areas of South and West and North-West (averages to increase by \$1,538 and \$1,224 respectively, when compared to option 1 - do nothing, over three years) are expected to see larger increases in average rates, under option 3, compared to the lower land value areas of Central-East (total average increase over three years of \$1,149 or \$7.36 per week) and North-East (average increase of \$1,035 over three years or \$6.64 per week). Central-East has the highest number of business ratepayers (3,126), followed by North-East (1,901). West and North-West, which will have the second highest average business rates has the lowest number of business ratepayers (1,133).

**Table 21 Option 4 business average rates impact analysis**

Business - average rates	2024/25 average rate by grouping	2027/28 Option 1 - do nothing (\$)	2027/28 Option 4 average (\$)	Average increase (above rate peg) per year (\$)	Weekly increase above rate peg (\$)	Total increase (above rate peg) over 3 years (\$)
Central-East	3,966	4,389	5,789	467	8.97	1,400
North-East	3,575	3,956	5,218	421	8.09	1,262
South	5,311	5,877	7,752	625	12.02	1,875
West and North-West	4,228	4,679	6,171	497	9.57	1,492

Under option 4, as with both options above, business ratepayers in the higher land value areas of South (average to increase to \$7,752, an increase of \$625 per year by the end of 2027/28) as well as West and North-West (average to increase to \$6,171, an increase of \$497 per year by the end of 2027/28) are expected to see larger increases in average rates compared to the lower land value area of North-East (average to increase to \$5,218, an increase of \$421 per year by the end of 2027/28).



## Other rating considerations

Table 22 Estimated 2027/28 residential rates for OLG Group 3 councils for a property with a land value of \$1 million<sup>7</sup>

LGA	Estimated 2027/28 residential rate for property with land value of \$1 million	Residential rank	Estimated 2027/28 business rate for property with land value of \$1 million	Business rank
Bayside	\$1,473	8	\$3,014	18
Blacktown	\$1,771	2	\$3,825	11
Canada Bay	\$1,077	18	\$2,120	20
Canterbury-Bankstown	\$1,545	5	\$3,361	15
Cumberland	\$1,474	7	\$3,772	13
Fairfield	\$1,436	10	\$1,707	21
Georges River	\$1,396	11	\$3,159	17
Inner West	\$1,134	15	\$3,892	10
Ku-ring-gai	\$1,113	17	\$3,795	12
Liverpool	\$1,829	1	\$2,647	19
North Sydney	\$793	21	\$4,813	5
<b>Northern Beaches - no SV (rate peg only)</b>	<b>\$1,217</b>	<b>14</b>	<b>\$3,921</b>	<b>9</b>
<b>Northern Beaches - SV option 2</b>	<b>\$1,441</b>	<b>9</b>	<b>\$4,643</b>	<b>6</b>
<b>Northern Beaches - SV option 3</b>	<b>\$1,535</b>	<b>6</b>	<b>\$4,947</b>	<b>4</b>
<b>Northern Beaches - SV option 4</b>	<b>\$1,605</b>	<b>4</b>	<b>\$5,171</b>	<b>1</b>
Parramatta	\$1,249	13	\$3,332	16
Randwick	\$1,310	12	\$4,984	2
Ryde	\$969	19	\$4,955	3
Sutherland	\$1,701	3	\$3,389	14
Waverley	\$883	20	\$4,480	8
Willoughby	\$1,121	16	\$4,483	7

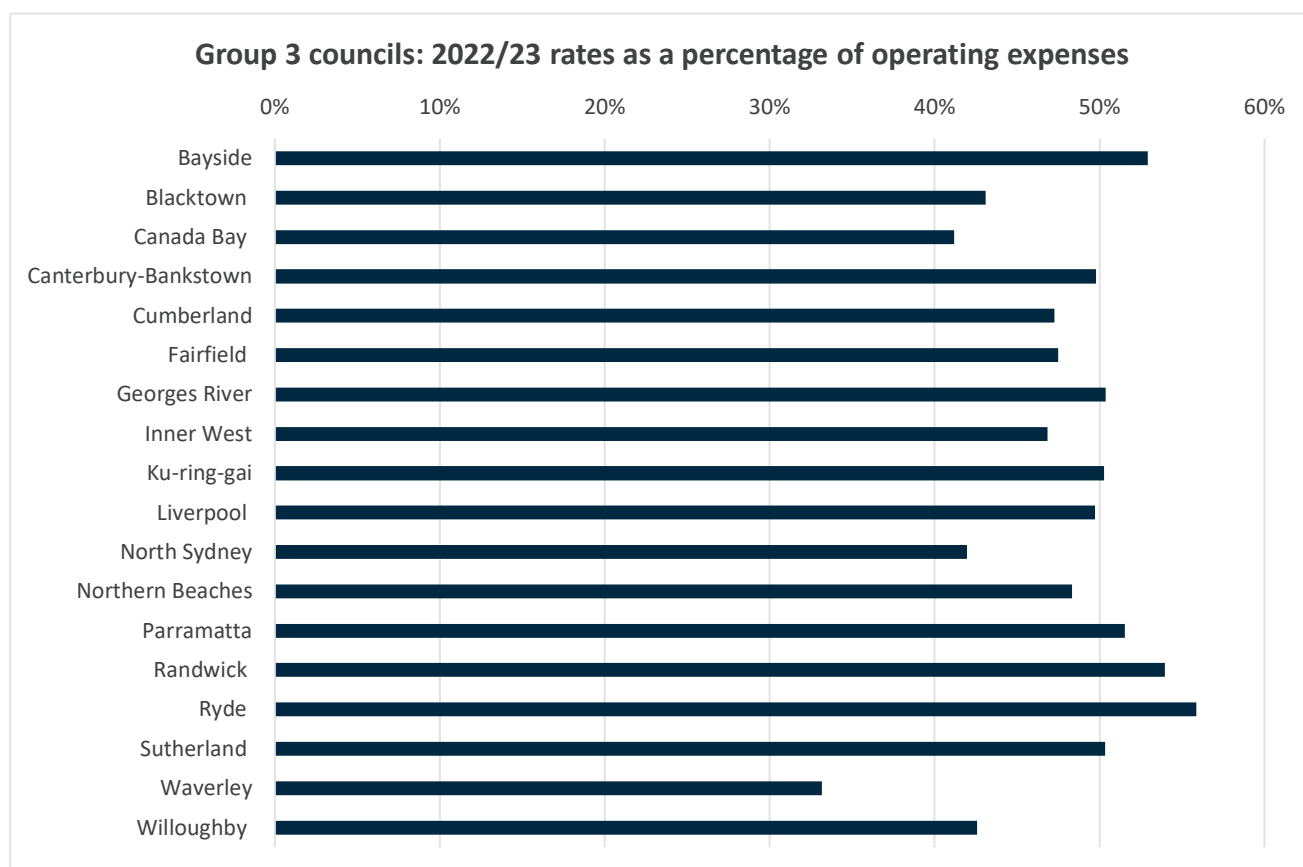
<sup>7</sup> Source: Northern Beaches Council. Please note that rates include Special Rates that apply to all ratepayers. Business Rates represents the general business rates category for each LGA. For Northern Beaches Council this means we have excluded rates for the Manly CBD, strata storage units, Warriewood Square and Warringah Mall. Several councils have a number of business sub-categories and additional special rates for businesses which makes a comparative analysis for business rates more challenging compared to the residential rate.

Table 22 identifies the estimated rate in 2027/28 for a property with a land value of \$1 million, including special rates, for each LGA within the OLG's group 3 (which contains councils comparable to Northern Beaches). This data has been collected by Northern Beaches Council from each council's 2024/25 Delivery Program and Operational Plan and multiplied by the rate peg (and any approved special rate variation) to calculate the estimated rates for 2027/28. This data has been used for comparison as average rates tend to be lower for councils with higher density due to a higher proportion of properties paying the minimum rate compared to Northern Beaches. In addition, the Northern Beaches LGA includes several retirement communities which are levied as one property rather than separate individual lots, which distorts the average rate.

When comparing these rates, Northern Beaches sits below the average of all group 3 councils (average \$1,305) when the rate peg only is applied and ranks between 4<sup>th</sup> and 9<sup>th</sup> dependent on which SV option is applied. For business rates, Northern Beaches sits above average (average \$3,647) when the rate peg only is applied, and moves to between 6<sup>th</sup> and 1<sup>st</sup>, dependent on the SV option.

When comparing the average ordinary rates for each rating category for the 2027/28 financial year (extrapolated using rate pegs from 2023 OLG published time series data<sup>8</sup> - not based on a specified land value) for group 2 and 3 metropolitan councils, Northern Beaches' average residential rates under the proposed options will rank towards the top. For average ordinary business rates, Northern Beaches would rank 13<sup>th</sup> or 14<sup>th</sup>, depending on the option, and well below the average for all group 3 councils.

**Figure 5 Actual (2023) rates as a percentage of operating expenses for OLG Group 3 metropolitan councils**



<sup>8</sup> Noting that a comparison of ordinary rates does not take into account any special rates that a council may charge its ratepayers.

Figure 5 shows total council rates as a percentage of operating expenditure for group 3 metropolitan councils. Northern Beaches is below most of these comparable group 3 councils in 2023, having a below median level of rates revenue as a percentage of operating expenditure. This is a strong indication that Council's rates are below the level required to service the community.

## Willingness to pay

**Table 23 Actual outstanding rates and charges for OLG Group 3 metropolitan councils**

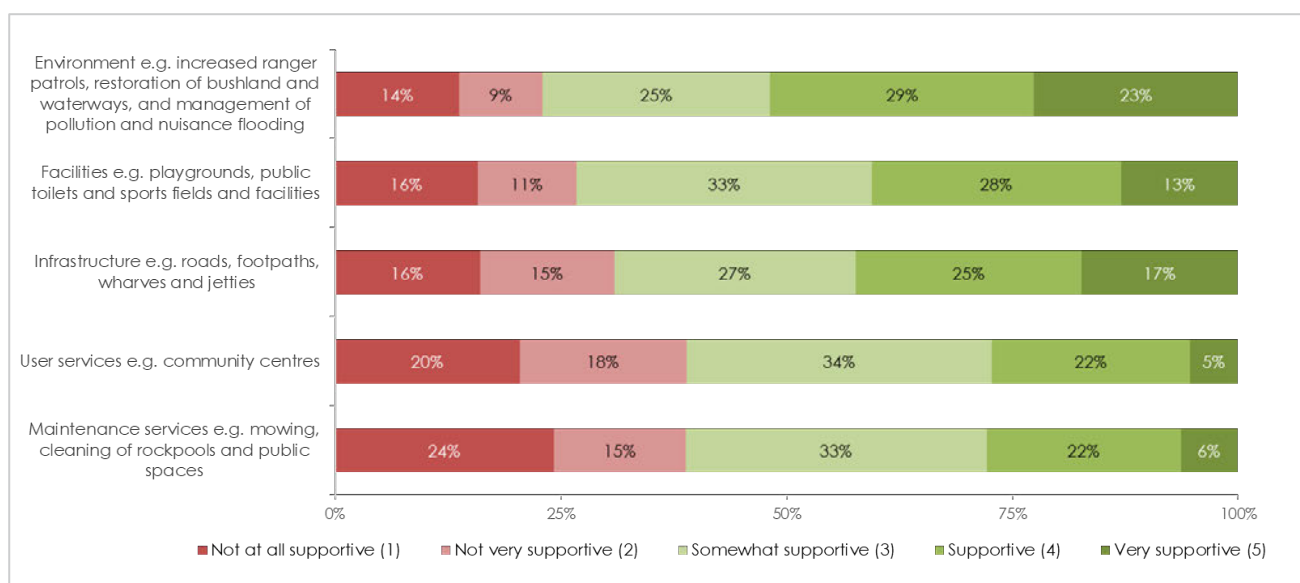
Rates and annual charges outstanding (%)	2022/23	2021/22	2020/21
Bayside	7.2%	7.4%	8.3%
Blacktown	5.0%	4.8%	5.1%
Canada Bay	4.1%	3.9%	4.4%
Canterbury-Bankstown	6.4%	6.2%	6.3%
Cumberland	6.0%	5.6%	6.4%
Fairfield	4.2%	4.5%	4.0%
Georges River	4.4%	4.3%	4.5%
Inner West	8.6%	7.9%	8.5%
Ku-ring-gai	4.5%	4.3%	3.6%
Liverpool	7.5%	6.8%	6.2%
North Sydney	2.8%	2.9%	2.8%
<b>Northern Beaches</b>	<b>3.6%</b>	<b>3.6%</b>	<b>3.9%</b>
Parramatta	7.2%	9.7%	8.6%
Randwick	2.9%	4.5%	3.8%
Ryde	3.3%	5.0%	4.6%
Sutherland	4.7%	4.4%	4.7%
Waverley	4.4%	4.8%	4.2%
Willoughby	2.5%	2.6%	2.2%

Table 23 shows outstanding rates and charges ratios over the past three reporting years for Group 3 metropolitan councils. Northern Beaches' percentage for 2023/24 is 3.8%, a slight increase from 3.6% in 2022/23 but below the 2020/21 ratio of 3.9%. The NSW benchmark for metropolitan councils is 5%, and Northern Beaches has consistently been below this percentage for the past four financial years and has remained at the lower end of the rankings, for the last four years, when compared to similar councils – this is therefore a partial indicator of capacity and willingness to pay.

As part of its community satisfaction survey, undertaken in August 2024 by Micromex Research, Northern Beaches Council included questions around willingness to pay increased rates for improved services. Analysis of survey feedback revealed the following:

- There was an appetite to increase services and increase rates in line with this, with over 60% of residents being somewhat supporting of paying more for services, facilities and infrastructure.
- Environmental improvements received the most support for being a reason to increase rates (77%), followed by facilities (73%), infrastructure (69%) and user services and maintenance services (both 61%).

**Figure 6 Community satisfaction survey question on Council's level of investment into the future – August 2024**



These results are an indication that there is some willingness to pay within the community, particularly in relation to improved environmental outcomes and improved facilities and infrastructure.

## Conclusion

From our analysis it is apparent that although there is significant advantage across the LGA, there is some inequity, with some suburbs within the Central-East grouping experiencing slightly higher 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.

Central-East has the lowest SEIFA rankings in the LGA, ranking in the 78<sup>th</sup> percentile for IRSD and 93<sup>rd</sup> for IRSAD, (however both are above the averages for Greater Sydney) and lowest equivalised income levels. Residential ratepayers within this area would have some of the lowest average weekly increases across all options when compared to option 1 (being the normal increases under rate peg). For option 2 (a cumulative increase of 31.1% by 2027/28) the average increase would be \$284 over three years, for option 3 (a cumulative increase of 39.6% by 2027/28) it would be \$403 and option 4 (a cumulative increase of 46.0% by 2027/28) it would be \$491. It is noted that this area contains the majority of the LGA's social housing (who would be unlikely to see a direct impact from increasing rates) and the lowest proportion of resident ratepayers (mortgaged and fully owned), which may increase the capacity to pay within this grouping. Given this, as well as the relatively lower land values and hence lower impact of an SV, it is considered that there is some capacity to absorb the additional rates payable under the proposed options, particularly if this is supported by an appropriate hardship policy.

North-East, with higher levels of advantage and lowest levels of disadvantage (ranking in the 95<sup>th</sup> and 98<sup>th</sup> percentiles for IRSD and IRSAD) will experience the second highest impact on residential ratepayers, with an additional \$389 over three years under option 2, \$553 under option 3 and \$673 under option 4, when compared to normal increases under the rate peg. Whilst being in the top 3% of all areas within Australia for IRSAD, this grouping does still have some potential for mortgage and rental stress and also has the second highest proportion of pensioners. However, it also has the highest proportion of fully owned homes and second lowest proportion of vulnerable households (lone person and one parent families), which will likely assist with mitigating some of the impact of the potential rent increases - as 41% of the population do not have to factor in a mortgage and the majority of households have two incomes. We therefore consider that this grouping has the capacity to afford potential rate rises, although it is important that Council does not marginalise particularly vulnerable individuals and households within this grouping.

South which has the joint highest SEIFA rankings (ranking in the 97<sup>th</sup> and 99<sup>th</sup> percentiles for IRSD and IRSAD), highest income levels and lowest potential for mortgage and rental stress, will see the greatest average increase (\$390 under option 2, \$554 under option 3 and \$675 over three years under option 4). Whilst West and North-West (\$308, \$437 and \$553 respectively), which also have the joint highest SIEFA rankings, will have the second lowest residential rate rises of the four groupings. Given the relative advantage of these groupings, it is considered that there is capacity to absorb potential rises.

At an overall level, the Northern Beaches estimated residential rate (for a property with a land value of \$1 million) is just below average when compared against comparable group 3 councils, and business rates are slightly above average when compared to these councils. Under the proposed scenarios, residential rates would move to between 9<sup>th</sup> and 4<sup>th</sup> of this grouping of comparable councils, and business rates would move to between 6<sup>th</sup> and 1<sup>st</sup> dependent on the option. In light of the advantage generally seen across the LGA and the positive indications from our industry analysis, it is considered that there is capacity to pay the proposed rate increases.

Further, compared to these councils, Northern Beaches has low levels of rates income as a percentage of operating expenses when compared to similar councils, and also low levels of outstanding rates (constantly below the average of all comparable councils for the past four years), and has been consistently below metropolitan benchmarks (5%), which indicates that there may be capacity and potential willingness from ratepayers to absorb rises. From community survey feedback, it also seems that there is willingness to pay increased rates, particularly to assist with environmental improvements and improvements to facilities and infrastructure. Overall, it is therefore considered that there is capacity to absorb the additional rates payable, particularly if this is supported by an appropriate hardship policy.