



# Capacity to Pay Report

Strathfield Council

January 2023

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## Executive summary

Strathfield Council ('Council') is currently considering a special rate variation (SRV) to ensure it has the financial capacity to maintain service levels into the future. Therefore, Council is currently reviewing the potential impact on the community of an SRV. This report puts due emphasis on the capacity to pay principle; given that some ratepayers have more ability to pay rates than others.

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

**Table 1 Area summary**

Precinct	Findings
Homebush	<ul style="list-style-type: none"> <li>significantly larger proportion of young workforce (age 25 – 34) and a very small proportion of retirees (over 60)</li> <li>the second highest percentage of vulnerable households, with the highest number of lone person households</li> <li>the highest proportion of households in the middle two income quartiles</li> <li>the highest unemployment rate</li> </ul>
Strathfield	<ul style="list-style-type: none"> <li>the highest percentage of retirees but the lowest proportion of dependents</li> <li>the highest percentage of fully owned homes and the lowest proportion of renters</li> <li>the lowest unemployment rate</li> <li>highest percentage in the top two monthly loan repayment quartiles, however also the highest in the top two equivalised income quartiles.</li> </ul>
Strathfield South	<ul style="list-style-type: none"> <li>the highest proportion of vulnerable households ('lone person' or 'single parent')</li> <li>highest level of social housing</li> <li>largest proportion in bottom two equivalised income quartiles, and second highest proportion in the top two monthly loan repayment quartiles, indicating potential household mortgage stress</li> <li>the highest proportion of the population requiring assistance</li> </ul>

From our analysis it is apparent that there are significant levels of advantage within the Strathfield LGA, along with pockets of significant disadvantage.

The Strathfield area has significant levels of advantage, as demonstrated by high levels of equivalised income, high socioeconomic scores and high levels of home ownership. At the end of the four-year period, residential ratepayers in this area will be paying an average of only \$18 per week more than they would have under the normal rate increases, therefore it is considered that there is capacity to pay.

The majority of residents within Homebush are renters (56%), meaning minimal or no impact of this SRV on those residents. This area, has the largest proportion of population within the middle quartiles of equivalised income, and also has above average SEIFA scores (scoring very high when including indicators of advantage). Residential ratepayers in this area will be paying an average of just \$12 per week more than they would have under the normal rate increases, largely due to the introduction of minimum rates. Again, it is considered that there is capacity to pay.

Strathfield South has suburbs with significant advantage and those with significant disadvantage (Belfield, Greenacre). It is important for Council to acknowledge that there are areas of significant disadvantage within the community, and that it does not significantly marginalise particularly vulnerable individuals and households. Both Belfield and Greenacre, whilst relatively small (total 887 properties), have significant disadvantage as demonstrated by the very low socio-economic rankings, high levels of mortgage repayments relative to equivalised income (and corresponding relatively high levels of mortgage stress). It is noted that these suburbs have significant levels of social housing (Belfield 17%, Greenacre 27%), these residents will be not impacted by the SRV. Similarly, these suburbs have significant levels of private renters (Belfield 21%, Greenacre 27%), which are unlikely to be impacted by the SRV. Finally, the suburbs of Belfield and Greenacre area will experience the smallest rates rises (Belfield average estimated increase by 2026/27 will be \$7 per week, Greenacre \$8 per week). Therefore, given an appropriate hardship policy, it is considered there is capacity to pay.

## Introduction

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

Key considerations include:

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

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

Data for this review was obtained from the following sources:

- Australian Bureau of statistics 2016 and 2021 Census Data – Data by Regions.
- Profile ID – Strathfield 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.

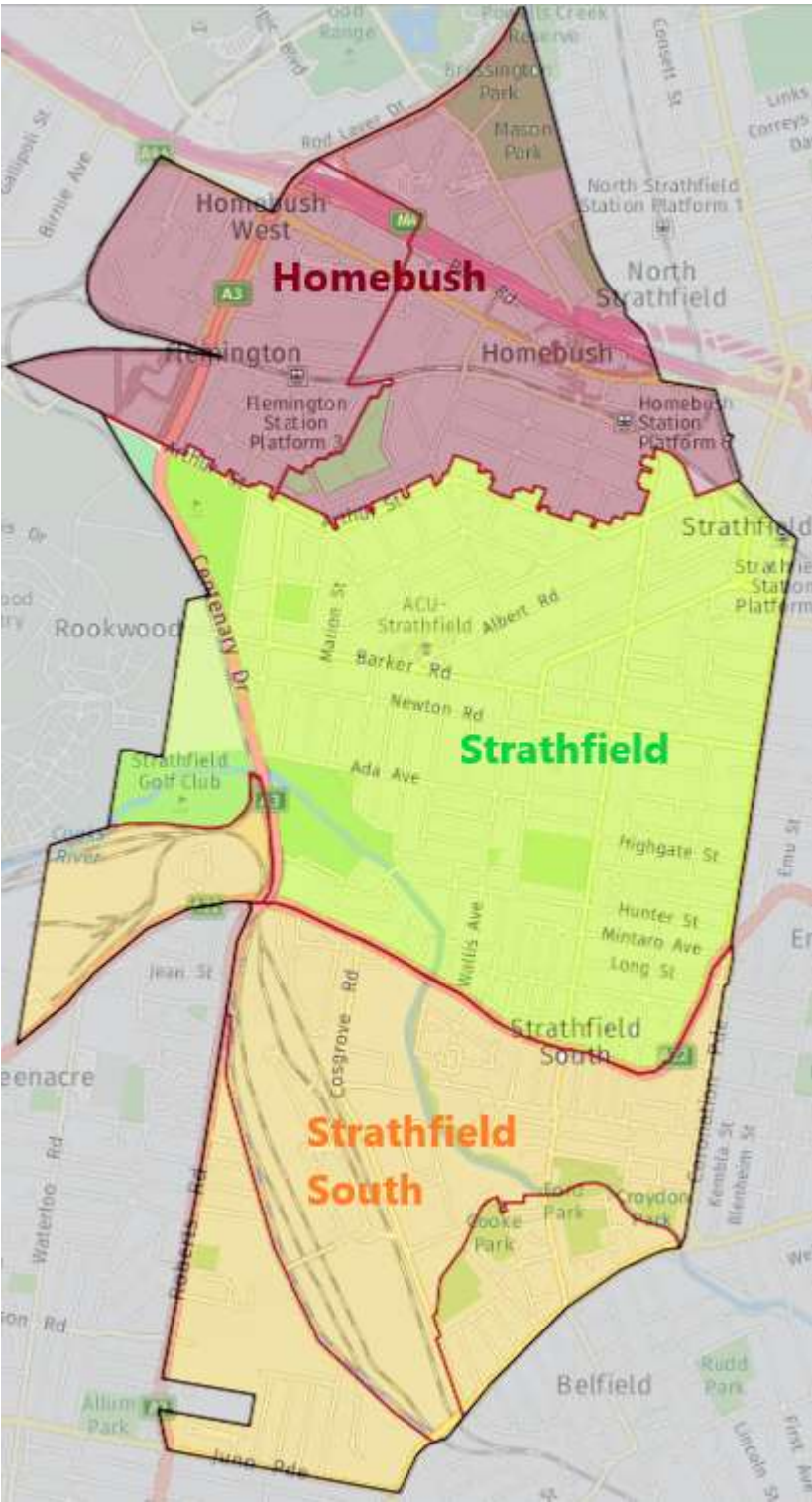
## Background

Strathfield Council is divided into three areas. Council is looking to ensure that equity is maintained between precincts, as each area has differing economic and socio-economic profiles. A summary of the precincts and the suburbs they encompass has been provided in the following table 2 and Figure 1.

**Table 2 Strathfield Council area summary**

Area	Population (2021)	Suburbs
Homebush	20,972	Homebush, Homebush West,
Strathfield	18,135	Strathfield
Strathfield South	6,823	Belfield, Greenacre, Strathfield South
<b>Strathfield Council LGA</b>	<b>45,930</b>	

Figure 1 Strathfield Council area map





## Methodology

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

- **Areas of social disadvantage**

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

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

- **Particularly vulnerable groups of individuals**

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

- property owners
- persons who have or need core assistance
- individuals who are currently unemployed
- households currently under housing stress
- pensioners.

- **Patterns in household expenditure**

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

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

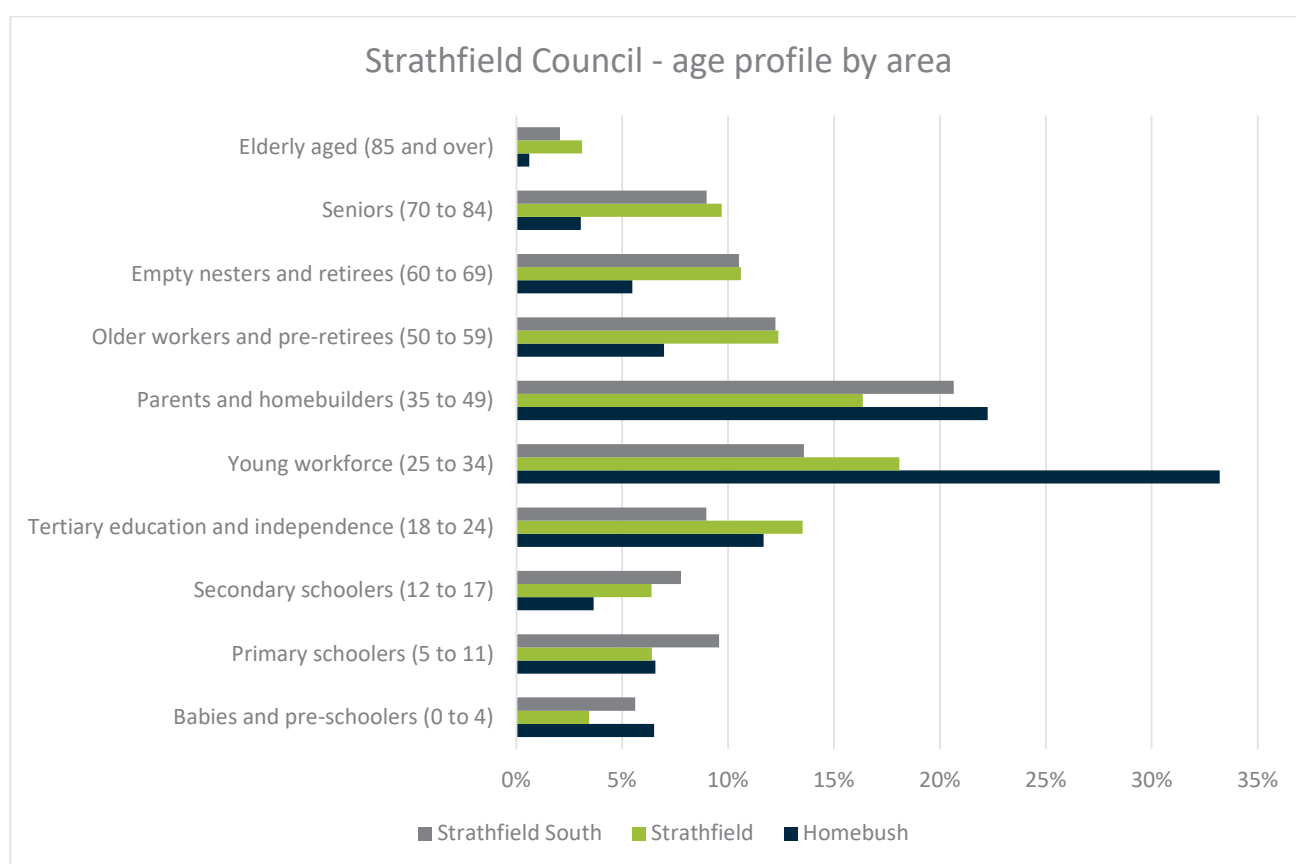
## Areas of social disadvantage

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

### Service age groups

Age profiles are used to understand the demand for aged-based services as well as the income earning status of the population. Data has been broken into groups which are reflective of typical life stages. This provides insight into the number of dependants, size of the workforce and number of retirees in each area.

**Figure 2 Service age groups**



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

**Table 3 Service age rankings**

Rank	Homebush	Strathfield	Strathfield South
Dependents	2	3	1
Working age	1	2	3
Retirees	3	1	2

At an LGA level, there is a relatively high proportion in both the 18-24 age group (12%, compared with Greater Sydney at 9%) and also in the 25-34 age group (24%, compared to Greater Sydney average of 16%). Conversely, lower proportions of retirees in Homebush helps keep the overall LGA proportion (17%) below the average for Greater Sydney (20%).

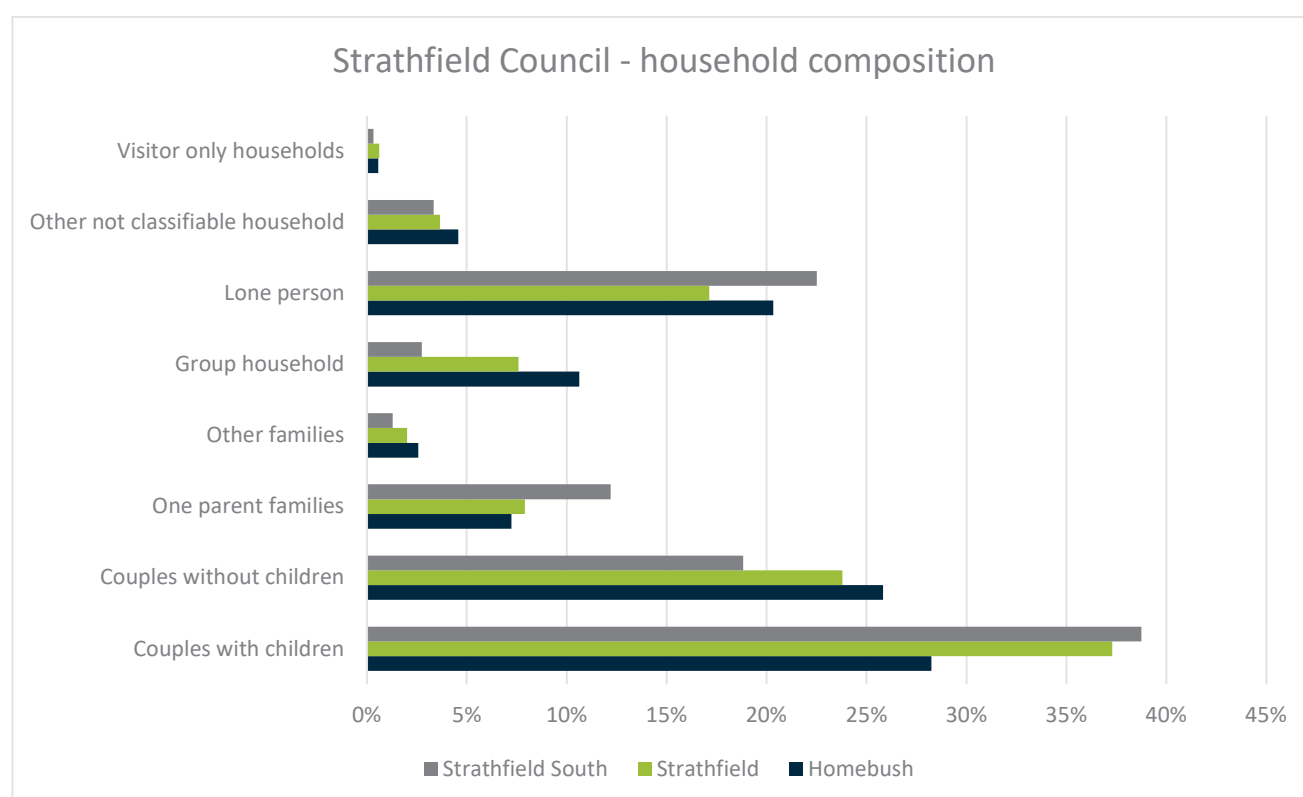
Looking into specific areas, we observe the following:

- Homebush area has a high proportion in the 25 – 34 age group at 33% compared with the LGA average of 24%, and Greater Sydney average of 16%.
- Homebush area has a very low proportion of retirees (age 60+) at 9%, compared with the LGA average of 17%, and Greater Sydney average of 20%.
- Homebush and Strathfield both have relatively low proportions of dependents (0-17 age groups) at 17% and 16% respectively. Strathfield South is at 23%, which is in line with the Greater Sydney average of 22%.

## Household types

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

**Figure 3 Household composition**



Overall, the proportion of households comprising couples with children (33%) is similar to that of the Greater Sydney average (34%) and slightly higher than the Inner West Sydney average (29%). However, at an area level Homebush (28%) has lower proportions in this category compared Strathfield (37%) and Strathfield South (39%).

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 28% of the population, below the averages for Inner West (34%), Greater Sydney (33%) and NSW (34%). However, it was observed that Strathfield South (35%) was more in line with these averages, having 292 one parent families, and 539 lone person households.

Group households in Homebush (11%) and Strathfield (8%) are higher than the Inner West Sydney (6%) and Greater Sydney (4%) averages.

## Housing tenure

Analysis of housing tenure levels within the LGA allows us to identify which areas most impacted by changes in council rates, i.e. the direct impact of a change in rates will be felt by home owners, whereas renters may experience an indirect increase/decrease depending on their lease agreement/decisions of their landlord. Furthermore, individuals in social housing are unlikely to be impacted by a change in rates.

**Table 4 Strathfield Council housing tenure**

Housing Tenure - percentage of households	Homebush	Strathfield	Strathfield South	Strathfield LGA
Fully owned	10%	34%	25%	21%
Mortgage	27%	27%	29%	28%
Renting - Total	56%	32%	39%	44%
Renting - Social housing	2%	2%	11%	3%
Renting - Private	53%	30%	28%	41%
Renting - Not stated	0%	0%	0%	0%
Other tenure type	1%	3%	2%	2%
Not stated	6%	5%	5%	6%
<b>Total households</b>	<b>8,066</b>	<b>6,028</b>	<b>2,417</b>	<b>16,525</b>

The Strathfield LGA home ownership average of 48% is lower than the Inner West Sydney average (54%) and Greater Sydney average (59%). Home ownership levels vary substantially throughout the LGA. Strathfield (61%) and Strathfield South (54%) have the highest proportion of resident ratepayers. Conversely, Homebush has the lowest proportion at 37%, reflective of the young population in this area. The proportion of Mortgagees is consistent across the LGA at 27%, in line with the Inner West average and below the Greater Sydney average (32%). The proportions of fully owned homes ranges from Homebush at 10% to Strathfield at 34%. Strathfield South (25%) is in line with the Inner West and Greater Sydney averages (both 27%).

The LGA has a relatively high level of renters (44%) compared to the Greater Sydney average (35%), especially in Homebush (56%) which is reflective of the younger population. Generally, the impact of these rates rises will not be passed onto renters. Strathfield South also has relatively high proportion renting (39%), driven by the relatively high level of social housing (12%). When looking at the suburb level, Belfield has 17% of households in social housing (93 households), and Greenacre 27% (148 households). Residents in social housing do not pay rates, and therefore are not impacted by the proposed SRV.

## Equivalised household income

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

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

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

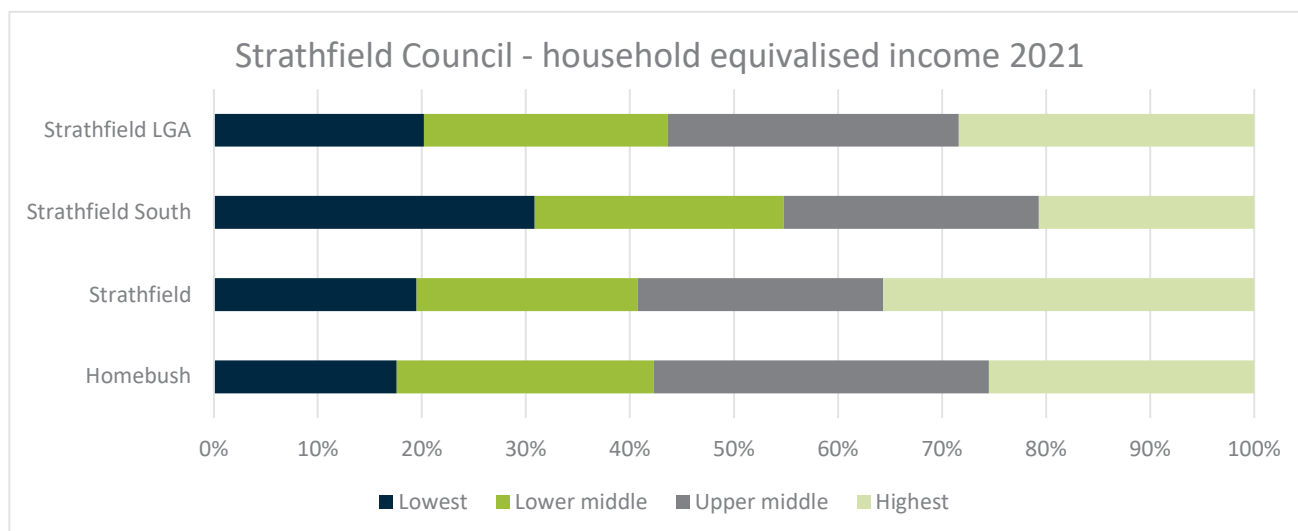
As this is a relative comparison, data has been presented in quartiles; regions of disadvantage will have a higher proportion of households in the bottom two quartiles than those of greater wealth and advantage. These quartiles were determined by reviewing the distribution of household incomes within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

The data has been presented in ranges for the following equivalised weekly income levels for 2021:

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

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

**Figure 4 Equivalised household income**



Strathfield Council has 56% of households within the top two of equivalised household incomes, and 51% of households place within the middle two quartiles, indicating a higher level of wealth when compared with Greater Sydney (55% and 48% respectively) and NSW.

There is still some disparity within the LGA. We make the following observations from the data:

- Homebush (42%) and Strathfield (41%) had the lowest proportion of households in the lower income quartiles.
- Homebush (58%) and Strathfield (59%) also have the highest in the higher income quartiles.
- Strathfield South has a greater proportion in the lowest two quartiles (55%) than the highest two quartiles (45%), which is an exception across the LGA.
- Ranking of precincts by greatest disadvantage (percentage of households in lower brackets):
  - 1 – Strathfield South      2 – Homebush      3 – Strathfield
- Ranking of precincts by greatest middle class (percentage of households in middle brackets):
  - 1 – Homebush      2 – Strathfield South      3 – Strathfield
- Ranking precincts by advantage (percentage of households in upper brackets):
  - 1 – Strathfield      2 – Homebush      3 – Strathfield South.

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

Equivalised income quartiles (2021)	Homebush	Strathfield	Strathfield South	Strathfield LGA	Inner West Sydney	Greater Sydney	NSW
Lowest	18%	20%	31%	20%	18%	22%	25%
Lower middle	25%	21%	24%	23%	19%	23%	25%
Upper middle	32%	24%	25%	28%	24%	25%	25%
Highest	26%	36%	21%	28%	39%	30%	25%

## Socio-economic index

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

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

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

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

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

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

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

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

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

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

**Table 6 Regional SEIFA scores and percentiles**

Regional SEIFA scores and percentiles	SEIFA IRSD (2016)	Percentile	SEIFA IRSAD (2016)	Percentile
Strathfield LGA	1,026.0	61	1,063.0	87
Neighbouring councils	955.7	23	982.1	44
Inner West Sydney	1,032.5	66	1,071.9	90
Greater Sydney	1,018.0	56	1,040.0	77
NSW	1,001.0	45	1,011.0	62
Australia	1,001.9	46	1,003.1	57

Strathfield Council's IRSD score of 1,026.0 is well above the Greater Sydney, NSW and Australia rankings. The ranking of 1,026.0 places the LGA in the 61<sup>st</sup> percentile, meaning approximately 61% of Australian suburbs have a SEIFA IRSD ranking lower than this area (more disadvantaged), while 39% are higher.

IRSAD includes levels of both advantage and disadvantage. Strathfield Council's score of 1,063.0 places the LGA into the 87<sup>th</sup> percentile. A higher IRSAD score compared to IRSD score is indicative of greater opportunities within the LGA, e.g. higher equivalised incomes, higher education levels, greater employment opportunities within the area, or more skilled jobs.

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

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

Area SEIFA scores and percentiles	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Homebush	1,014.1	54	1,048.2	80
Strathfield	1,052.6	78	1,052.6	95
Strathfield South	970.3	37	970.3	55

Analysis at the area level demonstrates inequity between different parts of the LGA. On the one hand, Strathfield (both IRSD in the 78<sup>th</sup> percentile and IRSAD in the 95<sup>th</sup> percentile) has levels of disadvantage well below the average levels in Inner West Sydney, Greater Sydney, and NSW. Homebush, however has a lower IRSD percentile than Greater Sydney but a higher IRSAD percentile, meaning there is greater opportunity in the area but also a larger disparity. Strathfield South however is in substantially lower percentiles, for both IRSD and IRSAD, than the rest of the LGA and also below the Greater Sydney levels. This low score is driven by low scores in the suburbs of Belfield (ranking in the 28<sup>th</sup> percentile for IRSD, and 51<sup>st</sup> for IRSAD) and Greenacre (9<sup>th</sup> percentile IRSD, 24<sup>th</sup> percentile IRSAD). The combined population of Belfield and Greenacre only represents 6.9% of the entire LGA, however it is important that this inequality is considered by Council.

**Table 8 Suburb SEIFA rankings**

Suburb SEIFA scores and percentiles	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Belfield (Strathfield South)	967.6	28	992.5	51
Greenacre (Strathfield South)	896.9	9	942.4	24
Homebush (Homebush)	1026.9	62	1062.4	87
Homebush West (Homebush)	1001.3	46	1033.9	73
Strathfield (Strathfield)	1052.6	78	1096.6	95
Strathfield South (Strathfield South)	1046.3	74	1071.1	90

When reviewing SEIFA rankings at a suburb level, we see the distribution of advantage and disadvantage through the LGA varies quite substantially, with Greenacre sitting in the 24<sup>th</sup> percentile and Strathfield in the 95<sup>th</sup>. Greenacre also sits in the 9<sup>th</sup> percentile for its IRSD score, meaning 91% of suburbs within Australia have lower levels of disadvantage. This is widely different to Strathfield in the 78<sup>th</sup> percentile, meaning 22% of suburbs have less disadvantage. It is worth noting that most of the suburb of Greenacre that is located in the Strathfield LGA has industrial zoning, however the section of Greenacre bounded by Sylvanus Street (west), Juno Parade and Roberts Road has 54% social housing as well as 12.9% unemployment.

Reviewing SEIFA scores and rankings at a suburb level, Strathfield South area's low scores are driven by low scores in the suburbs of Belfield (ranking in the 28<sup>th</sup> percentile for IRSD, and 51<sup>st</sup> for IRSAD) and Greenacre (9<sup>th</sup> percentile IRSD, 24<sup>th</sup> percentile IRSAD). Whilst this only reflects 7% of households and population in the LGA, it is important that this inequality is considered by Council.



## Vulnerable groups or individuals

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

### Workforce status

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

**Table 9 Community workforce status – 2021**

Workforce status	Homebush	Strathfield	Strathfield South	Strathfield LGA
Employed	93%	94%	94%	94%
Employed full-time	54%	51%	51%	53%
Employed part-time	28%	34%	29%	30%
Employed, away from work	11%	10%	13%	11%
Unemployed (Unemployment rate)	7%	6%	6%	6%
Looking for full-time work	4%	3%	4%	3%
Looking for part-time work	3%	3%	2%	3%
<b>Total labour force</b>	<b>8,821</b>	<b>9,260</b>	<b>3,373</b>	<b>21,089</b>

In 2021, unemployment within the LGA (6%) was slightly above the averages for Inner West Sydney, Greater Sydney and NSW (all 5%), and below neighbouring suburbs (7%). It is noted that Greenacre has higher levels of unemployment at 10% (55 people), and Homebush West at 8% (411 people).

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

### Pensioners

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

**Table 10 Number of pensioner assessments**

Number of pensioner properties	Total assessments	Pensioner assessments	Pensioner assessments
Homebush	8,869	266	3%
Strathfield	6,459	559	9%
Strathfield South	2,669	305	11%
Strathfield LGA	17,997	1,130	6%

It is observed that the largest proportion of pensioners reside within Strathfield South (11%), followed by Strathfield. These eligible pensioners have access to mandatory rebates (up to a maximum of \$250 per year) on their rates. Further, Strathfield Council offers additional generous voluntary rebates on domestic waste and stormwater charges to eligible pensioners.

## Core assistance

Table 11 highlights the areas within the LGA that have higher concentrations of people who need assistance in their day-to-day lives with self-care, body movements or communication – because of a disability, long-term health condition or old age.

**Table 11 Number of people requiring core assistance**

Assistance required (2021)	Number	Percentage
Homebush	499	2%
Strathfield	985	5%
Strathfield South	457	7%
Strathfield LGA	1,941	4%

We observe that Strathfield South has a higher proportion of the population requiring assistance compared with the Inner West Sydney (4.7%), Greater Sydney (5.2%) and NSW (5.8%) averages. This compares with Homebush where the proportion is well below.

## 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:

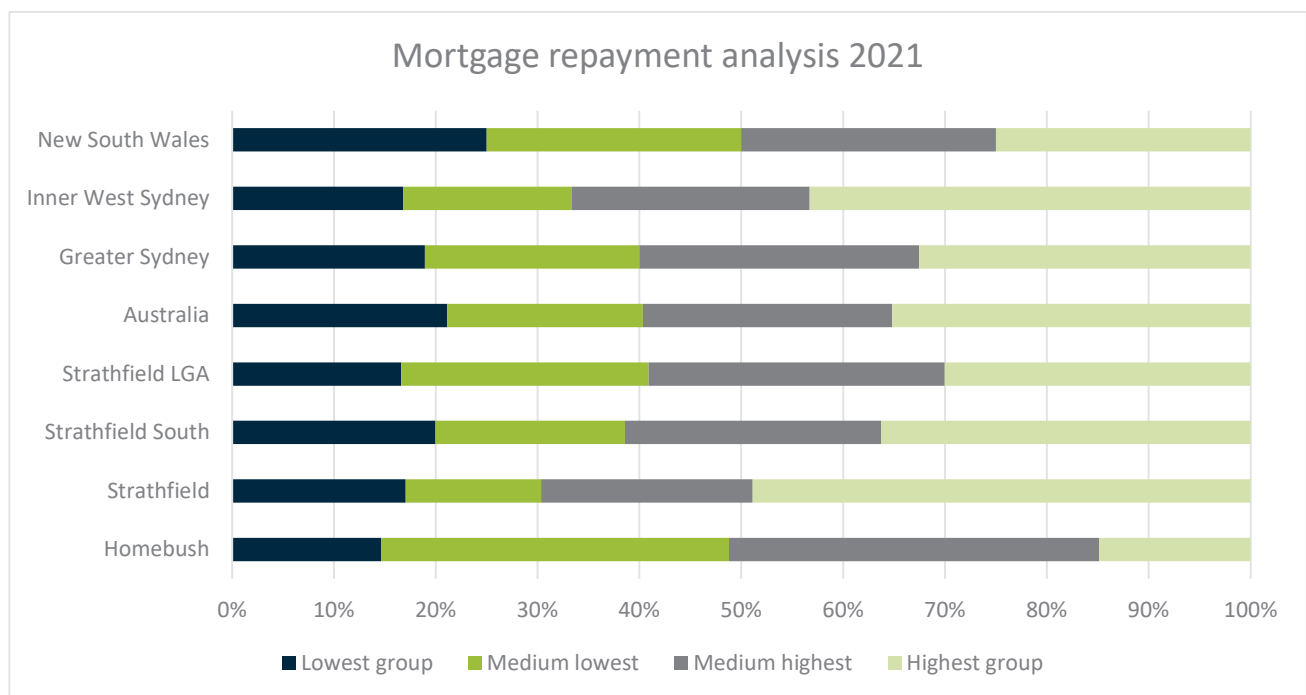
- 19% of households facing housing stress compromised a lot on their grocery spend over a 12-month period
- 24% of households facing housing stress found rent/mortgage repayments quite/very difficult in the last three months.

Households facing housing stress are highly likely to be in significant financial stress and vulnerable to sudden increases in council rates. A comparison of the levels of monthly mortgage repayments in each precinct is provided in table 11.

**Table 12 Breakdown of mortgage payments by quartile**

Loan repayment quartile group	Homebush	Strathfield	Strathfield South	Strathfield LGA
Lowest group	15%	17%	20%	17%
Medium lowest	34%	13%	19%	24%
Medium highest	36%	21%	25%	29%
Highest group	15%	49%	36%	30%
<b>Total households with stated mortgage repayments</b>	<b>2,062</b>	<b>1,479</b>	<b>656</b>	<b>4,238</b>

**Figure 5 Mortgage repayment analysis by quartiles**



Overall, 59% of housing loan repayments within the LGA are in the highest two monthly loan repayment quartiles, which is comparable to the Greater Sydney and Australia averages (60%). When comparing this to equivalised income, overall 56% of the LGA's residents sit within the top two quartiles, which is comparable with Greater Sydney (55%). Therefore, there is a likelihood for a level of household mortgage stress within the LGA as a whole. At the time of the 2016 Census, at the LGA level, approximately 410 households (out of 3,486 mortgagees) had mortgage stress.

We observe that Strathfield (70%) has the highest proportion of households in the highest two monthly loan repayment quartiles. This area has 59% of households in the highest two equivalised income quartiles, indicating the likelihood of household mortgage stress in this area.

Strathfield South has 61% of households in the highest two monthly loan repayment quartiles, and only 45% of households in the upper two equivalised income quartiles (45%), again indicating likely household mortgage stress within the Strathfield South area. Despite there being a small population centre it is important that Council consider potential household stress and the impact on these ratepayers.

Homebush, has relatively larger proportions in the middle two monthly loan repayment quartiles, at 70%, and lower two quartiles, at 49%. Comparing to equivalised income, this area also has the largest percentage in the middle and highest quartiles (middle two percentiles at 57% and highest two at 58%), therefore the risk of mortgage stress is likely to be lower in Homebush than in Strathfield and Strathfield South.

## 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, can be useful when looking at a community's capacity to pay.

We were unable to access cost of living data with respect to the Strathfield LGA. Therefore, we analysed data for Greater Sydney, Southern Sydney Regional Organisation of Councils (SSROC) councils, as well data for a number of LGAs within the local area – such as Burwood, Inner West and Canterbury-Bankstown. This allows us to infer some general conclusions as to cost-of-living trends over the five-year period between 2015/16 through to 2020/21.

The cost-of-living trends for this period for Greater Sydney are presented in table 13. This shows that over this five-year period, net savings have increased to 20.8% of total disposable income. Over this period, there has been an overall slight increase in the proportion of non-discretionary expenditure to now represent 56% of total expenditure. This is driven by increased food and health costs, which now represent 9.4% and 6.3% of household expenditure respectively. However, this has been balanced somewhat by a reduction in transport costs, which now represent 7.6% of household expenditure. There has been a slight drop in discretionary expenditure, particularly in hotels, cafes and restaurants.

**Table 13 Five-year comparison of cost of living in Greater Sydney**

Household expenditure (totals)	2020/21		2015/16		Change
	\$ per household	% of expenditure	\$ per household	% of expenditure	2015/16 - 2020/21
Food	\$12,537	9.40%	\$11,508	8.40%	\$1,029
Alcoholic beverages and tobacco	\$5,633	4.20%	\$6,200	4.50%	-\$567
Clothing and footwear	\$5,520	4.10%	\$4,662	3.40%	\$858
Furnishings and equipment	\$6,334	4.80%	\$5,491	4.00%	\$843
Health	\$8,448	6.30%	\$7,203	5.20%	\$1,245
Transport	\$10,107	7.60%	\$15,523	11.30%	-\$5,415
Communications	\$2,662	2.00%	\$2,104	1.50%	\$558
Recreation and culture	\$13,895	10.40%	\$13,526	9.80%	\$369
Education	\$6,938	5.20%	\$6,741	4.90%	\$197
Hotels, cafes and restaurants	\$8,063	6.00%	\$10,497	7.60%	-\$2,433
Miscellaneous goods and services	\$18,261	13.70%	\$19,068	13.90%	-\$807
Housing	\$30,860	23.20%	\$30,817	22.40%	\$44
Utilities	\$4,024	3.00%	\$3,990	2.90%	\$34

	2020/21		2015/16		Change
Household expenditure (totals)	\$ per household	% of expenditure	\$ per household	% of expenditure	2015/16 - 2020/21
Total expenditure	\$133,284	100.00%	\$137,330	100.00%	-\$4,046
Net savings	\$34,972	20.80%	\$21,644	13.60%	\$13,328
Total disposable income	\$168,256	0.00%	\$158,974	0.00%	\$9,282
Non-discretionary*	\$74,158	56%	\$75,807	55%	-\$1,649
Discretionary	\$59,124	44%	\$61,523	45%	-\$2,399

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

Analysis of data from SSROC councils (combined), see table 14 below, also supports these trends, with net savings increasing to represent 21.1% of total disposable income. Likewise, Inner West, Canterbury-Bankstown and Burwood Councils all saw an increase over the same five-year period. These areas also saw similar trends in non-discretionary expenditure, particularly housing and hotels, cafes and restaurants. However, there were differences in discretionary expenditure, with Inner West Council seeing an increase in housing costs, whereas Burwood and Canterbury-Bankstown both saw a decrease.

Table 14 shows over the five-year period, total disposable income across the SSROC councils has increased by an average of \$12,874. The trends are similar to those for Greater Sydney as shown above in table 13. The drops in Transport and Hotels, Cafés and restaurants may be attributed to the impact of COVID-19, and as such this decrease is unlikely to be permanent. However, across the SSROC councils there has been an increase in net savings of \$13,722, indicating capacity to absorb increased household expenditure.

**Table 14 Five-year comparison of cost of living in SSROC councils (combined)**

	2020/21		2015/16		Change
Household expenditure (totals)	\$ per household	% of expenditure	\$ per household	% of expenditure	2015/16 - 2020/21
Food	\$12,383	9.30%	\$11,000	8.20%	\$1,383
Alcoholic beverages and tobacco	\$5,577	4.20%	\$5,939	4.40%	-\$362
Clothing and footwear	\$5,470	4.10%	\$4,469	3.30%	\$1,001
Furnishings and equipment	\$6,260	4.70%	\$5,254	3.90%	\$1,006
Health	\$8,356	6.30%	\$6,897	5.10%	\$1,459
Transport	\$9,223	6.90%	\$14,660	10.90%	-\$5,437
Communications	\$2,636	2.00%	\$2,016	1.50%	\$620
Recreation and culture	\$13,671	10.30%	\$12,881	9.60%	\$790
Education	\$6,359	4.80%	\$5,954	4.40%	\$405
Hotels, cafes and restaurants	\$8,095	6.10%	\$10,176	7.60%	-\$2,081
Miscellaneous goods and services	\$17,993	13.50%	\$18,177	13.60%	-\$184
Housing	\$33,188	24.90%	\$32,791	24.50%	\$397
Utilities	\$3,939	3.00%	\$3,782	2.80%	\$157
Total expenditure	\$133,148	100.00%	\$133,996	100.00%	-\$848

Household expenditure (totals)	2020/21		2015/16		Change
	\$ per household	% of expenditure	\$ per household	% of expenditure	2015/16 - 2020/21
Net savings	\$35,552	21.10%	\$21,830	14.00%	\$13,722
Total disposable income	\$168,700	0%	\$155,826	0%	\$12,874
Non-discretionary*	\$75,195	56%	\$75,615	56%	-\$420
Discretionary	\$57,955	44%	\$58,381	44%	-\$426

## Discussion

The Strathfield LGA as a whole though can be considered to be a relatively advantaged socio-economic area; however, there are a variety of differences emerging between the different areas and this is also evident when reviewing SEIFA rankings. Overall, we observe greater levels of advantage in Strathfield and Homebush when compared with Strathfield South, and in particular the suburbs of Belfield and Greenacre within Strathfield South.

Key aspects of the Strathfield South area, which had an IRSD ranking in the 37<sup>th</sup> percentile, and an IRSAD ranking (including factors of advantage) in the 55<sup>th</sup> percentile, included:

- the second highest proportion of retirees (age 60 and over)
- the highest proportion of vulnerable households which were either 'lone person' or 'single parent' households
- high level of social housing (11%)
- the second highest proportion of resident ratepayers and the highest percentage of mortgagees
- highest proportion in the lowest two equivalised income quartiles (55%), the second highest proportion in the top two monthly loan repayment quartiles, increasing potential of mortgage stress.
- the second highest unemployment rate at 7%
- the highest proportion of the population requiring assistance (7%).

Key aspects of the Strathfield area, contributing to an IRSD ranking in the 78<sup>th</sup> percentile, and IRSAD ranking in the 95<sup>th</sup> percentile, were:

- the highest percentage of retirees but the lowest proportion of dependents
- the lowest proportion of vulnerable households which were either 'lone person' or 'single parent' households
- the highest percentage of fully owned homes and the lowest proportion of renters
- the lowest unemployment rate at 6%
- highest percentage in the top two monthly loan repayment quartiles (70%), however also the highest in the top two equivalised income quartiles (59%).

Key aspects of the Homebush area, contributing to an IRSD ranking in the 54<sup>th</sup> percentile, and IRSAD ranking in the 80<sup>th</sup> percentile, were:

- significantly larger proportion of young workforce (age 25 – 34) and a very small proportion of retirees (over 60)
- the second highest percentage of vulnerable households, with the highest number of lone person households
- the highest proportion of households in the middle two income quartiles (57%)
- the highest unemployment rate at 8%
- the lowest proportion of households in the top two mortgage repayment quartiles (51%) and the highest proportion in the lowest two quartiles (49%).

It is important to note that although there is quite a large amount of disparity between the most advantaged and disadvantaged areas within Council's LGA, the most disadvantaged suburbs were in the lowest 10% (Greenacre) and 30% (Belfield) in the country.

The ABS has identified the following factors as having the greatest impact on an area's SEIFA score:

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

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

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

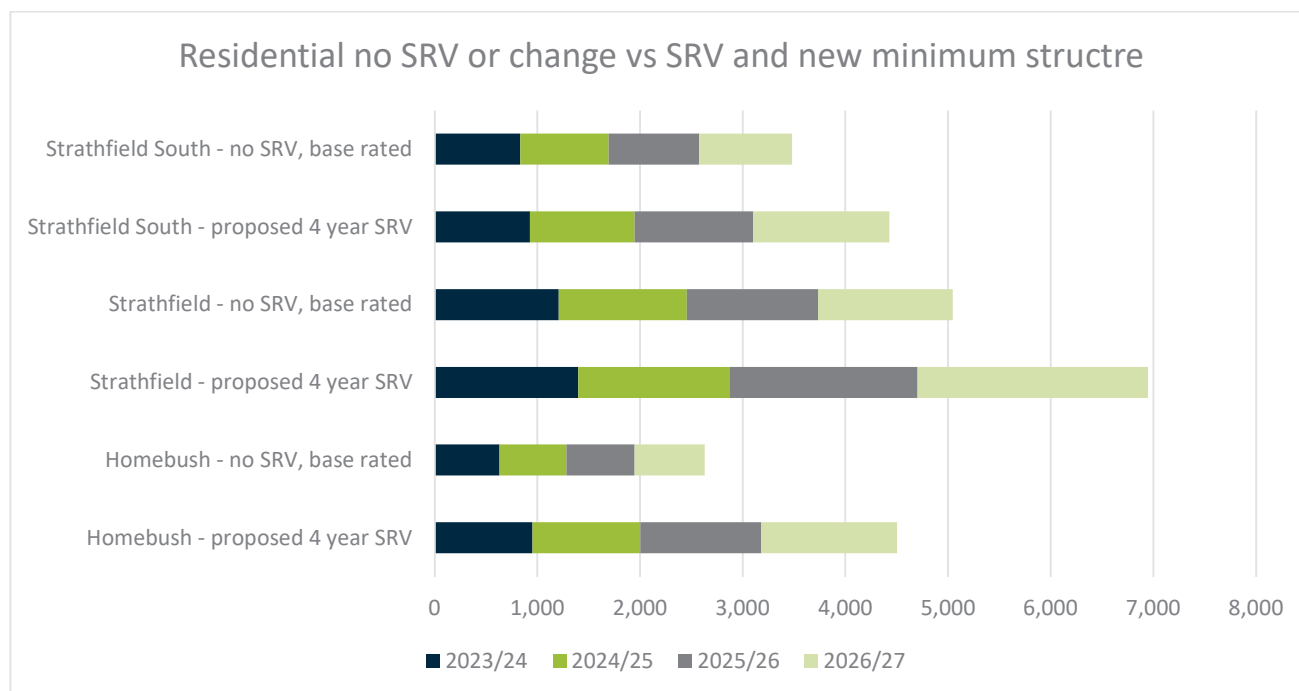
## Proposed rating changes

We have reviewed average rates by area, proposed category and subcategory. We compare rates average rates under a do-nothing scenario (i.e. rates to increase as normal, with no change in the rating structure, and no SRV) with average rates under the preferred four-year SRV option (with the proposed new ad valorem subject to minimum rating structure adding in new rating subcategories for Industrial North, Business Industrial South, and Business Strathfield CBD). Table 15 below outlines the scenarios. Our analysis shows that the average rates in 2026/27 under a one year SRV option would be very similar to those under the preferred four-year option.

**Table 15 SRV Four year option**

Preferred Option - 4 year SRV (ad valorem subject to minimum rate)	2023/24	2024/25	2025/26	2026/27
Rate peg - all categories and subcategories	3.70%	3.00%	2.50%	2.50%
Minimum rate - all categories and subcategories	\$900	\$1,000	\$1,100	\$1,200
Residential	30.30%	5.00%	15.00%	15.00%
Business - General and Business CBD	10.00%	5.00%	15.00%	15.00%
Business - Industrial North and Industrial South	10.00%	5.00%	15.00%	15.00%

**Figure 6 Impact of SRV on residential ratepayers area**



The impact of increases in rates will be unequal across the LGA due to the wide variance in land value from area to area. Based on 2019 Land Valuations (as prepared by the NSW Valuer General), the average land value in the LGA was \$0.9m. In the Strathfield area the average was \$1.2m. This is significantly higher than the other two areas – Homebush average land value \$0.3m (reflective of higher density housing) and Strathfield South average land value was \$0.6m.

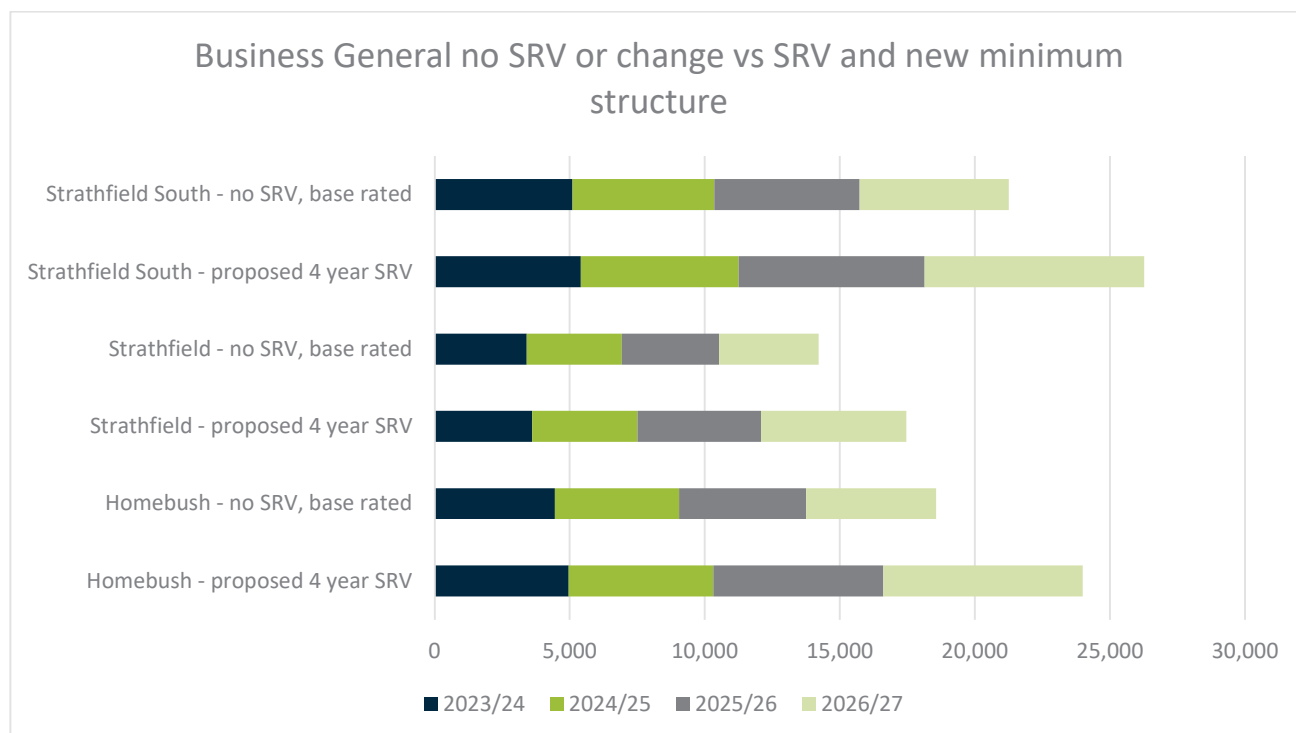
As a result of higher average land values in Strathfield, this area has the greatest increase of rates, rising to an estimated average of \$2,246 in 2026/27 (compared to \$1,313 over the same four year period assuming normal rate increases). Therefore, at the end of the four-year period, residential ratepayers in this area will be paying an average of \$18 per week more than they would have under the normal rate increases.

Within the Homebush area, rates will rise to an estimated average of \$1,321 in 2026/27 (compared with \$681 over the same four year period assuming normal rate increases). Therefore, at the end of the four-year period, residential ratepayers in this area will be paying an average of \$12 per week more than they would have under the normal rate increases. The increases in this area can be mainly attributed to the introduction of minimum rates on higher density housing (where strata properties have much lower land values when compared with stand alone homes). However, part of the increase is offset by a reduction in the domestic waste management charge of \$245 per assessment.

The introduction of minimum rating also impacts Strathfield South, where most (approximately 90%) ratepayers will pay the minimum rate. The estimated average rate in this area will increase to \$1,329 in 2026/27 (compared with \$903 over the same four year period assuming normal rate increases). Therefore, at the end of the four-year period, residential ratepayers in this area will be paying an average of \$8 per week more than they would have under the normal rate increases.



**Figure 7 Impact of SRV on business general ratepayers area**



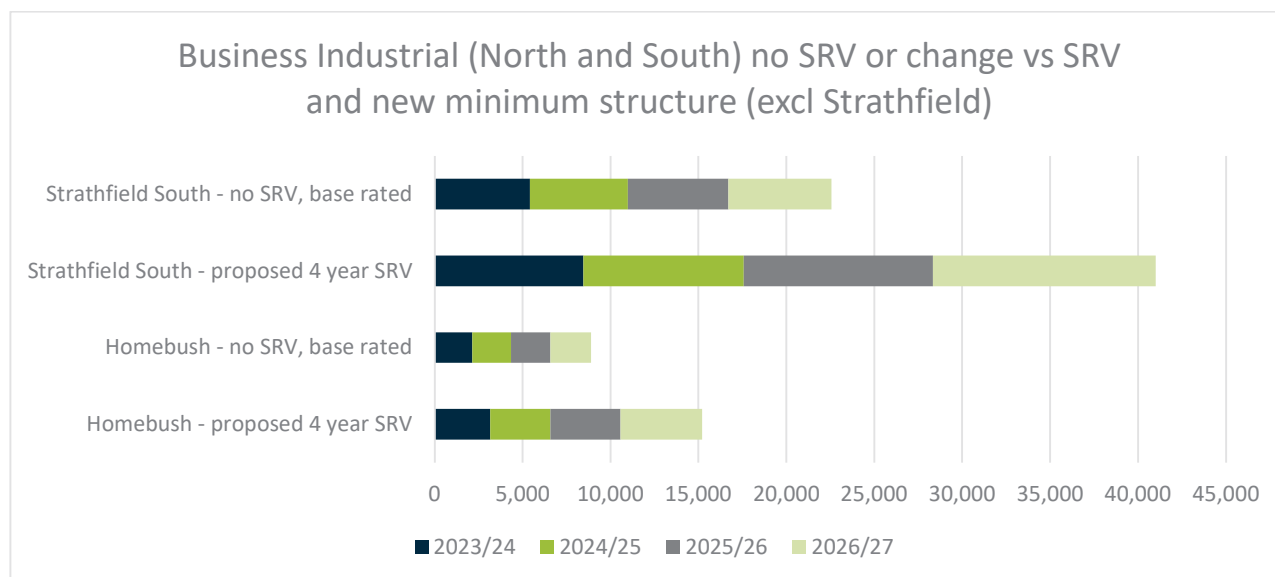
Again, the impact of increases in rates will be unequal across the LGA due to the wide variance in land value from area to area. Based on 2019 Land Valuations (as prepared by the NSW Valuer General), the average Business General land value in the LGA was \$1.5m. In the Strathfield area the average was \$1.2m. This is significantly lower than the other two areas – Homebush average land value \$1.6m and Strathfield South average land value was \$1.9m.

As a result of lower average land values in Strathfield, this area has the lowest increase of rates, rising to an estimated average of \$5,375 in 2026/27 (compared to \$3,691 over the same four year period assuming normal rate increases). Therefore, at the end of the four-year period, business general ratepayers in this area will be paying an average of \$32 per week more than they would have under the normal rate increases.

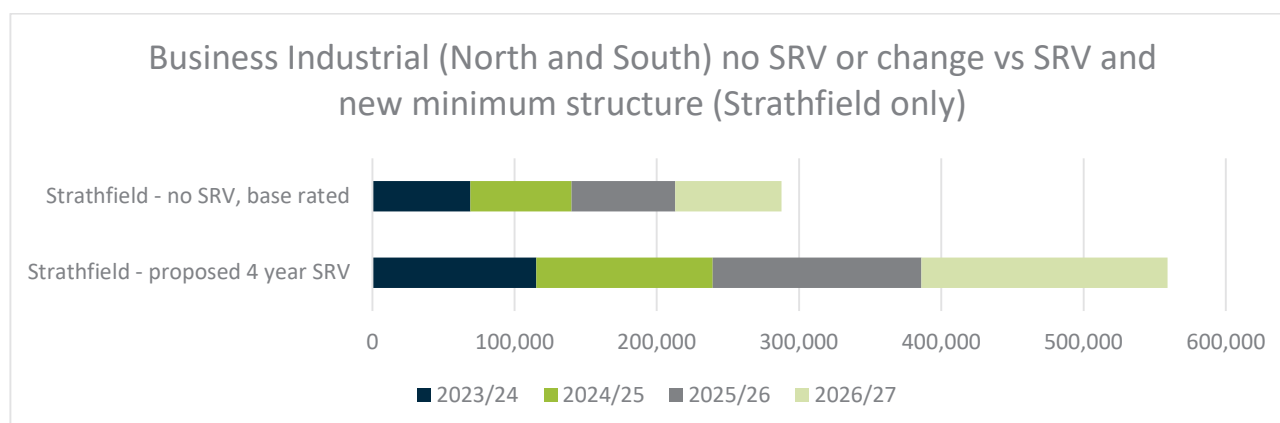
Within the Homebush area, rates will rise to an estimated average of \$7,383 in 2026/27 (compared with \$4,822 over the same four year period assuming normal rate increases). Therefore, at the end of the four-year period, business general ratepayers in this area will be paying an average of \$49 per week more than they would have under the normal rate increases.

Strathfield South, with the highest average business general land values, will have estimated average rates increase to \$8,124 in 2026/27 (compared with \$5,520 over the same four year period assuming normal rate increases). Therefore, at the end of the four-year period, business general ratepayers in this area will be paying an average of \$50 per week more than they would have under the normal rate increases.

**Figure 8 Impact of SRV on business industrial (both north and south) ratepayers by area**



**Figure 9 Impact of SRV on business industrial (both north and south) ratepayers by area**



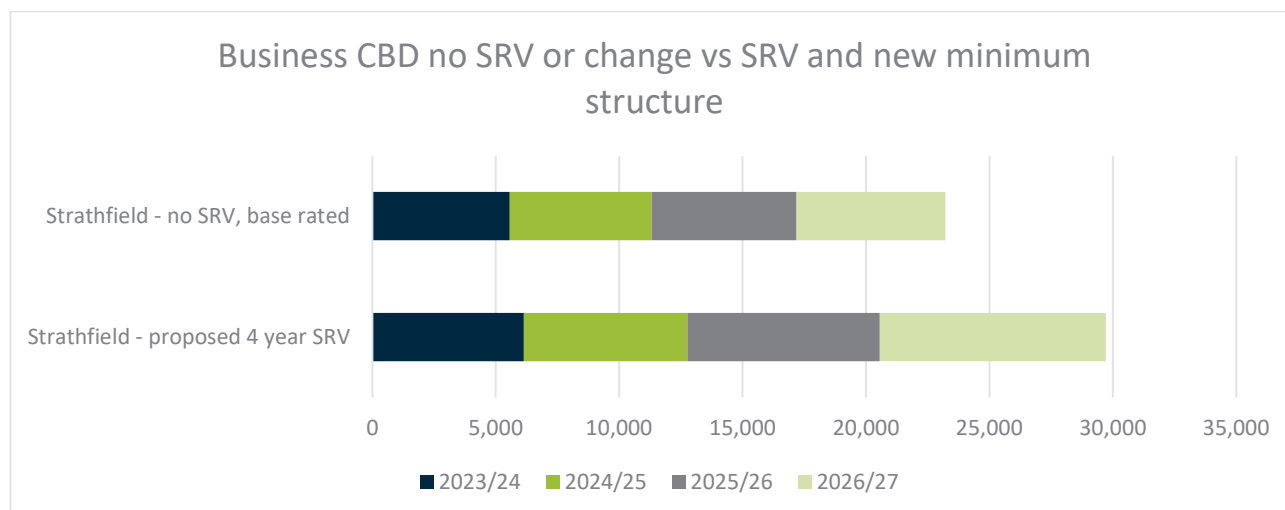
Again, the impact of increases in rates will be unequal across the LGA due to the wide variance in land value from area to area. Based on 2019 Land Valuations (as prepared by the NSW Valuer General), the average Business Industrial land value in the LGA was \$1.5m. In the Strathfield area the average was \$27.5m. This is significantly higher than the other two areas – Homebush average land value \$1.6m and Strathfield South average land value was \$1.9m. Therefore we have provided two charts – figure 8 and figure 9.

The Strathfield area has a very small number of business industrial ratepayers, however these are highest value properties, hence will incur the largest increases, with rates for these properties estimated to range from \$40k to \$260k in 2026/27 (compared to \$18k to \$112k over the same four year period assuming normal rate increases).

Within the Homebush area, business industrial rates will rise to an estimated average of \$4,645 in 2026/27 (compared with \$2,308 over the same four year period assuming normal rate increases). Therefore, at the end of the four-year period, business industrial ratepayers in this area will be paying an average of \$45 per week more than they would have under the normal rate increases.

Strathfield South, will have estimated average rates increase to \$12,665 in 2026/27 (compared with \$5,860 over the same four year period assuming normal rate increases). Therefore, at the end of the four-year period, business general ratepayers in this area will be paying an average of \$131 per week more than they would have under the normal rate increases.

**Figure 10 Impact of SRV on business CBD ratepayers area**



The impact of increases in rates within the new Business CBD subcategory will be unequal across the LGA due to the wide variance in land values within this subcategory. Removing properties with land value greater than \$3.7m, the average increase will be \$302 in 2026/27 (compared to what they would pay over the same four year period assuming normal rate increases). Therefore, at the end of the four-year period, Business CBD ratepayers in this area will be paying an average of \$18 per week more than they would have under the normal rate increases. For land values in the range of \$3.7m to \$11.1m, the estimated average increase will be \$9,072. At the highest end of land values, the estimated average increase will be \$108,627.

## Other rating considerations

**Table 16 Actual (2021) average actual rates for OLG Group 2 small metropolitan councils**

LGA – Actual (2021) reported average rates	Average Residential Rate (\$)	Residential Rank	Average Business Rate (\$)	Business Rank
Burwood	1,405	4	6,578	1
Hunters Hill	1,953	1	1,112	6
Lane Cove	1,303	5	4,923	2
Mosman	1,488	2	3,216	5
Strathfield	803	6	4,409	3
Woollahra	1,435	3	3,672	4

Table 16 above shows actual average rates for the 2021 financial year (last reported year for group 2 (small metropolitan) councils. These councils are similar size to Strathfield and are used for comparison. Within this group, Strathfield's average residential rates are well below these comparable councils (being just 57% of the next lowest council). Business rates rank third amongst these comparable councils.

**Figure 11 Actual (2021) rates as a percentage of operating expenses for OLG Group 2 small metropolitan councils**

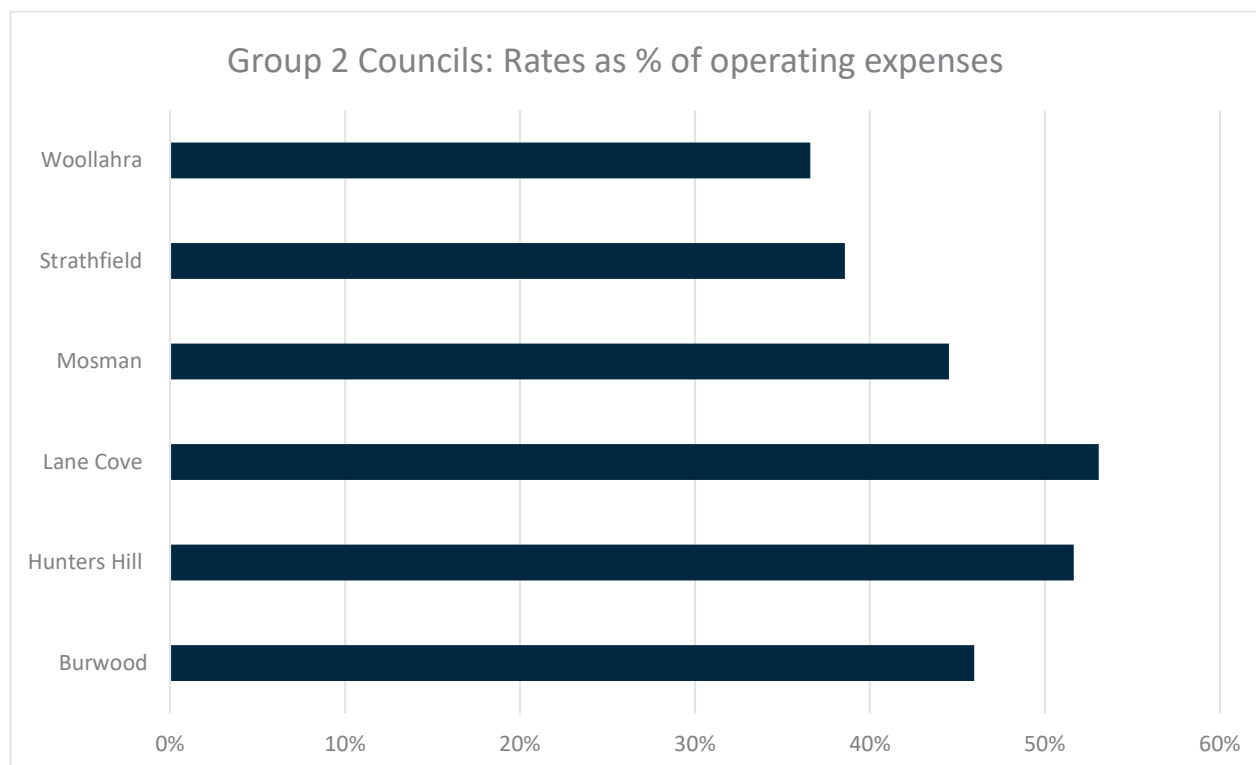


Figure 11 above shows total council rates as a percentage of operating expenditure for group 2 metropolitan councils. Strathfield is well below most group 2 councils. This is an indication that Council's rates are below the level required to service the community.

**Table 17 Actual outstanding rates and charges for OLG Group 2 small metropolitan councils**

Outstanding Rates & Charges Outstanding	2021 %	2020 %	2019 %
Burwood	4.5	4.2	2.9
Hunters Hill	4.7	4.0	3.0
Lane Cove	4.7	3.5	2.1
Mosman	3.3	3.9	3.3
Strathfield	5.2	3.4	2.4
Woollahra	4.2	5.4	3.9

Table 17 above shows outstanding rates and charges over the past three reporting years for NSW metropolitan group 2 councils. The NSW benchmark for metropolitan councils is 5%, and Strathfield has consistently been at or below this benchmark. This is an indicator of capacity and willingness to pay.

## Conclusion

From our analysis it is apparent that there are significant levels of advantage within the Strathfield LGA, along with pockets of significant disadvantage.

The Strathfield area has significant levels of advantage, as demonstrated by high levels of equivalised income, high socioeconomic scores and high levels of home ownership. At the end of the four-year period, residential ratepayers in this area will be paying an average of only \$18 per week more than they would have under the normal rate increases, therefore it is considered that there is capacity to pay.

The majority of residents within Homebush are renters (56%), meaning minimal or no impact of this SRV on those residents. This area, has the largest proportion of population within the middle quartiles of equivalised income, and also has above average SEIFA scores (scoring very high when including indicators of advantage). Residential ratepayers in this area will be paying an average of just \$12 per week more than they would have under the normal rate increases, largely due to the introduction of minimum rates. Again, it is considered that there is capacity to pay.

Strathfield South has suburbs with significant advantage and those with significant disadvantage (Belfield, Greenacre). It is important for Council to acknowledge that there are areas of significant disadvantage within the community, and that it does not significantly marginalise particularly vulnerable individuals and households. Both Belfield and Greenacre, whilst relatively small (total 887 properties), have significant disadvantage as demonstrated by the very low socio-economic rankings, high levels of mortgage repayments relative to equivalised income (and corresponding relatively high levels of mortgage stress). It is noted that these suburbs have significant levels of social housing (Belfield 17%, Greenacre 27%), these residents will be not impacted by the SRV. Similarly, these suburbs have significant levels of private renters (Belfield 21%, Greenacre 27%), which are unlikely to be impacted by the SRV. Finally, the suburbs of Belfield and Greenacre area will experience the smallest rates rises (Belfield average estimated increase by 2026/27 will be \$7 per week, Greenacre \$8 per week). Therefore, given an appropriate hardship policy, it is considered there is capacity to pay.