



KEMPSEY
Shire Council



Capacity to Pay Report

Kempsey Shire Council

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1 Executive summary

Kempsey Shire Council ('Council') is currently in the process of undertaking a financial sustainability assessment and considering a special variation ('SV') application. This is to ensure that Council has the financial capacity to maintain service levels for future generations. As part of this process, Council is reviewing the potential impact of an SV within the Kempsey local government area ('LGA').

Council is considering three options in relation to a special variation, in addition to not applying an SV. All three options include a rate increase for each year for three years between 2024/25 and 2026/27, which would then be permanently retained as the rating level. The same percentage increase is applied to all rating categories. These options all include a rate peg for 2024/25 of 3.5%, and a rate peg of 2.5% in all following years:

- **Option 1** – address financial sustainability, manage asset maintenance and backlog at current level of service: apply 14.77% increase per year (cumulative increase over the SV period is 51%).
- **Option 2** – achieve financial stability, replace assets in line with recommended replacement times: apply 22.79% increase per year (cumulative increase over the SV period is 85%).
- **Option 3** – achieve financial stability, replace roads and bridges to a better standard to increase longevity: apply 24.76% increase per year (cumulative increase over the SV period is 94%).
- **Base case** – apply only the normal annual rate peg increases, of 3.5% in the first year and 2.5% in the following years, to all rate categories.

This report is focused on the capacity to pay principle, as some ratepayers have greater ability to absorb any proposed variation to rates than others. It provides an analysis and evaluation of relative wealth and financial capacity. More specifically it evaluates the financial vulnerability and exposure of different geographic groupings within the LGA. The key findings are summarised in table one below.

Table 1 Grouping summary

Grouping	Findings
Kempsey	<ul style="list-style-type: none"> • Contains the largest percentage of the LGA population - 34%. • Lowest SEIFA indices: IRSD – 5% and IRSAD – 4%. • Highest proportion of vulnerable households - 48%. • Lowest proportion of couples without children - 21%. • Highest proportion of renters – private 25% and social housing 8%. • Second lowest proportion of households with a mortgage - 24%. • Lowest proportion of households paying high mortgage repayments (\$2,600 or more) - 6%. • Equally lowest number of households where mortgage costs exceed 30% of income – 14%. • Second highest proportion of renting households where rental costs exceed 30% of income - 46%.

Grouping	Findings
<ul style="list-style-type: none"> Coastal North 	<ul style="list-style-type: none"> Contains the second largest percentage of the LGA population - 32%. Highest proportion of retirees – 44%. Lowest proportion of working age – 40%. Lowest proportion of couples with children - 16%. Second highest proportion of couples without children - 33%. Second highest proportion of private renters - 20%. Lowest proportion of households with a mortgage - 21%. Highest number of households where mortgage costs exceed 30% of income – 17%. Highest proportion of households where mortgage costs exceed 30% of income - 17%. Highest proportion of renting households where rental costs exceed 30% of income - 49%. Lowest median income of \$1,035.
<p>Coastal South</p>	<ul style="list-style-type: none"> Highest IRSD indices from all the five groupings. Second lowest percentage of vulnerable households - 33%. Lowest percentage of residential and farmland ratepayers receiving statutory pensioner rebate. Second equally highest proportion of ownership - 49%. Second highest median income of \$1,335. Lowest proportion of households requiring assistance - 6%. Equally lowest unemployment rate of 5%. Second highest number of households where mortgage costs exceed 30% of income – 11%.
<p>Rural (West)</p>	<ul style="list-style-type: none"> Contains the lowest percentage of the LGA population - 8%. Equally second highest proportion of retirees – 35%. Highest proportion of fully-owned households – 51%. Second-highest percentage of ratepayers receiving statutory rebate (28% - residential and 14% farmland). Equally second highest number of households where mortgage costs exceed 30% of income – 15%. Second highest unemployment rate of 7%.
<p>Aldavilla - Airport</p>	<ul style="list-style-type: none"> Contains the 10% of the LGA population. Equally lowest unemployment rate of 5%. Highest percentage of residential ratepayers receiving statutory rebate (35%). Highest number of working age (58%) and lowest number of retirees (26%). Highest median income of \$1,369. Highest proportion of households paying high mortgage repayments (\$2,600 or more) – 13% Equal lowest unemployment rate of 5%. Highest percentage of fully owned and mortgage households of 87%.

From our analysis it is apparent that there are significant levels of advantage within the Kempsey LGA, along with pockets of significant disadvantage. A high proportion of residents within Kempsey area are renters (25%) or in social housing (8%), meaning minimal or no impact of this SRV on those residents. This area has the largest proportion of population within lowest quartiles of equivalised income and has the lowest average SEIFA scores (scoring 5th percentile for IRSD and 4th percentile for IRSAD). 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. Residential ratepayers in this area will be paying by the end of SV period an average rate of between \$1,449 and \$1,861 per year in comparison with \$1,042 under the normal rate increases. Therefore, given an appropriate hardship policy, it

is considered there is some level of capacity to pay.

'Coastal North' and 'Rural (West)' are areas have average SEIFA disadvantage of 16th and respectively 13th percentiles. They 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 'Coastal North' has 20% of private renting and these residents are unlikely to be impacted by the SRV. By the end of SV period, residential ratepayers in 'Coastal North' will be paying, depending on the SV option, an average rate between \$2,090 and \$2,684 per year in comparison with \$1,503 under the normal rate increases, while 'Rural (West)' between \$1,822 and \$2,340 (normal average rate of \$1,310), therefore, given the relativity of the rate increases and an appropriate hardship policy, it is considered there is a level of capacity to pay.

'Coastal South' and 'Aldavilla – Airport' areas have 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 three-year period, residential ratepayers in 'Coastal South' will be paying, depending on the SV option, an average rate between \$2,607 and \$3,349 per year in comparison with \$1,875 under the normal rate increases, while 'Aldavilla – Airport' between \$1,866 and \$2,397 (normal average rate \$1,342), therefore given the relativity of the rate increases to the socioeconomic ratings it is considered that there is capacity to pay.

From the assessment of Council's average rates by area grouping, across each of the rating categories and comparison of the averages for each option against the base case option (applying only the rate peg and no SV), Option 1 provides the best capacity to pay outcome. From the three proposed special variation increases are outlined above, Option 1, which will address financial sustainability, manage asset maintenance and backlog at current level of service, has the lowest level of increase over SV period of 51.2% comparing with Option 2 (85.1%) and Option 3 (94.2%) and therefore delivers the better capacity to pay for all grouping areas and ratepayers.

2 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
- any vulnerable groups of individuals
- patterns of household expenditure
- mortgage and rental payments.

These findings will then be compared to proposed changes in rates to identify whether there are any groups or individuals that may be disproportionately impacted or marginalised relative to other communities within the LGA.

Data for this review was obtained from the following sources:

- Australian Bureau of Statistics 2016 and 2021 *Census Data – Data by Regions*
- .id (Informed Decisions) – New South Wales Community/Social/Economic Profile
- .id (Informed Decisions) – Mid North Coast Joint Organisation Community/Social/Economic Profile
- .id (Informed Decisions) – Kempsey Community/Social/Economic Profile

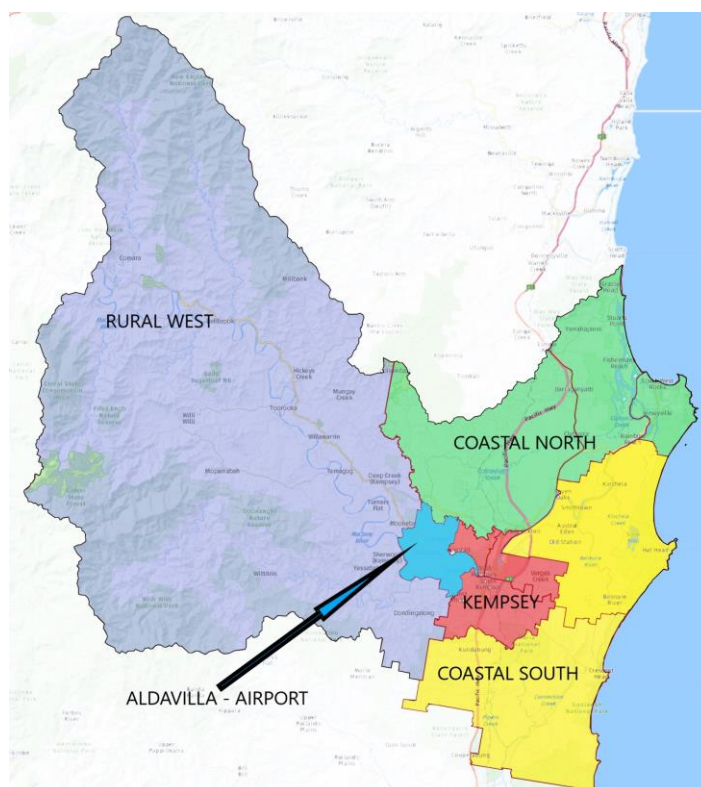
3 Background

The Kempsey Local Government Area has been divided into five area groupings for this analysis. Council is aiming to maintain some form of equity between areas, based on a comparison of economic and socio-economic profiles sourced from ABS Census data and compiled by .id (Informed Decisions) demographic resources. Please find below table and corresponding maps which summarises the groupings and associated localities.

Table 2 Kempsey Local Government Area grouping breakdown

Grouping	Population (2021)	(id) Profile Areas ¹
Kempsey	10,763	“West Kempsey - Greenhill; East Kempsey; South Kempsey.”
Coastal North	9,886	“Frederickton and District; Stuarts Point and District; South West Rocks - Jerseyville.”
Coastal South	4,794	“Crescent Head - Kundabung; Smithtown - Gladstone and District.”
Rural (West)	2,561	“Rural West – Bellbrook.”
Aldavilla - Airport	3,263	“Aldavilla - Euroka - Yarravel.”
Kempsey LGA	31,267	

Figure 1 Kempsey Shire Council area grouping map²



¹ Sourced from Id. Kempsey Community/Social/Economic Profile.

² Adapted Id. Kempsey Community/Social/Economic Profile.

4 Methodology

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

- **Areas of social disadvantage**

We will first look into the different characteristics and make up of each grouping 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 dependents
- SEIFA rankings.

- **Particularly vulnerable groups of individuals**

We will then investigate whether there are any particular groups within each grouping 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.

- **Household expenditure**

We will examine household expenditure and the impact this may have on an individual's ability to pay.

- **Industry**

We will analyse employment by industry type, as well as value added by industry sector and the key propulsive 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.

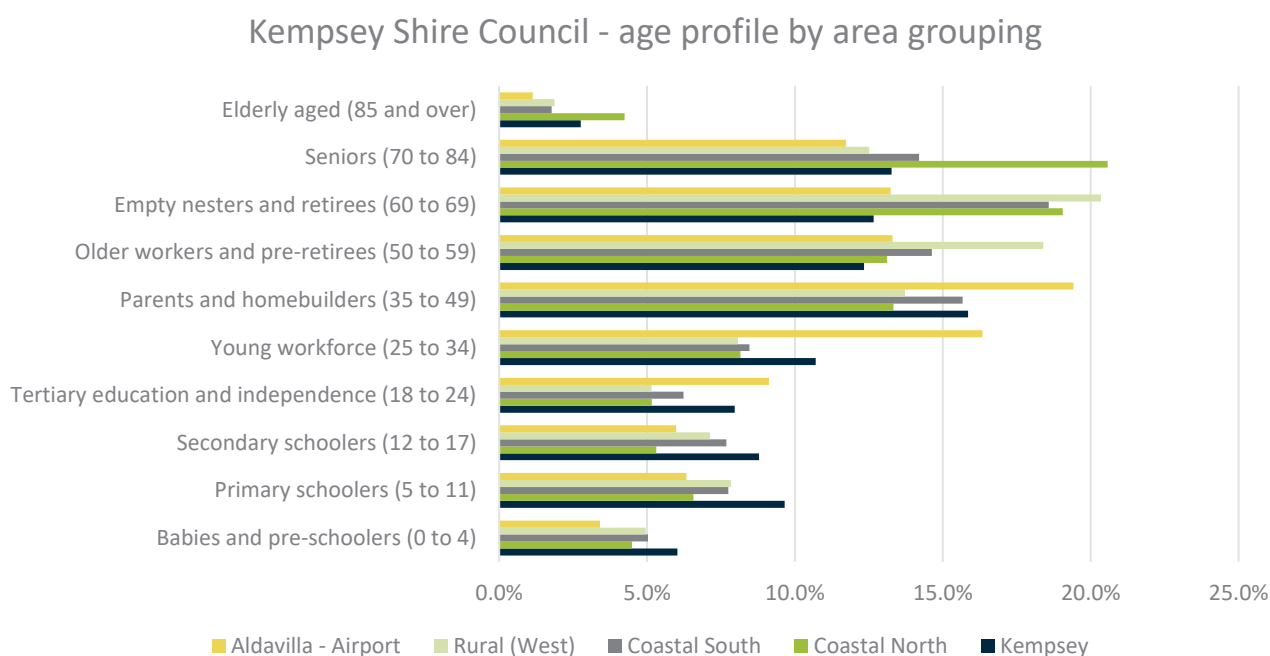
5 Areas of social disadvantage

Each grouping 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,’ using data sourced and adapted from ABS Census data and id. Kempsey Community/Social/Economic Profile.³

5.1 Service age groups

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

Figure 2 Kempsey LGA service age groups



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

Table 3 Service age rankings

Rank	Kempsey	Coastal North	Coastal South	Rural (West)	Aldavilla - Airport
Dependents	1	4	2	3	5
Working age	2	5	4	3	1
Retirees	4	1	3	2	5
Total population (excludes not stated)	10,737	9,488	4,634	2,565	3,256

³ <https://profile.id.com.au/>.

At an LGA level, the Kempsey age profiles are broadly consistent with averages across Mid North Coast and Regional NSW, as follows:

- 20% of the population are dependants, in line with Mid North Coast (19%) and Regional NSW (21%).
- Working age population represents 45% of the population, which is higher than Mid North Coast (43%) and lower than Regional NSW (49%).
- The proportion of the population that are retirees (34%) is lower than the Mid North Coast (38%) and higher than Regional NSW (29%).

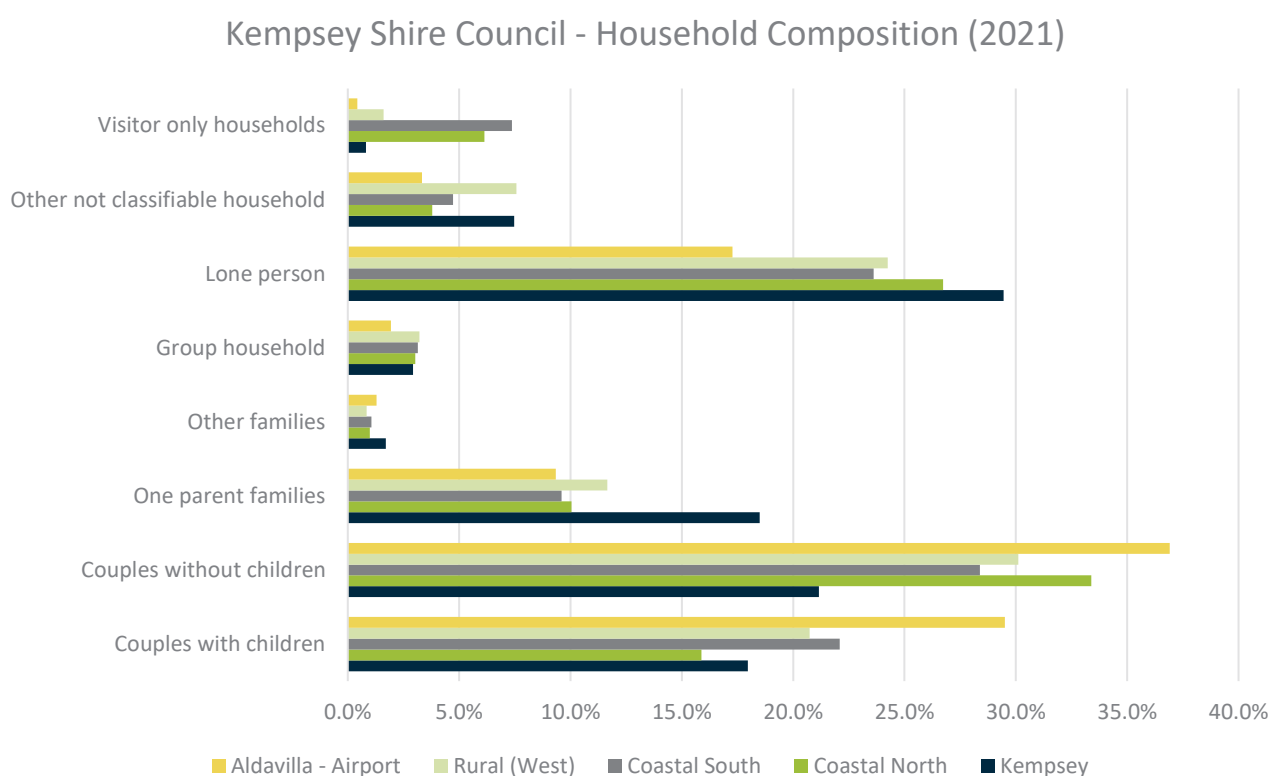
Looking within specific groupings, we observe the following:

- Both ‘Coastal North’ and ‘Aldavilla – Airport’ have the lowest proportion of dependents (16%).
- ‘Aldavilla – Airport’ has the highest proportion of the working age population (58%), significantly higher than the other areas of the LGA.
- ‘Coastal North’ has the highest proportion of retirees (44%), followed by ‘Coastal South’ and ‘Rural (West)’ at 35%.
- ‘Coastal South’ and ‘Rural (West)’ are generally in line with LGA averages (trending within 1–2%) on each category.

5.2 Household types

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

Figure 3 Kempsey household composition



Overall, the proportions across the Kempsey LGA are generally in line with those of Mid North Coast and Regional NSW across all categories. However, the number of ‘one parent family’ households is higher in Kempsey (13%) when compared to Mid North Coast and Regional NSW averages both on 11%.

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 39.2% of the population, which is higher than the averages across Mid North Coast (39%) and Regional NSW (37%).

‘Coastal North’ has the lowest proportion of couples with children (15.9%). In contrast, ‘Aldavilla - Airport’ has the highest proportion of couples with children (29.5%) and couples without children (36.9%). Across the LGA, the proportion of couples with children (19.0%) and couples without children (28.4%) are both lower than Mid North Coast averages of 19.5% and 31.1% respectively.

5.3 Housing tenure

Analysis of housing tenure levels within the LGA allows us to identify which areas would be most impacted by changes in council rates. For example, the direct impact of a change in rates is likely to be felt more acutely by homeowners, whereas renters may experience an indirect increase/decrease depending on their lease agreement/decisions with their landlord. Similarly, individuals in social housing are unlikely to be directly impacted by a change in rates.

Table 4 Housing tenure percentage

Housing Tenure - % of households	Kempsey	Coastal North	Coastal South	Rural (West)	Aldavilla - Airport	Kempsey LGA
Fully owned	32%	49%	49%	51%	46%	43%
Mortgage	24%	21%	25%	28%	41%	25%
Renting - Total	33%	22%	18%	9%	7%	23%
Renting - Social housing	8%	1%	1%	2%	0%	3%
Renting - Private	25%	20%	17%	8%	7%	19%
Renting - Not stated	0%	0%	0%	0%	0%	0%
Other tenure type	1%	2%	1%	3%	1%	2%
Not stated	11%	6%	7%	9%	5%	8%
Total households	4,197	4,339	1,953	1,047	932	12,511

The Kempsey LGA home ownership average of 68% is just above Regional NSW (66%) and the same as Mid North Coast (68%). Home ownership levels vary throughout the LGA, with ‘Aldavilla - Airport’ (87%) having the highest proportion of resident ratepayers, followed by ‘Rural (West)’ (78%). In both ‘Coastal North’ and ‘Coastal South,’ resident ratepayers comprise almost 70% and respectively 74% of total households in each grouping.

43% of households fully own their homes within the LGA, which is less than the averages for Mid North Coast (43.6%) but above Regional NSW (36.3%). ‘Rural (West)’ (51%), ‘Coastal North’ (49%), ‘Coastal South’ (49%) and ‘Aldavilla - Airport’ (46%) have relatively high levels of fully owned homes, in contrast with ‘Kempsey’ at 32%. The proportion of owners with mortgages is highest in ‘Aldavilla - Airport’ (41%), compared with 28% in ‘Rural (West)’, 25% in ‘Coastal South’, 24% in ‘Kempsey’, and 21% in ‘Coastal North’.

The LGA has a relatively low level of renters (23% overall) when compared to 'Kempsey' at 33% and 'Coastal North' at 22%. It is important to note that whilst renters are not directly impacted by an increase in rates, these increases can be passed on by landlords, accommodation providers or general price inflation from local retailers.

The 'Kempsey' grouping also contains the majority of the LGA's social housing (which equates to 81% of the LGA's social housing) as 8% of its households fall into this category. This is followed by 'Coastal North', where 1% of its households are classified as social housing and this comprises 11% of the LGA's social housing. The residents in social housing do not pay rates and are not directly impacted by any proposed SV.

5.4 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.

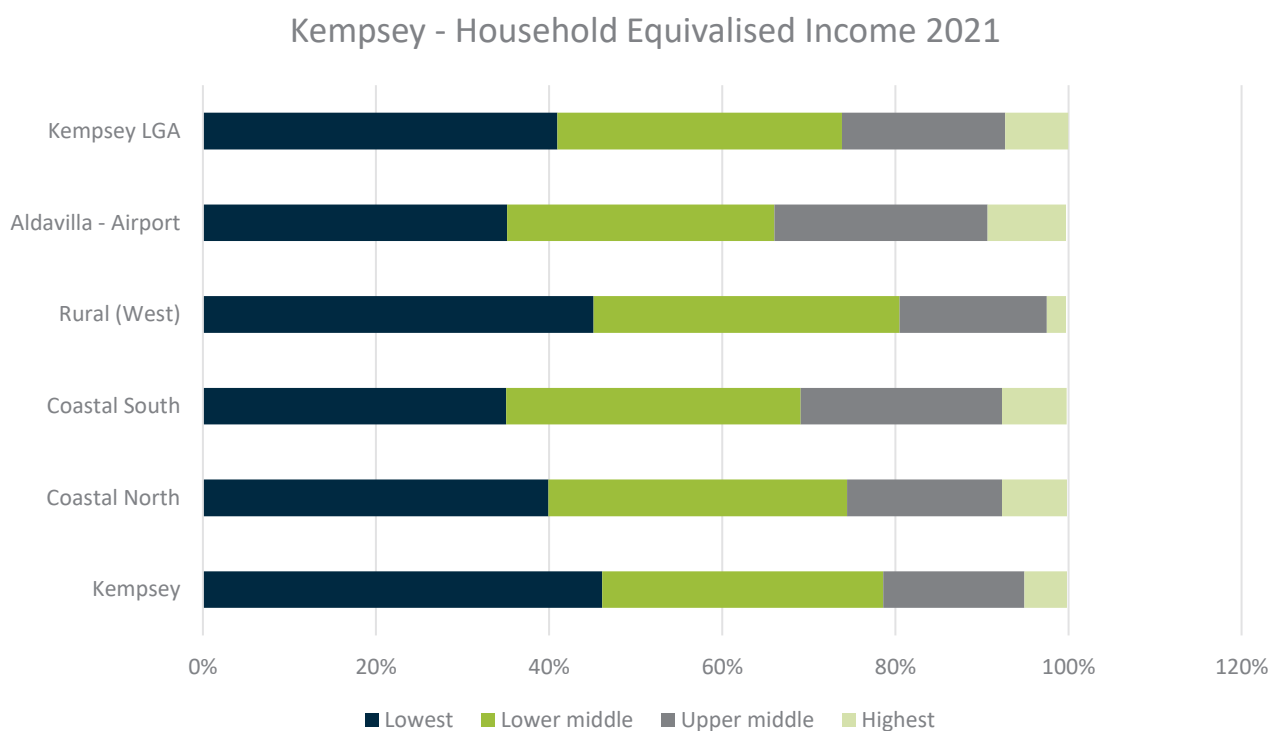
Dividing by the equivalence factor, household income becomes comparable to that of a lone individual, thereby making households with dependents and multiple occupants comparable to those without. By factoring in dependents into household incomes we are provided with a better indicator of the resources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



The Kempsey LGA has higher proportions of households in the lower two income quartiles, at 74% compared to Mid North Coast (70%), but both are higher than Regional NSW at 60%. All profile areas within the LGA also have higher proportions in the lowest two quartiles compared to the highest two quartiles.

The LGA amounts in the middle two quartiles at 52% is comparable to both Mid North Coast (52%) and Regional NSW (53%). The three regions 'Coastal South' at 57%, 'Aldavilla - Airport' at 55%, 'Coastal North' at 52% and 'Rural (West)' at 52% all stand out as being the highest areas in the LGA.

Both 'Aldavilla - Airport' (34%) and 'Coastal South' (31%) stand out as having the highest equivalised income levels in the upper two income quartiles, followed by 'Coastal North' at (25%). This is compared to equivalised income levels in the upper two quartiles in the Kempsey LGA (26%), Mid North Coast (30%) and Regional NSW (40%).

Table 5 Equivalised income quartiles

Equivalised income quartiles (2021)	Kempsey	Coastal North	Coastal South	Rural (West)	Aldavilla - Airport	Kempsey LGA	Regional NSW	Mid North Coast
Lowest	46%	40%	35%	45%	35%	41%	31%	38%
Lower middle	32%	35%	34%	35%	31%	33%	29%	33%
Upper middle	16%	18%	23%	17%	25%	19%	24%	20%
Highest	5%	8%	7%	2%	9%	7%	16%	10%
Total households	3,204	3,170	1,393	718	748	9,470	-	-

5.5 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 and housing. It 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. For example, 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 indexes, these include:

- IRSD variables of disadvantage:
 - low equivalised household incomes (see below for definition)
 - 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.

A regional summary of SEIFA scores, including national percentiles, is provided in the following table.

Table 6 Regional SEIFA scores and percentiles

Area	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Australia	1,001.2	42	1,002.6	60
New South Wales	1,000.0	42	1,016.0	67
Regional NSW	982.0	32	962.0	36
Mid North Coast SA4	950.0	19	923.0	19
Kempsey LGA	903.3	10	880.7	9

The Kempsey IRSD score of 903.3 is below Mid North Coast, Regional NSW, NSW, and Australia rankings. The ranking places the LGA in the 10th percentile, meaning approximately 90% of Australian suburbs have a SEIFA ISRD ranking higher than this area (less disadvantaged), while 10% are lower.

IRSAD includes levels of both advantage and disadvantage. The Kempsey LGA score of 880.7 places the LGA into the 9th percentile. A lower IRSAD score compared to IRSD score may be indicative of fewer opportunities within the LGA, lower equivalised incomes, lower education levels, fewer employment opportunities within the area or less skilled jobs.

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

Table 7 Grouping-level SEIFA average scores and percentiles

Grouping	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Kempsey	839.1	5	832.4	4
Coastal North	930.3	16	899.9	13
Coastal South	969.2	28	937.3	26
Rural (West)	922.1	13	894.6	11
Aldavilla - Airport	965.3	25	922.7	19

Analysis at the grouping level demonstrates significant inequity between different parts of the LGA. On the one hand, 'Kempsey' (IRSD in the 5th percentile and IRSAD in the 4th percentile), 'Rural (West)' (IRSD in the 13th percentile and IRSAD in the 11th percentile) and 'Coastal North' (IRSD in the 16th percentile and IRSAD in the 13th percentile) have levels of disadvantage below the average levels in Mid North Coast and Regional NSW. However, 'Coastal South' (IRSD in the 28th percentile and IRSAD in the 26th percentile) and 'Aldavilla - Airport' (IRSD in the 25th percentile and IRSAD in the 19th percentile) illustrate a lower level of disadvantage, relative to Mid North Coast, with both groupings scoring higher.

Table 8 Locality/Suburb SEIFA rankings

Locality/Suburb	Groupings	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Aldavilla - Euroka - Yarravel	Aldavilla - Airport	965.3	25	922.7	19
Crescent Head - Kundabung	Coastal South	990.4	37	962.3	36
East Kempsey	Kempsey	893.8	8	868.8	7
Frederickton and District	Coastal North	931.7	15	895.8	12
Rural West - Bellbrook	Rural (West)	922.1	13	894.6	11
Smithtown - Gladstone and District	Coastal South	948.0	19	912.2	15
South Kempsey	Kempsey	834.8	4	832.0	4
South West Rocks - Jerseyville	Coastal North	957.5	22	917.5	17
Stuarts Point and District	Coastal North	901.7	10	886.4	10
West Kempsey - Greenhill	Kempsey	788.7	3	796.4	2

At a locality/suburb profile level, West Kempsey - Greenhill, South Kempsey and East Kempsey appear disadvantaged relative to other parts of the local government area. Crescent Head – Kundabung is the highest scoring IRSD of 990.4 which is above the Regional NSW average. Council may wish to consider reviewing its rating structure and/or hardship policy to improve the inequity in the lowest ranking parts of the LGA.

6 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.

6.1 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	Kempsey	Coastal North	Coastal South	Rural (West)	Aldavilla - Airport	Kempsey LGA
Employed	90%	94%	95%	93%	95%	93%
Employed full-time	46%	48%	48%	47%	54%	48%
Employed part-time	36%	39%	39%	39%	35%	37%
Employed, away from work	8%	7%	9%	7%	6%	8%
Unemployed (Unemployment rate)	10%	6%	5%	7%	5%	7%
Looking for full-time work	6%	3%	3%	4%	3%	4%
Looking for part-time work	4%	3%	2%	3%	2%	3%
Total labour force	3,741	3,512	2,061	1,035	1,158	11,498

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

In 2021, unemployment within the LGA (7%) was higher than the averages for Regional NSW (4.6%) and Mid North Coast (5.8%). The highest level of unemployment was found in the 'Kempsey' (10%) area and the lowest level of unemployment was 'Coastal South' and 'Aldavilla - Airport' (both sitting at 5%). Across the Kempsey LGA, 93% of the total workforce was engaged in full-time employment, which is just lower than the average in Regional NSW (95%) and Mid North Coast (94%).

6.2 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 residential pensioner assessments

Grouping	Total number of residential assessments	Number of pensioner assessments	Percentage of pensioner assessments
Kempsey	4,345	1,146	26%
Coastal North	4,850	1,282	26%
Coastal South	2,052	438	21%
Rural (West)	1,082	301	28%
Aldavilla - Airport	814	288	35%
Kempsey Shire Council Total	13,143	3,455	26%

It is observed that both 'Aldavilla - Airport' and 'Rural (West)' have the highest proportion of residential pensioners (35% and 28% respectively), with 'Kempsey' and 'Coastal North' both sitting at 26% and 'Coastal South' (21%). The largest number of residential pensioner assessments are within 'Coastal North' (1,282).

Table 11 Number of farmland pensioner assessments

Grouping	Total number of farmland assessments	Number of pensioner assessments	Percentage of pensioner assessments
Kempsey	100	16	16%
Coastal North	395	51	13%
Coastal South	433	49	11%
Rural (West)	500	70	14%
Aldavilla - Airport	82	9	11%
Kempsey Shire Council Total	1,510	195	13%

'Kempsey' has the largest proportion of farmland pensioner assessments (16%). However, 'Rural (West)', 'Coastal North' and Coastal South' groupings have a higher number of farmland pensioners (70, 51 and respectively 49), totalling 87% of the whole LGA farmland residential assessments.

These eligible pensioners (residential and farmland) have access to mandatory rebates (up to a maximum of \$250 per year) on their rates.

6.3 Core assistance

Table 12 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 12 Number of people requiring core assistance

Assistance required (2021)	Number	Percentage
Kempsey	1,233	11
Coastal North	989	10
Coastal South	283	6
Rural (West)	202	8
Aldavilla - Airport	214	7
Kempsey LGA	2,920	10
Regional NSW	193,513	7
Mid North Coast SA4	20,240	9
New South Wales	464,712	6

We observe that those needing assistance are concentrated in Kempsey (11%) and ‘Coastal North’ (10%) areas, totalling 2,222 people (76% of the total LGA number). These percentages are slightly higher than Regional NSW (7%) and Mid North Coast (9%). The other three areas have a lower proportion of the population requiring assistance, with all the percentages below Mid North Coast. Overall, the Kempsey LGA (10%) is slightly higher than Mid North Coast (9%) and Regional NSW (7%) averages.

6.4 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.

Based on the table below, it would appear that ‘Coastal North’ would be more susceptible to a rates increase, due to a higher proportion of income servicing mortgage costs. It should also be noted that interest rates have increased since the 2021 Census.

Table 13 Mortgage costs >30% of income, 2021

Grouping	Number	Number of households with mortgage	% where mortgage costs >30% income
Kempsey	143	1,007	14%
Coastal North	150	883	17%
Coastal South	71	485	15%
Rural (West)	44	287	15%
Aldavilla - Airport	52	377	14%
Kempsey LGA	450	3,036	15%
Regional NSW	42,576	334,073	13%
Mid North Coast SA4	3,515	23,299	15%
New South Wales	163,060	942,804	17%

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 median weekly household income with the median weekly rental payment for each area. As with the indicators for mortgage stress, rental stress is could be an issue in 'Coastal North', more so than other parts of the Kempsey LGA.

Table 14 Analysis of median weekly household income and rental payments

Grouping	Median weekly household income	Median weekly rent repayment	Rental costs as a % of income
Kempsey	1,053	278	26%
Coastal North	1,035	317	31%
Coastal South	1,335	320	24%
Rural (West)	1,114	250	22%
Aldavilla - Airport	1,369	340	25%
Kempsey LGA	1,114	300	27%

7 Trends in cost of living

The cost of living can be best 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 council areas located within the Kempsey LGA, over a five-year period.

Table 15 Five-year comparison - Cost of living within the Kempsey LGA⁴

Household expenditure (totals)	2021/22		2016/17		Change		
	\$ per household	% of expenditure	\$ per household	% of expenditure	\$ per household	% of expenditure	%
Food	\$9,310	10.4%	\$8,363	9.2%	\$947	1.2%	11%
Alcoholic beverages and tobacco	\$4,261	4.7%	\$4,602	5.1%	-\$341	-0.4%	-7%
Clothing and footwear	\$3,804	4.2%	\$3,287	3.6%	\$517	0.6%	16%
Furnishings and equipment	\$4,679	5.2%	\$4,179	4.6%	\$500	0.6%	12%
Health	\$5,806	6.5%	\$5,244	5.8%	\$562	0.7%	11%
Transport	\$6,465	7.2%	\$8,273	9.1%	-\$1,808	-1.9%	-22%
Communications	\$1,985	2.2%	\$1,617	1.8%	\$368	0.4%	23%
Recreation and culture	\$10,391	11.6%	\$9,839	10.8%	\$552	0.8%	6%
Education	\$3,158	3.5%	\$2,884	3.2%	\$274	0.3%	10%
Hotels, cafes and restaurants	\$7,162	8.0%	\$7,523	8.3%	-\$361	-0.3%	-5%
Miscellaneous goods and services	\$14,746	16.4%	\$15,089	16.6%	-\$343	-0.2%	-2%
Housing	\$15,115	16.8%	\$17,161	18.9%	-\$2,046	-2.1%	-12%
Utilities	\$2,911	3.2%	\$2,960	3.3%	-\$49	-0.1%	-2%
Total expenditure	\$89,794	100%	\$91,022	100%	-\$1,228	0.00%	-1.35%
Net Savings	\$17,601	16.4%	\$6,336	6.5%	\$11,265	9.9%	178%
Total disposable income	\$107,395		\$97,358		\$10,037		10%
Non-discretionary*	\$45,396	50.5%	\$46,905	51.7%	-\$1,509	-1.2%	25.1%
Discretionary	\$44,397	49.4%	\$44,116	48.6%	\$281	0.8%	12.6%

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

Table 15 shows that, over the five-year period, total disposable income across the Kempsey LGA has increased due to an increase in annual net savings. This may indicate some potential capacity to absorb increased rates, though some mortgage holders may have less net savings due to higher interest payments.

⁴ National Institute of Economic and Industry Research (NIEIR), 2023. Compiled and presented in economy.id by. Data based on 2020–21 price base for all years. NIEIR ID data is inflation adjusted each year to allow direct comparison and annual data releases adjust previous years' figures to a new base year.

8 Industry

In 2021/22, the main industries in order of employment (as percentage of FTE employed) were Health Care and Social Assistance (17.4%), Construction (12.1%) and Retail Trade (9.8%). There were some similar trends to Regional NSW averages. However, a lower percentage of workers in Regional NSW were employed in Health Care and Social Assistance (12.8%) and Retail Trade (8.2%). The table below shows the changes in full-time equivalent workers within the Kempsey LGA over a ten-year period from 2011/12 to 2021/22 by sectors⁵:

Table 16 Changes in full-time equivalent employment by industry sector

Industry sector	FTE Change: 2011/12 to 2021/22
Agriculture, Forestry and Fishing	295.0
Mining	-30.0
Manufacturing	-98.0
Electricity, Gas, Water and Waste Services	56.0
Construction	88.0
Wholesale Trade	-70.0
Retail Trade	-76.0
Accommodation and Food Services	-67.0
Transport, Postal and Warehousing	-104.0
Information Media and Telecommunications	-36.0
Financial and Insurance Services	10.0
Rental, Hiring and Real Estate Services	-7.0
Professional, Scientific and Technical Services	-66.0
Administrative and Support Services	53.0
Public Administration and Safety	177.0
Education and Training	216.0
Health Care and Social Assistance	509.0
Arts and Recreation Services	-26.0
Other Services	133.0

The industry sectors which are the key drivers of the Kempsey LGA's economy for the 2021/22 year, in terms of regional exports, employment, value-added and local expenditure on goods and services, were:

- Healthcare and Social Assistance
- Construction
- Education and Training.

⁵ Source: National Institute of Economic and Industry Research (NIEIR). Compiled and presented in economy.id by.id (informed decisions).

Healthcare and Social Assistance generated 15.9% (or 168 million) of Value-Added economic output within the LGA, Construction generated 14.6% (or \$154 million) and Education and training 8.8% (or \$93 million). Over a ten-year period, there were declines across the following sectors:

- Construction (decrease by \$59 million)
- Transport, Postal and Warehousing (decrease by \$11.1 million)
- Professional, Scientific and Technical Services (decrease by \$6.3 million)
- Accommodation and Food Services (decrease \$5.5 million)
- Information Media and Telecommunications (decrease \$3.7 million)
- Arts and Recreation Services (decrease \$3.3 million)
- Mining (decrease by \$2.5 million)
- Manufacturing (decrease by \$2.4 million)
- Rental, Hiring and Real Estate Services (decrease \$0.4 million).

Table 17 Value added by industry sector⁶

2021/22 Industry sector	Kempsey LGA		Regional NSW
	\$m	%	%
Agriculture, Forestry and Fishing	87.2	8.3	8.3
Mining	1.4	0.1	5.7
Manufacturing	68.9	6.5	6.7
Electricity, Gas, Water and Waste Services	34.3	3.2	3.4
Construction	154.1	14.6	10.3
Wholesale Trade	32.7	3.1	4.1
Retail Trade	80.4	7.6	5.6
Accommodation and Food Services	38.4	3.6	3.5
Transport, Postal and Warehousing	44.3	4.2	4.9
Information Media and Telecommunications	2.2	0.2	1.2
Financial and Insurance Services	23.8	2.2	3.8
Rental, Hiring and Real Estate Services	23.3	2.2	3.4
Professional, Scientific and Technical Services	25.0	2.4	5.3
Administrative and Support Services	59.2	5.6	4.4
Public Administration and Safety	92.8	8.8	7.0
Education and Training	93.1	8.8	7.5
Health Care and Social Assistance	168.0	15.9	12.3
Arts and Recreation Services	2.7	0.3	0.6
Other services	25.2	2.4	2.1
Total industries	1057.1	100.0	100.0

The Kempsey LGA's Gross Regional Product was just over \$1.0 billion in the year ending June 2022.

⁶ Source: National Institute of Economic and Industry Research (NIEIR). Compiled and presented in economy.id by.id (informed decisions).

9 Discussion

Overall, the Kempsey LGA is a socio-economically diverse area, with areas of both advantage and disadvantage. However, there are significant differences emerging between different groupings, and this is evident when reviewing SEIFA rankings and other indicators. Although population numbers vary across the different groupings, the trends outlined throughout this report provide some insight as to which households are more susceptible to rate increases than others. Overall, we observe greater levels of advantage in 'Coastal South' and 'Aldavilla - Airport' when compared to other groupings, which can be attributed to a combination of income, demographic and household tenure factors. However, these groupings still have a relatively high proportion of mortgaged households (25% and 41% respectively). In addition, 'Rural (West)' has the highest proportion of fully owned households (51%). 'Aldavilla - Airport' has a relatively high proportion of mortgaged households (41%).

A summary for all the areas is included in the table below.

Table 18 Summary of key areas

	Kempsey	Coastal North	Coastal South	Rural (West)	Aldavilla - Airport
Population	10,763	9,886	4,794	2,561	3,263
Dependents	24%	16%	20%	20%	16%
Working age	47%	40%	45%	45%	58%
Retirees	29%	44%	35%	35%	26%
Vulnerable households %	48%	37%	33%	36%	27%
Percentage of residential ratepayers receiving statutory pensioner rebate	26%	26%	21%	28%	35%
Percentage of farmland ratepayers receiving statutory pensioner rebate	16%	13%	11%	14%	11%
Assistance required (2021)	11%	10%	6%	8%	7%
Fully Owned + mortgage	56%	70%	74%	78%	87%
Mortgage	24%	21%	25%	28%	41%
Percentage where mortgage costs >30% income	14%	17%	15%	15%	14%
Renting - Social housing	8%	1%	1%	2%	0%
Renting - Private	25%	20%	17%	8%	7%
Lowest equalised household income	46%	40%	35%	45%	35%
Highest equalised household income	5%	8%	7%	2%	9%
Median income	\$1,053	\$1,035	\$1,335	\$1,114	\$1,369
SEIFA IRSD index 2021 (percentiles)	5	16	28	13	25
SEIFA IRSAD index 2021 (percentiles)	4	13	26	11	19
Total labour force	3,741	3,512	2,061	1,035	1,158

Unemployed (Unemployment rate)	10%	6%	5%	7%	5%
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Kempsey

There are a relatively high proportion of renters within this grouping that are less likely to be directly impacted by rate increases than other groupings within the LGA. Though it should be noted that they may be still affected by rate increases, depending on lease agreements/negotiations with their landlords. Key indicators of this grouping can be summarised as follows:

- Contains the largest percentage of the LGA population - 34%.
- Lowest SEIFA indices: IRSD – 5% and IRSAD – 4%.
- Highest proportion of vulnerable households - 48%.
- Second lowest proportion of couples with children - 18%.
- Lowest proportion of couples without children - 21%.
- Highest proportion of renters – private 25% and social housing 8%.
- Second lowest proportion of households with a mortgage - 24%.
- Lowest proportion of households paying high mortgage repayments (\$2,600 or more) - 6%.
- Equally lowest number of households where mortgage costs exceed 30% of income – 14%.
- Second highest proportion of renting households where rental costs exceed 30% of income - 46%.

‘Coastal North

Attributes of the ‘Coastal North’ area, which has IRSD and IRSAD rankings in the 16th percentile and 13th respectively, include:

- Contains the second largest percentage of the LGA population - 32%.
- Highest proportion of retirees – 44%.
- Lowest proportion of working age – 40%.
- Lowest proportion of couples with children - 16%.
- Second highest proportion of couples without children - 33%.
- Second highest proportion of private renters - 20%.
- Lowest proportion of households with a mortgage - 21%.
- Second highest proportion of households requiring assistance - 10%.
- Highest number of households where mortgage costs exceed 30% of income - 17%.
- Second lowest proportion of households paying high mortgage repayments (\$2,600 or more) - 9%.
- Highest proportion of households where mortgage costs exceed 30% of income - 17%.
- Highest proportion of renting households where rental costs exceed 30% of income - 49%.
- Lowest median income of \$1,035.

‘Coastal South’

Attributes of the ‘Coastal South’ area, which has IRSD and IRSAD rankings in the 28th percentile and 26th respectively (the highest percentile from all the five groupings), include:

- Contains the third highest percentage of the LGA population - 15%.
- Second lowest percentage of vulnerable households - 33%.
- Lowest percentage of residential and farmland ratepayers receiving statutory pensioner rebate.
- Second equally highest proportion of ownership - 49%.
- Second highest median income of \$1,335.
- Lowest proportion of households requiring assistance - 6%.
- Equally lowest unemployment rate of 5%.
- Equally second highest number of households where mortgage costs exceed 30% of income – 15%.

‘Rural (West)’

Attributes of the ‘Rural (West)’ area, which has IRSD and IRSAD rankings in the 13th percentile and 11th respectively (the second lowest percentile from all the five groupings), include:

- Contains the lowest percentage of the LGA population - 8%.
- Equally second highest proportion of retirees – 35%.
- Highest proportion of fully-owned households – 51%.
- Second-highest percentage of ratepayers receiving statutory rebate (28% - residential and 14% farmland).
- Equally second highest number of households where mortgage costs exceed 30% of income – 15%.
- Second highest unemployment rate of 7%.

‘Aldavilla - Airport’

Attributes of the ‘Aldavilla – Airport’ area, which has IRSD and IRSAD rankings in the 25th percentile and 19th respectively (the second highest percentile from all the five groupings), include:

- Contains the 10% of the LGA population.
- Equally lowest unemployment rate of 5%.
- Highest percentage of residential ratepayers receiving statutory rebate (35%).
- Highest number of working age (58%) and lowest number of retirees (26%).
- Highest median income of \$1,369.
- Highest proportion of households paying high mortgage repayments (\$2,600 or more) – 13%
- Equal lowest unemployment rate of 5%.
- Highest percentage of fully owned and mortgage households of 87%.

10 Proposed rating changes

Kempsey Shire Council is considering three options in relation to a special variation, in addition to not applying an SV. All three options include a rate increase for each year for three years between 2024/25 and 2026/27, which would then be permanently retained as the rating level. The same percentage increase is applied to all rating categories. These options all include a rate peg for 2024/25 of 3.5%, and a rate peg of 2.5% in all following years:

- **Option 1** – address financial sustainability, manage asset maintenance and backlog at current level of service: apply 14.77% increase per year (cumulative increase over the SV period is 51%).
- **Option 2** – achieve financial stability, replace assets in line with recommended replacement times: apply 22.79% increase per year (cumulative increase over the SV period is 85%).
- **Option 3** – achieve financial stability, replace roads and bridges to a better standard to increase longevity: apply 24.76% increase per year (cumulative increase over the SV period is 94%).
- **Base case** – apply only the normal annual rate peg increases, of 3.5% in the first year and 2.5% in the following years, to all rate categories.

We have reviewed Council’s average rates by area grouping, across each of the rating categories. We have compared the averages for each option against the base case option (applying only the rate peg and no SV). The following table summarises the options and our analysis of each scenario follows.

Table 19 Proposed special variation options

SV Option	2024/25	2025/26	2026/27	Cumulative increase over SV period	Comparison rate - over 3 years
Base case (rate peg only)	3.5%	2.5%	2.5%		8.7%
Option 1	14.77%	14.77%	14.77%	51.2%	51.2%
Option 2	22.79%	22.79%	22.79%	85.1%	85.1%
Option 3	24.76%	24.76%	24.76%	94.2%	94.2%

Note: Cumulative amounts are expressed as required by IPART and only go the end year of the SV – in general, they are not comparable. In this case all the options are for three-year SV, so the three-year comparison cumulative rate and comparison rate are the same.

In the following analysis, we have compared the average rate at the end of the proposed SV period for the relevant scenario and the base case over the same period. We then outline the average annual and weekly increases during the proposed three-year SV period.

10.1 Residential rates – impact analysis by scenario

10.1.1 Option 1

Table 20 Estimated 2026/27 average residential rates – option 1 and base case

Residential ratepayers	Average 2026/27 rate - Option 1	Average 2026/27 rate - Base case	Increase by the end of SV period	Average annual increase ⁷
Kempsey	\$1,449	\$1,042	\$490	\$163
Coastal North	\$2,090	\$1,503	\$707	\$236
Coastal South	\$2,607	\$1,875	\$883	\$294
Rural (West)	\$1,822	\$1,310	\$617	\$206
Aldavilla - Airport	\$1,866	\$1,342	\$632	\$211
Kempsey Shire Council Total	\$1,923	\$1,383	\$651	\$217

The impact of increases in rates will be unequal across the LGA due to the variance in residential land value from area to area and within each area, with those in the higher land value area of 'Coastal South' (average rate to increase to \$2,607 by the end of 2026/27 the proposed SV period) expected to see a larger increase in average rates compared to the lower land value area of Kempsey (average rate to increase to \$1,449). It is noted that the highest number of ratepayers, 4,850 or 37% of the LGA's ratepayers, live within the 'Coastal North' grouping.

10.1.2 Option 2

Table 21 Estimated 2026/27 average residential rates – option 2 and base case

Residential ratepayers	Average 2026/27 rate - Option 2	Average 2026/27 rate - Base case	Increase by the end of SV period	Average annual increase
Kempsey	\$1,774	\$1,042	\$816	\$272
Coastal North	\$2,559	\$1,503	\$1,177	\$392
Coastal South	\$3,193	\$1,875	\$1,468	\$489
Rural (West)	\$2,231	\$1,310	\$1,026	\$342
Aldavilla - Airport	\$2,285	\$1,342	\$1,051	\$350
Kempsey Shire Council Total	\$2,354	\$1,383	\$1,083	\$361

As with option 1, residential ratepayers in the higher land value area of 'Coastal South' (average rate to increase to \$3,193 by the end of 2026/27 the proposed SV period) are expected to see a larger increase in average rates compared to the lower land value areas of Kempsey (average rate to increase to \$1,774) and 'Rural (West)' (average to increase to \$2,231).

⁷ This is the increase by the end of SV period divided by the number of years of SV (three)

10.1.3 Option 3

Table 22 Estimated 2026/27 average residential rates – option 3 and base case

Residential ratepayers	Average 2026/27 rate - Option 3	Average 2026/27 rate - Base case	Increase by the end of SV period	Average annual increase
Kempsey	\$1,861	\$1,042	\$903	\$301
Coastal North	\$2,684	\$1,503	\$1,302	\$434
Coastal South	\$3,349	\$1,875	\$1,624	\$541
Rural (West)	\$2,340	\$1,310	\$1,135	\$378
Aldavilla - Airport	\$2,397	\$1,342	\$1,163	\$388
Kempsey Shire Council Total	\$2,470	\$1,383	\$1,198	\$399

As with option 2, residential ratepayers in the higher land value area of ‘Coastal South’ (average rate to increase to \$3,349 by the end of 2026/27 the proposed SV period) are expected to see a larger increase in average rates compared to the lower land value areas of Kempsey (average rate to increase to \$1,861) and ‘Rural (West)’ (average to increase to \$2,340).

10.1.4 Summary

As a result of higher average land values in ‘Coastal South’, residential ratepayers in this grouping are likely to see a larger increase in rates. This area has the highest levels of individual and household income within the LGA and the lowest levels of disadvantage. The majority of the LGA’s ratepayers are in ‘Coastal North’ (37%), who has seen second highest increases per week. These groupings can therefore be considered to have a potential capacity to pay increased rates.

This compares to Kempsey, where ratepayers will see a lower increase in average rates, due to lower residential land values. Kempsey is considered to be the most disadvantaged grouping, with the highest levels of disadvantage and highest number of resident ratepayers. It is therefore important for Council to consider the impact on individual ratepayers, such as through hardship policies.

10.2 Farmland rates – impact analysis by scenario

10.2.1 Option 1

Table 23 Estimated 2026/27 average farmland rates – option 1 and base case

Farmland ratepayers	Average 2026/27 rate - Option 1	Average 2026/27 rate - Base case	Increase by the end of SV period	Average annual increase
Kempsey	\$3,436	\$2,472	\$1,163	\$388
Coastal North	\$3,381	\$2,432	\$1,145	\$382
Coastal South	\$4,033	\$2,901	\$1,365	\$455
Rural (West)	\$3,278	\$2,358	\$1,110	\$370
Aldavilla - Airport	\$3,334	\$2,398	\$1,129	\$376
Kempsey Shire Council Total	\$3,535	\$2,543	\$1,197	\$399

As with the residential category, the impact will vary from area to area, due to the variance in farming land values (as determined by the NSW Valuer General). 'Rural (West)', which has the highest number of farmland ratepayers at 500, will see average rates increase to \$3,278 in 2026/27, while those in the higher land value area of 'Coastal South' are expected to see larger increases in average rates (average rate to increase to \$4,033).

10.2.2 Option 2

Table 24 Estimated 2026/27 average farmland rates – option 2 and base case

Farmland ratepayers	Average 2026/27 rate - Option 2	Average 2026/27 rate - Base case	Increase by the end of SV period	Average annual increase
Kempsey	\$4,208	\$2,472	\$1,935	\$645
Coastal North	\$4,141	\$2,432	\$1,904	\$635
Coastal South	\$4,939	\$2,901	\$2,271	\$757
Rural (West)	\$4,014	\$2,358	\$1,846	\$615
Aldavilla - Airport	\$4,083	\$2,398	\$1,878	\$626
Kempsey Shire Council Total	\$4,329	\$2,543	\$1,991	\$664

As with option 1, farmland ratepayers in the higher land value area of 'Coastal South' (average rate to increase to \$4,939) are expected to see larger increases in average rates compared to the lower land value areas of 'Rural (West)' (average rate to increase to \$4,014) and 'Aldavilla - Airport' (average to increase to \$4,083).

10.2.3 Option 3

Table 25 Estimated 2026/27 average farmland rates – option 3 and base case

Farmland ratepayers	Average 2026/27 rate - Option 3	Average 2026/27 rate - Base case	Increase by the end of SV period	Average annual increase
Kempsey	\$4,414	\$2,472	\$2,141	\$714
Coastal North	\$4,343	\$2,432	\$2,107	\$702
Coastal South	\$5,180	\$2,901	\$2,513	\$838
Rural (West)	\$4,210	\$2,358	\$2,042	\$681
Aldavilla - Airport	\$4,283	\$2,398	\$2,077	\$692
Kempsey Shire Council Total	\$4,541	\$2,543	\$2,202	\$734

As with option 2, farmland ratepayers in the higher land value area of ‘Coastal South’ (average rate to increase to \$5,180) are expected to see larger increases in average rates compared to the lower land value areas of ‘Rural (West)’ (average rate to increase to \$4,210) and ‘Aldavilla - Airport’ (average rate to increase to \$4,283).

10.2.4 Summary

‘Rural (West)’, which has the largest number of farmland ratepayers at 500, will see the smallest increase in average rates, due to lower land values. As mentioned previously, this can be considered a more disadvantaged grouping, with a reduced capacity to pay. In Kempsey, which has higher rates of disadvantage and a lower number of farmland ratepayers (100), the impact is lower, and it will therefore see the small increase to average rates. Council should still ensure that it considers any other vulnerable ratepayers within this grouping.

Due to higher average land values in ‘Coastal South’, farmland ratepayers in this grouping are likely to see a larger increase in rates. Overall, for residential and farmland, this grouping has an IRSAD ranking in the 26th percentile and, due to higher household income levels within this grouping as a whole, farmland ratepayers in ‘Coastal South’ may have a higher capacity to pay.

10.3 Business – impact analysis by scenario

10.3.1 Option 1

Table 26 Estimated 2026/27 average business rates – option 1 and base case

Business ratepayers	Average 2026/27 rate - Option 1	Average 2026/27 rate - Base case	Increase by the end of SV period	Average annual increase
Kempsey	\$4,485	\$3,226	\$1,518	\$506
Coastal North	\$5,447	\$3,918	\$1,844	\$615
Coastal South	\$6,911	\$4,971	\$2,340	\$780
Rural (West)	\$1,704	\$1,226	\$577	\$192
Aldavilla - Airport	\$4,435	\$3,190	\$1,501	\$500
Kempsey Shire Council Total	\$4,915	\$3,536	\$1,664	\$555

Table 26 sets out the average impact of applying SV option 1 compared with increasing rates by the normal annual rate peg increase (base case) for business ratepayers.

Across the Kempsey Shire Council LGA, business ratepayers would pay, on average, \$4,915 at the end of SV period (2026/27), under option 1 compared to \$3,226 if there was no SV. The impact of increases in rates, however, will be unequal across the LGA due to the large variance in land values (as determined by the NSW Valuer General).

Kempsey which has the largest assessment proportion (453 or 56%) will see an average increase to \$4,485, by the end of SV period. The largest increase for the business category will be for 'Coastal South', an increase to \$6,911. This compares to 'Rural (West)' (average rate to increase to \$1,704) and 'Aldavilla - Airport' (average rate to increase to \$4,435) which will see lower increases.

10.3.2 Option 2

Table 27 Estimated 2026/27 average business rates – option 2 and base case

Business ratepayers	Average 2026/27 rate - Option 2	Average 2026/27 rate - Base case	Increase by the end of SV period	Average annual increase
Kempsey	\$5,492	\$3,226	\$2,526	\$842
Coastal North	\$6,671	\$3,918	\$3,068	\$1,023
Coastal South	\$8,463	\$4,971	\$3,892	\$1,297
Rural (West)	\$2,087	\$1,226	\$960	\$320
Aldavilla - Airport	\$5,431	\$3,190	\$2,498	\$833
Kempsey Shire Council Total	\$6,020	\$3,536	\$2,768	\$923

For SV option 2, across the Kempsey Shire Council LGA, business ratepayers would pay, on average, a rate of \$6,020 per year by the end of the SV period.

As with option 1, business ratepayers in the middle of the range land value area of 'Coastal North' (average

rate to increase to \$6,671) are expected to see lower increases in average rates compared to the higher land value area of 'Coastal South' (average rate to increase to \$8,463).

10.3.3 Option 3

Table 28 Estimated 2026/27 average business rates – option 3 and base case

Business ratepayers	Average 2026/27 rate - Option 3	Average 2026/27 rate - Base case	Increase by the end of SV period	Average annual increase
Kempsey	\$5,761	\$3,226	\$2,794	\$931
Coastal North	\$6,997	\$3,918	\$3,394	\$1,131
Coastal South	\$8,877	\$4,971	\$4,306	\$1,435
Rural (West)	\$2,189	\$1,226	\$1,062	\$354
Aldavilla - Airport	\$5,697	\$3,190	\$2,763	\$921
Kempsey Shire Council Total	\$6,314	\$3,536	\$3,063	\$1,021

For SV option 3, across the Kempsey Shire Council LGA, business ratepayers would pay, on average, an annual rate of \$6,314 by the end of the SV period.

As with option 2, business ratepayers in the middle of the range land value area of 'Coastal North' (average rate to increase to \$6,997) are expected to see lower increases in average rates compared to the higher land value area of 'Coastal South' (average rate to increase to \$8,877).

10.3.4 Summary

'Coastal South' will receive the highest average increase in rates across all SV options, but this grouping contains only 3% of the LGA's business ratepayers. This is followed by 'Coastal North' and Kempsey which contain 29% and respectively 56% of the LGA's business ratepayers.

11 Other rating considerations

Table 29 Estimated 2026/27 rates for OLG Group 4 councils

Estimated average rates for 2026/27						
Group 4 LGA	Est. average residential (\$)	Residential rank	Est. average farmland (\$)	Farmland rank	Est. average business (\$)	Business rank
Albury	1,628	7	5,024	2	7,046	4
Armidale Regional	1,777	4	5,509	1	6,308	7
Ballina	1,310	16	2,006	21	4,010	17
Bathurst Regional	1,356	15	1,733	24	4,957	12
Bega Valley	1,851	3	3,638	7	4,151	15
Broken Hill	1,272	20	1,228	25	7,223	3
Byron	1,646	6	2,891	10	4,007	18
Cessnock	1,463	9	3,298	8	4,354	13
Clarence Valley	1,451	10	1,913	22	3,487	20
Dubbo Regional	1,259	22	4,187	6	5,473	9
Eurobodalla	1,288	19	1,886	23	4,215	14
Goulburn Mulwaree	1,222	24	2,698	15	5,623	8
Griffith	1,240	23	4,281	5	3,215	22
Kempsey - Base case	1,383	11	2,543	17	3,536	19
Kempsey - Option 1	1,923	3	3,535	8	4,915	13
Kempsey - Option 2	2,354	1	4,329	4	6,020	8
Kempsey - Option 3	2,470	1	4,541	3	6,314	7
Lismore	1,545	8	2,836	12	5,065	11
Lithgow	1,364	13	2,634	16	7,683	2
Mid-Western Regional	1,125	25	2,858	11	2,441	24
Orange	1,725	5	2,202	19	6,913	5
Queanbeyan-Palerang Regional	2,092	2	4,321	4	8,388	1
Richmond Valley	1,267	21	2,019	20	3,325	21
Singleton	1,361	14	2,725	14	2,740	23
Snowy Monaro Regional	1,369	12	2,799	13	2,127	25
Tamworth Regional	1,288	18	2,292	18	4,145	16
Wagga Wagga	1,297	17	3,195	9	6,738	6
Wingecarribee	2,162	1	4,486	3	5,152	10
Average for Group 4	1,470	-	3,008	-	4,893	-
Median for Group 4	1,364	-	2,799	-	4,354	-

Table 29 shows estimated average rates for the 2026/27 financial year (calculated by forecasting OLG time series reported year for group 4 councils from 2021/22 figures). These councils are similar in size to Kempsey and are used for comparison, including SV's for five Councils in this group, with potentially another four Councils this year.

Within group 4, Kempsey's average rates for residential, farmland and business sit below the average and median levels and farmland and business towards the bottom end of the range for comparable councils. When allowing for any of the proposed SV options, dependent on SV scenario and excluding the other scenarios, Kempsey LGA's average rates for:

- residential will be above average for group 4 councils - estimated to rank third or first.
- farmland will move towards the top end of the range - estimated eighth, fourth and third.
- business will sit above the average (13th, eighth and seventh).

Figure 5 Actual (2022) rates as a percentage of operating expenses for OLG Group 4 councils

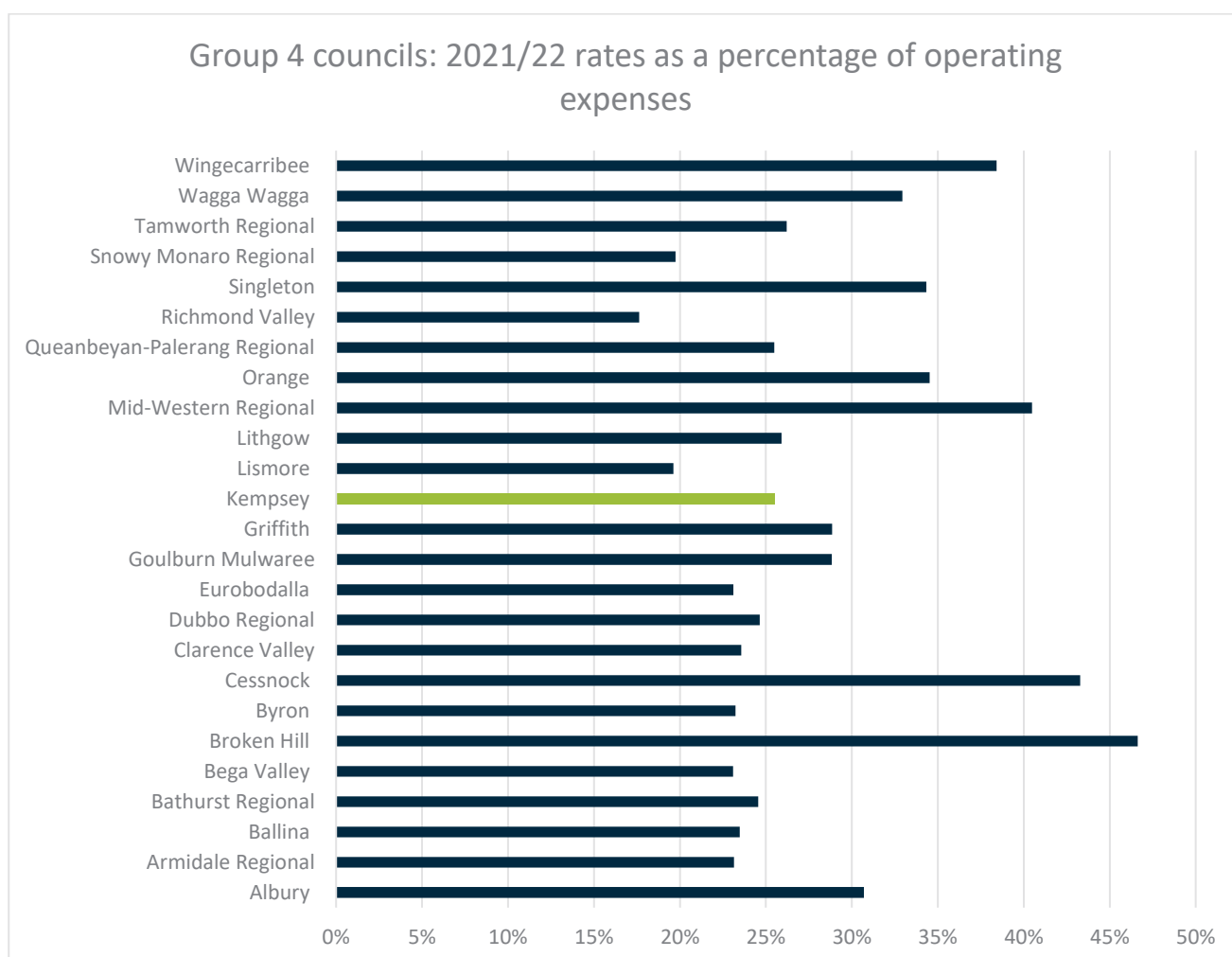


Figure 5 shows total council rates as a percentage of operating expenditure for group 4 councils. For the 2021/22 financial year Broken Hill had the highest level of rates as a percentage of operating expenses (at 47%), and at the lower end was Richmond Valley at 18%. The average for group 4 councils was 28%. Kempsey ranked 13th out of 25 councils, with rates income representing 25% of total operating expenditure in 2021/22. This has decreased from 27% in 2020/21. A lower percentage is an indication that Council's rates

are not at about the level required to service the community.

11.1 Willingness to pay

Table 30 Actual outstanding rates and charges for OLG Group 4 councils

Rates and Annual Charges Outstanding (%)	2021/22	2020/21	2019/20
Albury	9%	12%	11%
Armidale Regional	5%	5%	6%
Ballina	4%	4%	5%
Bathurst Regional	6%	6%	6%
Bega Valley	5%	7%	6%
Broken Hill	15%	16%	15%
Byron	10%	8%	7%
Cessnock	7%	6%	5%
Clarence Valley	7%	7%	7%
Dubbo Regional	5%	5%	6%
Eurobodalla	2%	2%	2%
Goulburn Mulwaree	3%	4%	3%
Griffith	9%	11%	8%
Kempsey	10%*	8%*	10%*
Kiama	Not provided	Not Provided	2%
Lismore	11%	9%	9%
Lithgow	4.6%	6.7%	6.1%
Mid-Western Regional	3%	3%	4%
Orange	11%	8%	7%
Queanbeyan-Palerang Regional	8%	9%	10%
Richmond Valley	11%	11%	12%
Singleton	3%	3%	4%
Snowy Monaro Regional	20%	21%	18%
Tamworth Regional	7%	7%	7%
Wagga Wagga	6%	5%	5%
Wingecarribee	5%	6%	4%

Note: *This rate includes payments made in advance for all rates

Table 30 shows outstanding rates and charges ratios over the past three reporting years for NSW group 4 councils. Kempsey's percentage for 2022/23 is 8.2%, a further reduction from 10% in 2021/22, or when excluding payments made in advance in 2022/23 the percentage is 4.5% (down from 6.5% in 2021/22). The NSW benchmark for rural councils is 10%, and Kempsey has consistently been significantly below this percentage for the past four financial years – this is therefore an indicator of capacity and willingness to pay.

12 Conclusion

From our analysis it is apparent that there are significant levels of advantage within the Kempsey LGA, along with pockets of significant disadvantage. A high proportion of residents within Kempsey area are renters (25%) or in social housing (8%), meaning minimal or no impact of this SRV on those residents. This area has the largest proportion of population within lowest quartiles of equivalised income and has the lowest average SEIFA scores (scoring 5th percentile for IRSD and 4th percentile for IRSAD). 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. Residential ratepayers in this area will be paying by the end of SV period an average rate of between \$1,449 and \$1,861 per year in comparison with \$1,042 under the normal rate increases. Therefore, given an appropriate hardship policy, it is considered there is some level of capacity to pay.

'Coastal North' and 'Rural (West)' are areas have average SEIFA disadvantage of 16th and respectively 13th percentiles. They 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 'Coastal North' has 20% of private renting and these residents are unlikely to be impacted by the SRV. By the end of SV period, residential ratepayers in 'Coastal North' will be paying, depending on the SV option, an average rate between \$2,090 and \$2,684 per year in comparison with \$1,503 under the normal rate increases, while 'Rural (West)' between \$1,822 and \$2,340 (normal average rate of \$1,310), therefore, given the relativity of the rate increases and an appropriate hardship policy, it is considered there is a level of capacity to pay.

'Coastal South' and 'Aldavilla – Airport' areas have 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 three-year period, residential ratepayers in 'Coastal South' will be paying, depending on the SV option, an average rate between \$2,607 and \$3,349 per year in comparison with \$1,875 under the normal rate increases, while 'Aldavilla – Airport' between \$1,866 and \$2,397 (normal average rate \$1,342), therefore given the relativity of the rate increases to the socioeconomic ratings it is considered that there is capacity to pay.

From the assessment of Council's average rates by area grouping, across each of the rating categories and comparison of the averages for each option against the base case option (applying only the rate peg and no SV), Option 1 provides the best capacity to pay outcome. From the three proposed special variation increases are outlined above, Option 1, which will address financial sustainability, manage asset maintenance and backlog at current level of service, has the lowest level of increase over SV period of 51.2% comparing with Option 2 (85.1%) and Option 3 (94.2%) and therefore delivers the better capacity to pay for all grouping areas and ratepayers.