

Capacity To Pay

Snowy Valleys Council 2024

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# **Executive Summary**

Snowy Valleys Council (SVC) presently faces financial unsustainability, despite proactive efforts to enhance its fiscal position over recent years. These initiatives, though ongoing, are deemed insufficient to effectively address the fundamental challenges over the long term.

Therefore, Council is evaluating the feasibility of a Special Rate Variation (SRV) and assessing its potential impact on the community. This report places importance on the principle of capacity to pay, recognising that certain ratepayers may possess greater financial capacity to meet rate obligations than others.

# **Introduction**

Council’s financial position is unsustainable with the current levels of income and expenditure. Whilst Council has implemented significant changes to enhance its sustainability, these measures alone will not suffice in the long term.

Consequently, SVC is actively exploring strategies to address its ongoing financial challenges, one of which is considering a permanent Special Rate Variation (SRV). Several factors, including equity and capacity to pay, have been taken into account in determining the size and necessity of an SRV. This report particularly underscores the capacity to pay principle, recognizing the varying ability of ratepayers to meet their financial obligations.

The report conducts an assessment of relative wealth and financial capacity within the Snowy Valley’s Local Government Area (LGA), examining the financial vulnerability and exposure of different community groups including:

* Regions of social disadvantage
* Vulnerable groups of individuals
* Patterns of household expenditure.

These findings will then be compared to proposed rate increases to identify if there are any individuals or groups that are being impacted and/or marginalised.

# **Background**

SVC is divided into five regional areas. As part of the SRV process, Council is aiming to prevent substantial disadvantages to community groups and promote fair equity, considering the diverse economic and socio-economic profiles existing in each region.

|  |  |
| --- | --- |
| **Area** | **Population** |
| SVC | 14,884 |
| Adelong and Surrounds | 1,529 |
| Batlow and Surrounds | 1576 |
| Tumbarumba – Khancoban | 3360 |
| Tumut Surrounds – Talbingo | 1604 |
| Tumut | 6284 |

*Source: Census Data 2021*

# **Economic Region**

The area is situated in the Riverina-Murray Region of New South Wales, approximately 200 kilometres west of the Canberra CBD and around 400 kilometres southwest of the Sydney CBD. The Council's boundaries include the Cootamundra-Gundagai Regional Council area and the Yass Valley Council area to the north, National Parks to the east, Snowy Monaro Regional Council, the Murray River, the Victorian border, and Towong Shire Council to the south, and Greater Hume Shire and Wagga Wagga City Councils to the west.

The LGA is divided into five regional areas, covering a total land area of 8,958 square kilometres, resulting in a population density of 1.66 persons per square kilometre.

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A map of the country

Description automatically generated

As of 30 June 2020, a total of 411,187 hectares, or 45.9%, of the Snowy Valleys Council land area is considered *protected land* and includes:

* 9 National Parks protecting 383,673 hectares, making up 42.8% of the SVC region.
* 8 Nature reserves protecting 25,949 hectares or 2.9% of the SVC region
* Other protected land areas total 1,565 hectares, or 0.2% of the SVC region.

# **Land Use**

The area is predominantly rural with the main township being Tumut, with smaller townships at Adelong, Batlow and Tumbarumba and villages at Brungle, Jingellic, Khancoban, Rosewood, Talbingo and Tooma.

Rural land is used largely for agriculture, particularly beef cattle farming and timber production. Sheep grazing, fruit growing and power generation are also important industries.

# **Methodology**

The methodology in examining the relative wealth between sections of the community focuses on the following:

* Areas of social disadvantage

Identifying different characteristics and the structure 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
  + SEIFA rankings
* Particularly Vulnerable Groups of Individuals

Further investigation to ascertain if 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; including:

* + Property owners
  + Persons who have or need core assistance
  + Individuals who are currently unemployed
  + Households currently under housing stress
  + Pensioners.

# **Age Profile by Region**

*Source: Census Data 2021*

The age structure of the SVC area provides key insights into the level of demand for age based services and facilities such as child care. It is also an indicator of SVC’s residential role and function and how it is likely to change in the future.

From 2016 to 2021, the population increased by 493 people – 3.4%. This represents an average annual population change of 0.68% per year over the period.

The largest changes in age structure in the LGA between 2016 and 2021 were in the following age groups:

* 70 to 74 (increase 146 persons)
* 60 to 64 (increase 120 persons)
* 50 to 54 (decrease 106 persons)
* 35 to 39 (increase 103 persons)

Collectively, age groups of the SVC area compared to Regional NSW show that there was a higher proportion of people in the younger age groups (0 to 17 years) as well as a higher proportion of people in the older age groups (60+ years).

Within the region itself, it has been identified that Talbingo had the highest proportion of residents over the age of 70 than other areas.

Tumut, Tumbarumba and Khancoban have the largest proportion of residents within the working age demographic, noting the highest proportion of residents in the young workforce (18 to 24) in Khancoban.

Tumut, Adelong and Batlow having significantly higher proportion of persons aged 18 and under.

# **Household Composition**

The table below identifies the typical make up of the region’s households providing a snapshot of the people, families and communities in each area.

*Source: Census Data 2021*

It has been identified that those households that will be impacted at a higher level, due to an increase in rates are ‘lone person’ and ‘one parent’ households. These households, it is assumed, function with a reduced or single income stream.

It is also clear that Tumut has, by far, the highest proportion of households with children.

# **Housing Tenure**

By identifying housing tenure levels within the community, we have the ability to establish which areas would be most impacted by a change in council rates. The direct impact of such a change in rates would be felt by homeowners, with renters perhaps experiencing an increase/decrease depending on their lease arrangements and decisions of their landlord.

Those that reside in social housing are unlikely to be impacted by a change in rates.

|  |  |  |  |
| --- | --- | --- | --- |
| **Tenure** | **Number in  Snowy Valleys** | **SVC %** | **Regional  NSW %** |
| Fully Owned | 2,495 | 40.1 | 36.3 |
| Mortgage | 1,616 | 25.9 | 29.4 |
| Renting – Total | 1,463 | 23.5 | 25.7 |
| Renting – Private | 1235 | 19.8 | 21.7 |
| Renting – Social Housing | 213 | 3.4 | 3.8 |
| Other Tenure Type | 164 | 2.6 | 2.3 |
| Not Stated | 491 | 7.9 | 6.4 |
| **Total Households** | **6,229** | **100.0** | **100.0** |

*Source: Census Data 2021*

|  | **Adelong** | **Batlow** | **Khancoban** | **Talbingo** | **Tumbarumba** | **Tumut** |
| --- | --- | --- | --- | --- | --- | --- |
| Fully Owned | 49.7 | 48.3 | 52.6 | 55.9 | 40.2 | 39.1 |
| Mortgage | 28 | 27.5 | 21.6 | 8.6 | 28.3 | 29.9 |
| Renting  Private | 16.4 | 21.8 | 26.8 | 19 | 20.4 | 27.9 |
| Renting  Social  Housing | 4.3 | 6.5 | 0 | 0 | 4.4 | 8.89 |
| Other Tenure Type | 2.8 | 1.0 | 5.2 | 3.8 | 3.2 | 1.7 |
| Not Stated | 2.8 | 1.4 | 0 | 1.8 | 4.3 | 1.5 |

*Source: Census Data 2021*

A review of the housing tenure of households within the area in 2021, compared to Regional NSW, shows that there was a larger proportion of households who own their dwelling; a smaller proportion purchasing their dwelling; and a small proportion who were renters.

Overall, 40.1% of households owned their dwelling; 25.9% were purchasing (currently mortgaged) and 23.5% were renting, compared with 36.3%, 29.4% and 25.7%, respectively, within Regional NSW.

The largest change in the housing tenure for households within the area were that fully owned households increased by 186 and private rentals increased by 166 households.

A high concentration of private renters may indicate a transient area attractive to young singles and couples whilst an increase in home ownership indicates a more settled area with mature families and empty-nesters.

# **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 table below provides a regional comparison of equivalised household income.

With the assumption that all households were the ‘same size’, then the lowest quartile is the largest income group within the LGA.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Area** | **SVC** | **Canberra Region** | **Regional NSW** | **NSW** |
| Lowest | 33.8 | 27.3 | 30.5 | 25.0 |
| Medium Lowest | 29.1 | 27.4 | 28.8 | 25.0 |
| Medium Highest | 23.3 | 24.5 | 24.2 | 25.0 |
| Highest | 13.8 | 20.8 | 16.5 | 25.0 |

*Source: Census Data 2021*

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

* The Low income range is representative of income less than $800.
* The High income range is representative of income greater than $3000 per week.

# **Household Income Quartiles**

Household incomes in Snowy Valleys in 2021 compared to Regional NSW shows that there was a smaller proportion of high income households (those earning $3,000 per week or more) and a higher proportion of low income households (those earning less than $800 per week).

Overall 12.7% of the households earned a high income and 27.9% were low income households, compared with 16.7% and 26.0% respectively for Regional NSW.

The most significant change in Snowy Valleys Council between 2016 and 2021 was in the lowest quartile which showed an increase of 200 households.

|  |  |
| --- | --- |
| **Household Income Quartile Dollar Ranges** | **2021** |
| Lowest Group | $0 to $886 |
| Medium Lowest | $887 to $1,824 |
| Medium Highest | $1,825 to $3,134 |
| Highest | $3,135 and over |

*Source: Census Data 2021*

# *Source: Census Data 2021*

# **Vulnerable Groups or Individuals**

|  |  |  |  |
| --- | --- | --- | --- |
| **Status** | **SVC** | **%** | **Regional NSW** |
| **Employed** | **6547** | **95.8** | **95.4** |
| Employed Full Time | 3960 | 57.9 | 54.5 |
| Employed Part Time | 2133 | 31.2 | 33.7 |
| Employed away from  work | 454 | 6.6 | 7.3 |
| **Unemployed** | **289** | **4.2** | **4.6** |
| Looking for full time  work | 177 | 2.6 | 2.5 |
| Looking for part time  work | 112 | 1.6 | 2.0 |
| **Total** | **6836** | **100.00** | **100.00** |

*Source: Census Data 2021*

The size of the labour force in 2021 was 6,836 of which 2,133 were employed part time and 3,960 were full time workers.

The employment status (%) in the area in 2021 compared to Regional NSW shows that there was a similar proportion in employment, as well as a similar proportion unemployed.

Overall, 95.8% of the labour force was employed and 4.2% unemployed, compared with 95.4% and 4.6% respectively for Regional NSW.

Between 2016 and 2021, the number of people employed showed an increase of 552, and the number unemployed showed a decrease of 52. In the same period, the number of people in the labour force showed an increase of 500 or 7.9%.

# **Education Institution Attending**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2021** | | |
| **Institution** | **Number** | **%** | **Regional NSW** |
| Preschool | 310 | 2.1 | 2.1 |
| Primary School | 1205 | 8.1 | 7.9 |
| Primary – Government | 874 | 5.9 | 5.4 |
| Primary – Catholic | 317 | 2.1 | 1.7 |
| Primary – Independent | 14 | 0.1 | 0.8 |
| Secondary School | 900 | 6.0 | 6.1 |
| Secondary – Government | 712 | 4.8 | 3.8 |
| Secondary – Catholic | 164 | 1.1 | 1.4 |
| Secondary – Independent | 24 | 0.2 | 0.9 |
| TAFE – Vocational | 321 | 2.2 | 2.5 |
| University | 207 | 1.4 | 3.0 |
| Other | 86 | 0.6 | 0.5 |
| Not attending | 10,585 | 72.2 | 72.2 |
| Not stated | 1,277 | 8.6 | 6.8 |

*Source: Census Data 2021*

# **Highest Qualification Achieved**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2021** | | |
| **Qualification Level** | **Number** | **%** | **Regional NSW %** |
| Bachelor or Higher Degree | 1456 | 12.0 | 17.8 |
| Advanced Diploma or Diploma | 841 | 6.9 | 8.7 |
| Vocational | 2959 | 24.4 | 24.4 |
| No qualification | 5376 | 44.3 | 39.1 |
| Not stated | 1512 | 12.5 | 10.0 |
| Total Persons +15 years | 12144 | 100 | 100 |

*Source: Census Data 2021*

Qualifications of the population in 2021, compared to Regional NSW shows that there was a lower proportion of people holding formal qualifications (Bachelor or Higher Degree; Advanced Diploma or Diploma or Vocational qualifications) and a higher proportion of people with no formal qualifications.

Overall, 43.3% of the population aged 15 and over held educational qualifications and 44.3% had no qualifications, compared with 50.9% and 39.1%, respectively, for Regional NSW.

# **Housing Stress by Region**

|  |  |
| --- | --- |
| **Stressed Households** | **Percentile** |
| **SVC – average** | **9.6** |
| Adelong | 10.3 |
| Batlow | 12.5 |
| Tumbarumba and Khancoban | 11.5 |
| Tumut and Talbingo | 9.2 |
| Tumut | 2.6 |
| Tumut and Surrounds | 7.91 |
| **Canberra Region** | **12.8** |
| Regional NSW | 12.7 |
| NSW | 17.3 |
| **Australia** | **14.5** |

*Source: Census Data 2021*

A household is considered in housing stress if housing costs such as mortgage repayments or rent are more than 30% of the household disposable income and the household is in the bottom 40% of the equivalised income distribution. *(Source: Australian Government | Australian Institute of Health and Welfare)*

It is identified that the number of households experiencing housing stress within the LGA is, on average 9.6%, however Batlow is just short of Regional NSW’s average of 12.5%.

It is important to note that at the time of data collection, interest rates at the 2021 Census were at a record low within Australia, with the first interest rate rises by the Reserve Bank beginning an upward trend from May 2022.

# **Household Stress**

*Source: Census Data 2021*

# **Overall Mortgage Payments**

*Source: Census Data 2021*

# **Median Weekly and Median Monthly Mortgage Payments**

*Source: Census Data 2021*

# **Industry of Employment – Persons Aged 15 Years and Over**

|  |  |
| --- | --- |
|  | **2021/2022** |
| **Description** | **%** |
| Agriculture, forestry and fishing | 18.0 |
| Mining | 0.1 |
| Manufacturing | 14.1 |
| Electricity, gas water and waste services | 6.7 |
| Construction | 11.3 |
| Wholesale trade | 1.8 |
| Retail trade | 6.2 |
| Accommodation and food services | 5.3 |
| Transport, postal and warehousing | 3.8 |
| Information media and telecommunications | 0.5 |
| Financial and insurance services | 0.6 |
| Rental, hiring and real estate services | 0.6 |
| Professional, scientific and technical services | 1.8 |
| Administrative and support services | 2.8 |
| Public administration and safety | 7.6 |
| Education and training | 5.8 |
| Health care and social assistance | 9.0 |
| Arts and recreation services | 1.2 |
| Other services | 2.9 |
| **Total persons employed aged 15 years and over** | **6074** |

*Source: National Institute of Economic and Industry Research ©2022*

An analysis of the jobs held by local workers in 2021/2022 shows the three largest industries were:

* Agriculture, forestry and fishing (1,093 people or 18.0%)
* Manufacturing (854 people or 14.1%)
* Construction (688 people or 11.3%)

Combining these three fields accounted for 2,634 people in total or 43.4% of the local workers.

In comparison, New South Wales employed 2.5% in Agriculture, Forestry and Fishing, 6.6% in Manufacturing and 9.5% in Construction.

# **Core Activity Need for Assistance**

|  |  |  |  |
| --- | --- | --- | --- |
| **Township** | **Core Activity**  **Need For Assistance** | **Percentile**  **%** | **Regional**  **NSW** |
| Adelong | 60 | 7.0% |  |
| Batlow | 68 | 6.6% |
| Khancoban | 15 | 6.0% |
| Talbingo | 19 | 8.9% |
| Tumbarumba | 117 | 7.7% |
| Tumut | 499 | 7.6% |
| **Total** | **778** | **6.1%** | **6.8%** |

*Source: Census Data Year*

The need for assistance of people in the area compared to Regional NSW shows that there was a lower proportion of people who reported needing assistance with core activities.

Overall 6.1% of the population reported requiring assistance with core activities, compared with 6.8% for Regional NSW.

# **Regional SEIFA Scores and Percentiles**

Index of Relative Socio-Economic Disadvantage (IRSD) summarises information about the economic and social conditions of people and households within SVC.

Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD) provides a general measure of analysis and how it is likely to be affected by both advantage and disadvantage.

Socio-economic advantage and disadvantage is defined as people’s access to material and social resources, and their ability to participate in society. This is based on data collected in the Census including income, education, employment, occupation, housing and family structure.

*Lower scores indicate areas of relative disadvantage compared to areas with higher scores.*

Upon examining both the IRSD and IRSAD indexes, it is evident that the LGA experiences levels of disadvantage higher than the Regional NSW average. Additionally, a decrease in the percentile score between the IRSD and IRSAD indices implies reduced opportunities within the Local Government Area (LGA), such as a limited number of employment options in the area.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Region** | **SEIFA – IRSD** | **Percentile** | **SEIFA-IRSAD** | **Percentile** |
| *SVC* | 952.50 | 20 | 916.00 | 19 |
| Canberra Region | 1014.30 | 50 | 993.70 | 55 |
| Regional NSW | 982.00 | 32 | 962.00 | 36 |
| New South Wales | 1000.00 | 42 | 1016.00 | 67 |
| Australia | 1001.20 | 42 | 1002.60 | 60 |

*Source: CRJO Profile id 2021*

# **Area Level SEIFA Scores and Percentiles**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Region** | **SEIFA – IRSD** | **Percentile** | **SEIFA-IRSAD** | **Percentile** |
| Adelong | 984.30 | 33 | 920 | 30 |
| Batlow | 917.70 | 12 | 916 | 13 |
| Tumbarumba - Khancoban | 960.90 | 23 | 962 | 22 |
| Tumut - Talbingo | 1022.20 | 55 | 902 | 54 |
| Tumut | 930.70 | 15 | 884 | 15 |

*Source: Australian Bureau of Statistics, Census of Population and Housing 2021*

In reviewing the SEIFA rankings, it is clear that there is a broad distribution of advantage and disadvantage throughout the LGA highlighting significant levels of inequality.

# **Hardship Applications and Outstanding Rates**

The data used within this report is from 2021, which may not reflect the current inflationary and cost of living environment. In order to understand any current impacts, hardship applications and outstanding Council rates payments were examined to determine residence ability and capacity to pay their rates on time.

Council's hardship policy aims to provide relief to ratepayers who are experiencing genuine financial difficulties in paying their rates and charges. In 2022/2023, Council had 113 active payment schedules in place. For 2023/2024, Council has 230 active payment schedules, an increase of 68%.

For those ratepayers who do not have payment arrangements in place and Council has received no communication regarding outstanding rate payments, they are sent to Council’s debt collection agency.

The table below summarises by township the number of properties Council’s debt collection agency have engaged and how many cases have been closed.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **2021/2022** | | |  | **2022/2023** | |
| **Town** | **Engaged Agency** | **Files Paid and Closed** |  | **Engaged Agency** | **Files Paid and Closed** |
| Tumut | 684 | 671 |  | 578 | 480 |
| Adelong | 130 | 130 |  | 117 | 81 |
| Tumbarumba | 282 | 265 |  | 234 | 193 |
| Batlow | 242 | 232 |  | 174 | 145 |
| Rosewood | 36 | 32 |  | 31 | 20 |

Overall, there has been a decline in ratepayers engaged with Council’s debt collection agency between 2021/2022 and 2022/2023. This is possibly due to an increase in rate payment hardship plans resulting in less outstanding rate cases being referred for debt collection.

# **Conclusion**

A review of the demographics and statistics indicates that there is distinct imbalance throughout the LGA which impacts the community’s capacity and willingness to pay rates.

Overall, the unemployment rate of 4.2% is lower that the regional average of 4.6% with 95.8% of the population employed on a full time or part time basis. Housing tenure statistics shows that there is a larger portion of households who own their dwelling (40.1%) compared to the regional average (36.3%). Median household income is also in line with regional NSW averages.

However, there are certain areas of the community that are disadvantaged and are experiencing levels of stress regarding cost-of-living expenses. Examining both the IRSD and IRSAD indexes demonstrated that the LGA experiences levels of disadvantage higher than the Regional NSW average There is a small portion of properties in Tumut where mortgage repayments are 30% of weekly income indicating mortgage stress. Batlow also has the highest proportion of low income earners in the LGA who are also experiencing a certain degree of housing stress. It should be noted that these levels are below the regional NSW and Australia percentiles.