



Capacity to Pay Report

Willoughby City Council

January 2024



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Executive summary

Willoughby City Council ('Council') is currently in the process of undertaking a financial sustainability assessment and considering a special variation ('SV') application. The Council has released four rate rise options to the community. These options are designed to help Council's financial sustainability and respond to a growing and changing population and increasing community expectations.

These options, which all include a rate peg for 2024/25 of 5%, are:

- Base case (Option 1) – Reduce Services, apply only the normal annual rate peg increase of 5%.
- Option 2 – Maintain Services, apply a one-year increase of 12%.
- Option 3 – Increase Services, apply a one-year increase of 15%.
- Option 4 – Increase Services and Infrastructure, apply a one-year increase of 20%.

About this report

This report provides an analysis of a wide range of socio-economic and other data and evaluates the general financial capacity of ratepayers to pay the proposed rate changes.

It analyses both LGA-wide data along with resident-specific data from five geographic groupings within the Willoughby local government area ('LGA'). These groupings (or precincts) have been selected because they have aligned socio-economic characteristics and available data via the Willoughby City Community Profile.¹ These groupings are:

- Castlecrag - Northbridge - Castle Cove – Middle Cove
- Roseville - Chatswood West - Lane Cove North
- Naremburn - Willoughby (include North and East)
- Artarmon - St Leonards
- Chatswood

About the Willoughby LGA

Willoughby City Council is predominantly a residential area, but also has a substantial industrial and commercial areas. Major features of the City include the Chatswood CBD (including Chatswood Chase Shopping Centre, Westfield Chatswood Shopping Centre, Metro Chatswood and Chatswood Central), TAFE NSW Northern Sydney Institute (St Leonards Campus), Royal North Shore Hospital, North Shore Private Hospital, Castle Cove Golf Club, Chatswood Golf Club, Northbridge Golf Club, Willoughby Leisure Centre, Northbridge Baths and various parks and reserves

The LGA is characterised by a relatively high socioeconomic status, low unemployment rate, relatively low average residential rates and the lowest levels of rates outstanding in the OLG Group 3 (comprising larger metropolitan councils). All suburbs in the LGA have lower disadvantage levels, and greater advantage levels, compared to the Greater Sydney, NSW and Australian results.

¹ <https://profile.id.com.au/willoughby>

Precinct analysis for residential ratepayers

The groupings of

- Castlecrag - Northbridge - Castle Cove - Middle Cove
- Roseville - Chatswood West - Lane Cove North; and
- Naremburn - Willoughby (include North and East)

have significant levels of advantage, as demonstrated by high levels of household income, high socio-economic scores and high levels of home ownership. These areas are ranking in top five advantage areas in Australia.

At the end of 2024/25, residential ratepayers in Castlecrag - Northbridge - Castle Cove - Middle Cove will be paying, depending on the SV option, between \$101 and \$217 per year more than they would have under the normal rate increases, while Roseville - Chatswood West - Lane Cove North and 'Naremburn - Willoughby (include North and East) areas between \$75 and \$161, therefore it is considered that there is capacity to pay.

The Artarmon - St Leonards and Chatswood areas have lower disadvantage levels, and higher advantage levels, than Greater Sydney, NSW and Australia ², however do have a weaker score in these areas compared to the suburbs mentioned above. Residential ratepayers in these areas will be paying between \$69 and \$147 per year more than they would have under the normal rate increases. After noting that these areas:

- Will be paying the lowest average residential rate increases in the LGA (due to lower property values).
- Have the highest proportion of renters who are not immediately affected by any increase.

it is considered these areas have capacity to pay the proposed increases (but less capacity than other parts of the LGA).

The application of an appropriate hardship policy remains an important consideration in the implementation of any rate increase, particularly in Artarmon - St Leonards and Chatswood.

Business rates

In average, the business ratepayers across the LGA will receive an increase between \$885 and \$1,475 depending on the SV option selected. From all the groupings, Artarmon - St Leonards will receive the highest average increase in rates of between \$1,033 and \$1,722, but this grouping contains only 27% of the LGA's business ratepayers.

Before the proposed rate increases, Willoughby had the 7th highest average business rate out of the 18 OLG Group councils. Even with the largest increase, Willoughby will move just one spot to the 6th highest. In addition, an analysis of Willoughby's outstanding rates percentages in 2022/23 shows that businesses had a proportion of outstanding rates which was below the overall LGA-wide percentage. Given this, it is considered that for business ratepayers there is capacity to pay.

² As scored on the Index of Relative Socio-Economic Disadvantage (IRSD) and Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD)

Rate rise choice

Council is considering three one-off special variation options in 2024/25 (which will be built into the rate base in future years) in addition to not applying an SV (Base case or Option 1 – reduce services). The three proposed special variations increases are: 12% for Option 2 (maintain services), 15% for Option 3 (increase services) and 20% for Option 4 (increase services and infrastructure). While Option 2 has the least impact on the ratepayers and therefore an enhanced capacity to pay when compared to the other options, Council will also need to consider the community feedback and a wide range of other factors in making its final decision on its preferred SV option.

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, and
- 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) – NSROC Region Joint Organisation Community/Social/Economic Profile
- .id (Informed Decisions) – Willoughby Community/Social/Economic Profile

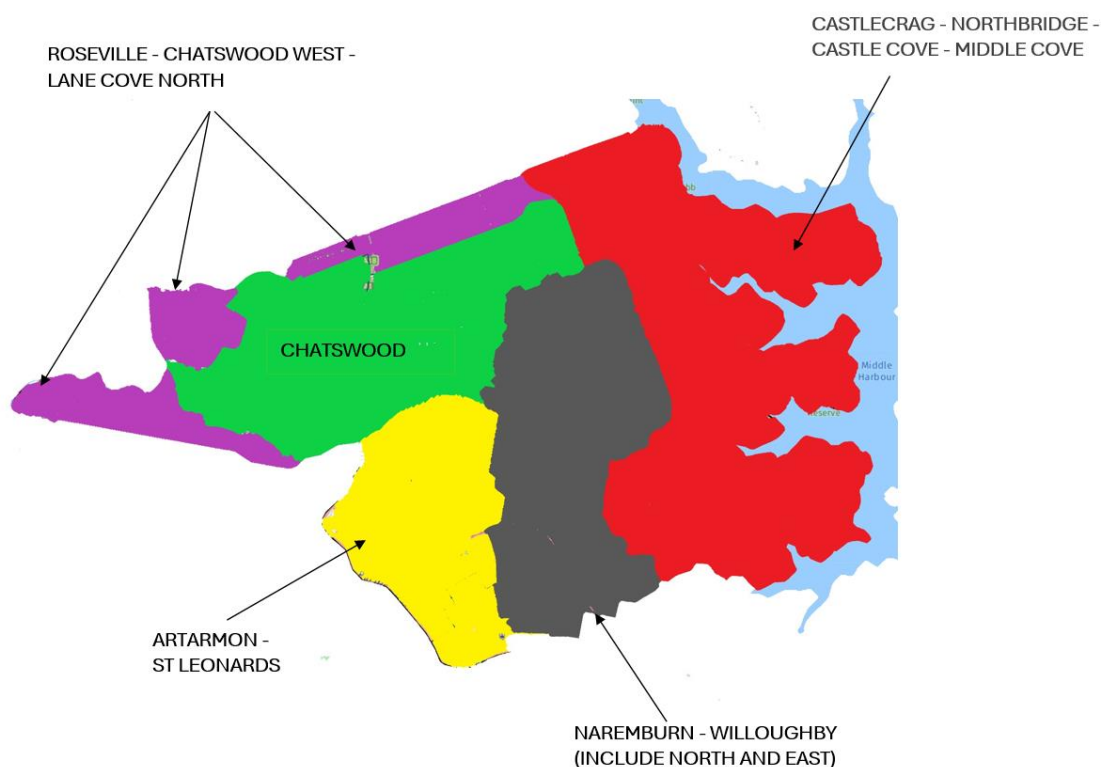
Background

The Willoughby Local Government Area has been divided into five area groupings for this analysis. The below table and corresponding maps summarise the groupings and associated localities.

Table 1 Willoughby Local Government Area grouping breakdown³

Grouping	Population (2021)	(id) Profile Areas
Castlecrag - Northbridge - Castle Cove - Middle Cove	13,223	"Castlecrag; Northbridge; Castle Cove - Middle Cove"
Roseville - Chatswood West - Lane Cove North	5,978	"Roseville; Chatswood West - Lane Cove North"
Naremburn - Willoughby (include North and East)	18,743	"Naremburn; Willoughby; North Willoughby - Willoughby East"
Artarmon - St Leonards	12,391	"Artarmon; St Leonards"
Chatswood	25,555	Chatswood
Willoughby City Council LGA Total	75,890	

Figure 1 Willoughby City Council area grouping map⁴



³ Sourced from Id. Community/Social/Economic Profile.

⁴ Adapted Id. Community/Social/Economic Profile.

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, average rates for OLG Group 3 councils and outstanding rates and charges to determine whether there are any particular groups or individuals that would be significantly impacted.

Areas of social disadvantage

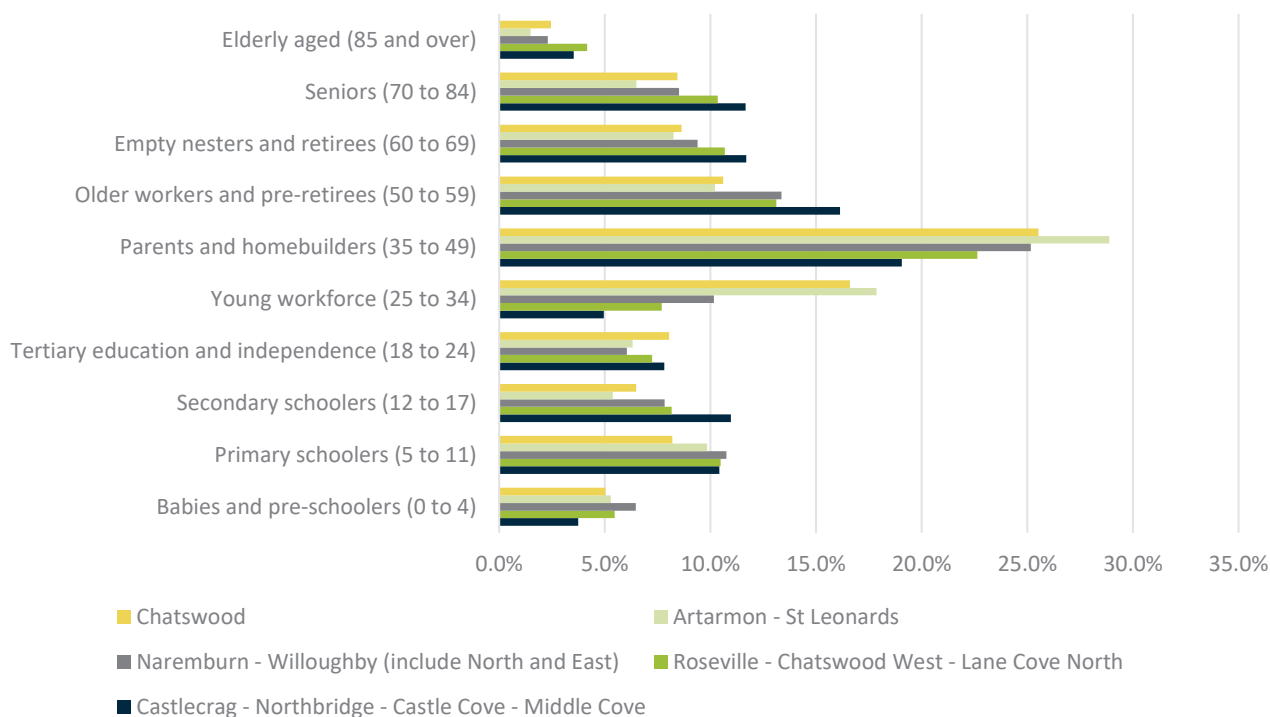
Each grouping has differing demographic characteristics, and we first want to identify ‘who are the people’ that make up each area, ‘what do they do’ and ‘how do they live,’ using data sourced and adapted from ABS Census data and id. Willoughby Community/Social/Economic Profile.⁵

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 Willoughby LGA service age groups

Willoughby City Council - age profile by area grouping



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.

⁵ <https://profile.id.com.au/>.

Table 2 Service age rankings

Rank	Castlecrag - Northbridge - Castle Cove - Middle Cove	Roseville - Chatswood West - Lane Cove North	Naremburn - Willoughby (include North and East)	Artarmon - St Leonards	Chatswood
Dependents	1	3	2	4	5
Working age	5	4	3	1	2
Retirees	1	2	3	5	4
Total population (excludes not stated)	13,434	6,034	19,092	11,517	25,552

At an LGA level, the Willoughby age profiles are broadly consistent with averages across NSROC Region and Greater Sydney, as follows:

- 20% of the population are dependents, in line with NSROC Region (21%) and Greater Sydney (22%).
- Working age population represents 57% of the population, which is higher than NSROC Region (56%) and lower than Greater Sydney (57%).
- The proportion of the population that are retirees (21%) is slightly lower than the NSROC Region (23%) and slightly higher than Greater Sydney (20%).

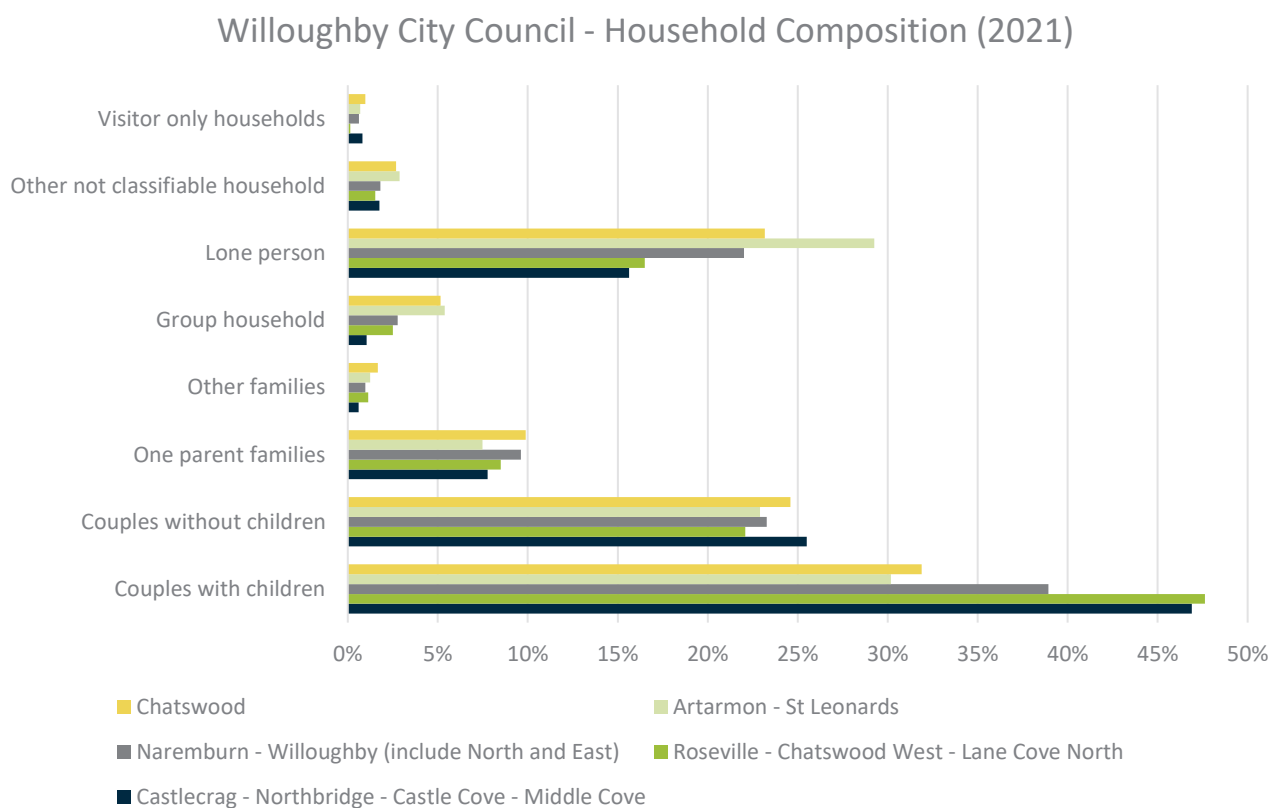
Looking within specific groupings, we observe the following:

- Both Chatswood and 'Artarmon - St Leonards' have the lowest proportion of dependents (20% and 21% respectively) and the highest proportion of the working age population (61% and 63%), significantly higher than the other areas of the LGA.
- 'Castlecrag - Northbridge - Castle Cove - Middle Cove' has the highest proportion of retirees (27%), followed by 'Roseville - Chatswood West - Lane Cove North' at 25%.

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 Willoughby household composition



Overall, the proportions across the Willoughby LGA are generally in line with those of NSROC Region and Greater Sydney across all categories. However, the number of ‘one parent family’ households is higher in Willoughby (9%) when compared to NSROC Region average of 8.2%.

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 31.1% of the population, which is below the averages across NSROC Region (32%) and Greater Sydney (32.7%).

‘Artarmon - St Leonards’ has the lowest proportion of couples with children (30%). In contrast ‘Roseville - Chatswood West - Lane Cove North’ has the highest proportion of couples with children (48%). Across the LGA, the proportion of couples with children (37%) and couples without children (24%) are both higher than Greater Sydney averages of 34.4% and 31.1% respectively.

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 3 Housing tenure percentage

Housing Tenure - % of households	Castlecrag - Northbridge - Castle Cove - Middle Cove	Roseville - Chatswood West - Lane Cove North	Naremburn - Willoughby (include North and East)	Artarmon - St Leonards	Chatswood	Willoughby LGA
Fully owned	47%	38%	33%	21%	25%	31%
Mortgage	33%	37%	32%	20%	19%	26%
Renting - Total	15%	18%	31%	53%	49%	38%
Renting - Social housing	0%	1%	2%	4%	1%	2%
Renting - Private	15%	17%	29%	49%	47%	36%
Renting - Not stated	0%	0%	0%	0%	0%	0%
Other tenure type	3%	4%	1%	2%	3%	2%
Not stated	2%	2%	2%	4%	4%	3%
Total households	4,541	2,031	7,090	4,934	9,885	28,468

The Willoughby LGA home ownership average of 57% is lower than Greater Sydney (59%) and NSROC Region (62%). Home ownership levels vary throughout the LGA, with 'Castlecrag - Northbridge - Castle Cove - Middle Cove' (80%) having the highest proportion of resident ratepayers, followed by 'Roseville - Chatswood West - Lane Cove North' (75%). In contrast, Chatswood and 'Artarmon - St Leonards' resident ratepayers comprise almost 45% and respectively 41% of total households in each grouping.

31% of households fully own their homes within the LGA, which is slightly less than the average for NSROC Region (31.2%) but above Greater Sydney (26.7%). 'Castlecrag - Northbridge - Castle Cove - Middle Cove' (47%), 'Roseville - Chatswood West - Lane Cove North' (38%), and 'Naremburn - Willoughby (include North and East)' (33%) have relatively high levels of fully owned homes (above the LGA average).

The LGA has a relatively high level of private renters (36% overall). On one hand, 'Castlecrag - Northbridge - Castle Cove - Middle Cove' (15%) and 'Roseville - Chatswood West - Lane Cove North' (17%) have low number of renters as opposed to 'Artarmon - St Leonards' (49%) and Chatswood (47%) which contain 70% of the total LGA's renters. 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.

'Naremburn - Willoughby (include North and East)', 'Artarmon - St Leonards' and Chatswood groupings also contain the majority of the LGA's social housing (which equates to 94% of the LGA's social housing). The residents in social housing do not pay rates and are not directly impacted by any proposed SV.

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.

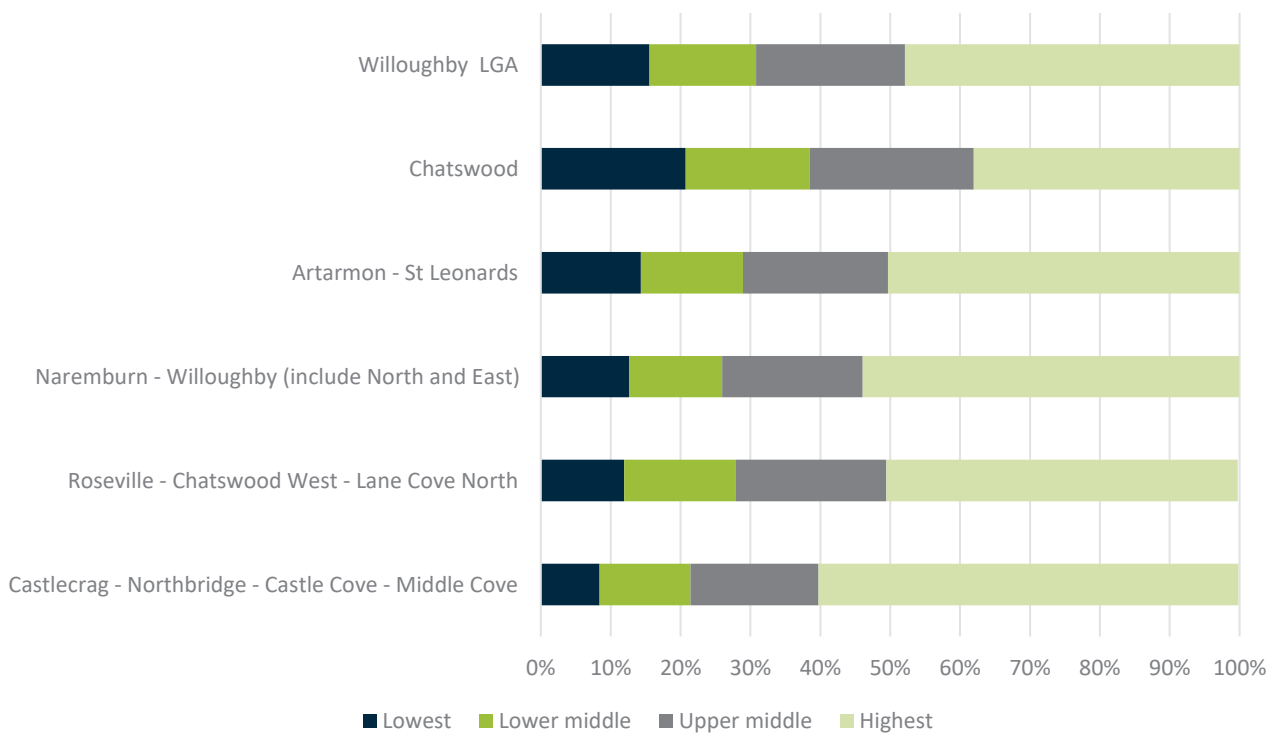
As this is a relative comparison, data has been presented in quartiles. Regions of disadvantage will have a higher proportion of households in the bottom two quartiles than those of greater wealth and advantage. These quartiles were determined by reviewing the distribution of household incomes within 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 Willoughby equivalised household income

Willoughby - Household Equivalised Income 2021



The Willoughby LGA has higher proportions of households in the highest two income quartiles, at 69% same as NSROC Region (69%), but both are higher than Greater Sydney at 56%. All profile areas within the LGA also have higher proportions in the highest two quartiles compared to Greater Sydney.

Table 4 Equivalised Income Quartiles

Equivalised income quartiles (2021)	Castlecrag - Northbridge - Castle Cove - Middle Cove	Roseville - Chatswood West - Lane Cove North	Naremburn - Willoughby (include North and East)	Artarmon - St Leonards	Chatswood	Willoughby LGA	Greater Sydney
Lowest	8%	12%	13%	14%	21%	16%	22%
Lower middle	13%	16%	13%	15%	18%	15%	22%
Upper middle	18%	22%	20%	21%	24%	21%	26%
Highest	60%	50%	54%	50%	38%	48%	30%
Total Households	3,624	1,745	5,718	4,225	8,056	23,536	1,463,090

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 advantaged.

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 SIEFA scores, including national percentiles, is provided in the following table.

Table 5 Regional SIEFA scores and percentiles

Area	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
NSROC Region	1,085.4	92	1,136.5	99
Greater Sydney	1,010.0	48	1,045.0	82
New South Wales	1,000.0	42	1,016.0	67
Australia	1,001.2	42	1,002.6	60
Willoughby LGA	1,074.7	88	1,142.4	99

The Willoughby IRSD score of 1074.7 is below just below NSROC Region, but above Greater Sydney, NSW and Australia rankings. The ranking places the LGA in the 88th percentile, meaning that approximately 12% of Australian suburbs have a SEIFA IRSD ranking higher than this area (less disadvantaged), while 88% are lower.

IRSAD includes levels of both advantage and disadvantage. The Willoughby LGA score of 1142.4. The ranking places the LGA into the top 99th percentile, meaning that only 1 % of Australian suburbs are a score higher than this area. A higher IRSAD score compared to IRSD score may be indicative of more opportunities within the LGA, higher equalised incomes, higher education levels, higher employment opportunities within the area or more skilled jobs.

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

Table 6 Grouping-level SIEFA average scores and percentiles

Grouping	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Castlecrag - Northbridge - Castle Cove - Middle Cove	1,125.0	100	1,186.0	100
Roseville - Chatswood West - Lane Cove North	1,105.3	98	1,159.2	100
Naremburn - Willoughby (include North and East)	1,092.2	95	1,153.4	99
Artarmon - St Leonards	1,056.7	77	1,133.8	99
Chatswood	1,034.6	63	1,113.3	97

Analysis at the grouping level demonstrates some inequity between different parts of the LGA when IRSD is compared. On the one hand, 'Chatswood' (IRSD in the 63rd percentile) however, 'Castlecrag - Northbridge - Castle Cove - Middle Cove', 'Roseville - Chatswood West - Lane Cove North' and 'Naremburn - Willoughby (include North and East)' have all IRSD above 95%. The IRSAD scores are all above 97% percentile showing a high level of advantage.

Table 7 Locality/Suburb SEIFA rankings

Locality/Suburb	SEIFA IRSD	Percentile	SEIFA IRSAD	Percentile
Castlecrag	1,131.1	100	1,195.1	100
Northbridge	1,121.9	100	1,181.5	100
Castle Cove - Middle Cove	1,121.9	100	1,181.5	100
Chatswood West - Lane Cove North	1,109.1	98	1,168.9	100
Roseville	1,101.5	97	1,149.4	99
Naremburn	1,098.0	96	1,168.0	100
Willoughby	1,089.4	94	1,148.2	99
North Willoughby - Willoughby East	1,089.3	94	1,144.1	99
Artarmon	1,061.5	80	1,126.8	98
St Leonards	1,051.9	74	1,140.7	99
Chatswood	1,034.6	63	1,113.3	97

At a locality/suburb profile level, Artarmon, St Leonards and Chatswood appear disadvantaged relative to other parts of the local government area. Council may wish to review its hardship policies to address inequity in the lowest ranking parts of the LGA.

Vulnerable groups or individuals

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

Workforce status

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

Table 8 Community workforce status – 2021

Workforce status	Castlecrag - Northbridge - Castle Cove - Middle Cove	Roseville - Chatswood West - Lane Cove North	Naremburn - Willoughby (include North and East)	Artarmon - St Leonards	Chatswood	Willoughby LGA
Employed	96%	96%	97%	96%	94%	96%
Employed full-time	57%	59%	62%	65%	58%	60%
Employed part-time	32%	28%	27%	24%	27%	27%
Employed, away from work	7%	10%	8%	7%	10%	8%
Unemployed (Unemployment rate)	4%	4%	3%	4%	6%	4%
Looking for full-time work	2%	2%	2%	3%	3%	2%
Looking for part-time work	2%	2%	1%	2%	3%	2%
Total labour force	6,506	3,004	10,092	6,576	12,892	39,047

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

In 2021, unemployment within the LGA (4%) was lower than the averages for Greater Sydney (5.1%) and NSROC Region (4.2%). The highest level of unemployment was found in the Chatswood (6%) area and the lowest level of unemployment was 'Naremburn - Willoughby (include North and East)' (3%). Across the Willoughby LGA, 60% of the total workforce was engaged in full-time employment, which is just same or higher than the average in Greater Sydney (56%) and NSROC Region (60%). The overall employment rate for the LGA is 96%.

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 9 Number of residential pensioner assessments

Grouping	Total number of residential assessments	Number of pensioner assessments	Percentage of pensioner assessments
Castlecrag - Northbridge - Castle Cove - Middle Cove	4,720	208	4%
Roseville - Chatswood West - Lane Cove North	2,118	139	7%
Naremburn - Willoughby (include North and East)	7,213	602	8%
Artarmon - St Leonards	4,854	204	4%
Chatswood	10,493	510	5%
Willoughby City Council	29,398	1,663	6%

It is observed that both 'Naremburn - Willoughby (include North and East)' and 'Roseville - Chatswood West - Lane Cove North' have the highest proportion of residential pensioners (8% and 7% respectively), with the other regions sitting at 4% to 5%. The largest number of residential pensioner assessments, 602, are within 'Naremburn - Willoughby (include North and East)'.

Any analysis of the implications of the proposed rate increases on pensioners is limited by the lack of cohort-specific data (such as cost of living or housing stress data). However, indicators of the potential for pensioners to pay the increases are that:

- As of June 2023, pensioners in the Willoughby LGA had a percentage of outstanding rates which was slightly below the overall outstanding rates percentage (see page 30).
- Council's most relatively less advantaged areas (Artarmon – St Leonards and Chatswood) had a percentage of pensioner assessments which was below the overall LGA-wide percentage of pensioner assessments.
- Eligible residential pensioners have access to mandatory rebates (up to a maximum of \$250 per year) on their rates.
- As part of its Hardship Policy, Council supports rates accumulation plans for eligible pensioners (in other words allowing rates and interest charges to accrue against property until the estate is settled). Council currently has one ratepayer on an accumulation plan.

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 10 Number of people requiring core assistance

Assistance required (2021)	Number	Percentage
Castlecrag - Northbridge - Castle Cove - Middle Cove	520	4
Roseville - Chatswood West - Lane Cove North	319	5
Naremburn - Willoughby (include North and East)	702	4
Artarmon - St Leonards	355	3
Chatswood	1,052	4
Willoughby LGA	2,957	4
NSROC Region	25,321	4
Greater Sydney	270,665	5
New South Wales	464,712	6

We observe that 4% of people need assistance across Willoughby LGA. These percentages are slightly lower than Greater Sydney (5%).

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.

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 Chatswood 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 11 Mortgage costs >30% of income, 2021

Grouping	Number	Number of households with mortgage	% where mortgage costs >30% income
Castlecrag - Northbridge - Castle Cove - Middle Cove	327	1,484	22%
Roseville - Chatswood West - Lane Cove North	157	742	21%
Naremburn - Willoughby (include North and East)	374	2,271	16%
Artarmon - St Leonards	182	997	18%
Chatswood	532	1,905	28%
Willoughby LGA	1,573	7,397	21%
NSROC Region	14,887	74,004	20%
Greater Sydney	120,485	608,735	20%
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.

Table 12 Analysis of median weekly household income and rental payments

Grouping	Median weekly household income	Median weekly rent repayment	Rental costs as a % of income
Castlecrag - Northbridge - Castle Cove - Middle Cove	4,044	913	23%
Roseville - Chatswood West - Lane Cove North	3,046	725	24%
Naremburn - Willoughby (include North and East)	3,001	608	20%
Artarmon - St Leonards	2,336	523	22%
Chatswood	2,269	577	25%
Willoughby LGA	2,542	571	22%
NSROC Region	2,459	542	22%
Greater Sydney	2,099	470	22%

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 Willoughby LGA, over a five-year period.

Table 13 Five-year comparison - Cost of living within the Willoughby LGA⁶

Household expenditure (totals)	2021/22		2016/17		Change		
	\$ per household	% of expenditure	\$ per household	% of expenditure	\$ per household	% of expenditure	%
Food	\$18,539	9.7%	\$14,804	8.5%	\$3,735	1.2%	25%
Alcoholic beverages and tobacco	\$8,526	4.5%	\$8,171	4.7%	\$355	-0.2%	4%
Clothing and footwear	\$7,718	4.0%	\$5,891	3.4%	\$1,827	0.6%	31%
Furnishings and equipment	\$9,359	4.9%	\$7,408	4.2%	\$1,951	0.7%	26%
Health	\$11,636	6.1%	\$9,311	5.3%	\$2,325	0.8%	25%
Transport	\$14,453	7.6%	\$20,194	11.5%	-\$5,741	-3.9%	-28%
Communications	\$3,827	2.0%	\$2,773	1.6%	\$1,054	0.4%	38%
Recreation and culture	\$20,312	10.7%	\$16,902	9.7%	\$3,410	1.0%	20%
Education	\$7,486	3.9%	\$6,202	3.5%	\$1,284	0.4%	21%
Hotels, cafes and restaurants	\$12,608	6.6%	\$13,705	7.8%	-\$1,097	-1.2%	-8%
Miscellaneous goods and services	\$25,971	13.6%	\$23,662	13.5%	\$2,309	0.1%	10%
Housing	\$44,734	23.5%	\$40,881	23.4%	\$3,853	0.1%	9%
Utilities	\$5,447	2.9%	\$4,977	2.8%	\$470	0.1%	9%
Total Expenditure	\$190,616	100%	\$174,881	100%	\$15,735	0.00%	9.00%
Net Savings	\$57,696	23.2%	\$36,920	17.4%	\$20,776	5.8%	56%
Total Disposable Income	\$248,312		\$211,801		\$36,511		17%
Non-Discretionary	\$106,354	55.8%	\$98,831	56.5%	\$7,523	-0.7%	109.7%
Discretionary	\$84,262	44.2%	\$76,050	43.4%	\$8,212	0.8%	73.3%

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

Table 14 shows that, over the five-year period, total disposable income across the Willoughby 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 fewer net savings due to higher interest payments.

⁶ 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.

Industry

In 2021/22, the main industries in order of employment (as percentage of FTE employed) were Health Care & Social Assistance (20.8%), Professional, Scientific and Technical Services (14.8%) and Retail Trade (8.9%). There were some similar trends to Greater Sydney averages. However, a lower percentage of workers in Greater Sydney were employed in Health Care and Social Assistance (12.1%) and Retail Trade (8.4%). The table below shows the changes in full-time equivalent workers within the Willoughby LGA over a ten-year period from 2011/12 to 2021/22 by sectors⁷:

Table 14 Changes in full-time equivalent employment by industry sector

Industry	FTE Change: 2011/12 - 2021/22
Agriculture, Forestry and Fishing	22.0
Mining	-97.0
Manufacturing	-231.0
Electricity, Gas, Water and Waste Services	-20.0
Construction	-855.0
Wholesale Trade	-598.0
Retail Trade	-569.0
Accommodation and Food Services	-546.0
Transport, Postal and Warehousing	-56.0
Information Media and Telecommunications	-2044.0
Financial and Insurance Services	342.0
Rental, Hiring and Real Estate Services	-12.0
Professional, Scientific and Technical Services	-552.0
Administrative and Support Services	-123.0
Public Administration and Safety	630.0
Education and Training	127.0
Health Care and Social Assistance	1720.0
Arts and Recreation Services	-11.0
Other Services	132.0

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

- Professional, Scientific and Technical Services (\$1,534 million or 14.2%)
- Health Care and Social Assistance (\$1,452 million or 13.5%)
- Information Media and Telecommunications (\$1,055 million or 9.8%).

⁷ Source: National Institute of Economic and Industry Research (NIEIR). Compiled and presented in economy.id by.id (informed decisions).

Over a ten-year period, there were declines across the following sectors:

- Information Media and Telecommunications (decrease \$284.8 million)
- Electricity, Gas, Water and Waste Services (decrease of \$39.9 million)
- Wholesale Trade (decrease by \$32.1 million)
- Accommodation and Food Services (decrease by \$16.9 million)
- Other Services (decrease \$13.3 million)
- Retail Trade (decrease \$12.2 million)
- Arts and Recreation Services (decrease \$10.1 million).

Table 15 Value added by industry sector⁸

2021/22 Industry sector	Willoughby LGA		Greater Sydney
	\$m	%	%
Agriculture, Forestry and Fishing	29.1	0.3	0.4
Mining	74.4	0.7	0.4
Manufacturing	471.7	4.4	6.4
Electricity, Gas, Water and Waste Services	119.6	1.1	1.8
Construction	735.8	6.8	8.0
Wholesale Trade	864.2	8.0	6.0
Retail Trade	674.7	6.3	5.3
Accommodation and Food Services	202.3	1.9	2.1
Transport, Postal and Warehousing	328.3	3.0	6.0
Information Media and Telecommunications	1055.0	9.8	4.9
Financial and Insurance Services	1010.2	9.4	15.5
Rental, Hiring and Real Estate Services	596.2	5.5	4.9
Professional, Scientific and Technical Services	1534.0	14.2	13.0
Administrative and Support Services	550.9	5.1	5.2
Public Administration and Safety	426.3	4.0	4.8
Education and Training	384.2	3.6	5.4
Health Care and Social Assistance	1451.6	13.5	7.4
Arts and Recreation Services	43.5	0.4	0.9
Other Services	227.6	2.1	1.6
Total industries	10779.8	100.0	100.0

The Willoughby LGA's Gross Regional Product was just over \$10.8 billion in the year ending June 2022.

⁸ Source: National Institute of Economic and Industry Research (NIEIR). Compiled and presented in economy.id by.id (informed decisions).

Discussion

Overall, the Willoughby 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 'Castlecrag - Northbridge - Castle Cove - Middle Cove', 'Roseville - Chatswood West - Lane Cove North' and 'Naremburn - Willoughby (include North and East)' 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 (above 30%). In addition, 'Castlecrag - Northbridge - Castle Cove - Middle Cove' and 'Roseville - Chatswood West - Lane Cove North' have the highest proportion of fully owned households (47 and 38% respectively).

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

Table 16 Summary of key areas

	Castlecrag - Northbridge - Castle Cove - Middle Cove	Roseville - Chatswood West - Lane Cove North	Naremburn - Willoughby (include North and East)	Artarmon - St Leonards	Chatswood
Population	13,223	5,978	18,743	12,391	25,555
Dependents	25%	24%	25%	21%	20%
Working age	48%	51%	55%	63%	61%
Retirees	27%	25%	20%	16%	20%
Percentage of residential ratepayers receiving statutory pensioner rebate	4%	7%	8%	4%	5%
Assistance required (2021)	4%	5%	4%	3%	4%
Fully Owned + mortgage	80%	75%	65%	41%	45%
Fully Owned	47%	38%	33%	21%	25%
Mortgage	33%	37%	32%	20%	19%
Percentage where mortgage costs >30% income	22%	21%	16%	18%	28%
Renting - Social housing	0%	1%	2%	4%	1%
Renting - Private	15%	17%	29%	49%	47%
Lowest equalised household income	8%	12%	13%	14%	21%
Highest equalised household income	60%	50%	54%	50%	38%
Median income	\$4,044	\$3,046	\$3,001	\$2,336	\$2,269
SEIFA IRSD index 2021 (percentiles)	100	98	95	77	63

	Castlecrag - Northbridge - Castle Cove - Middle Cove	Roseville - Chatswood West - Lane Cove North	Naremburn - Willoughby (include North and East)	Artarmon - St Leonards	Chatswood
SEIFA IRSAD index 2021 (percentiles)	100	100	99	99	97
Total labour force	6,506	3,004	10,092	6,576	12,892
Unemployed (Unemployment rate)	4%	4%	3%	4%	6%

‘Castlecrag - Northbridge - Castle Cove - Middle Cove’

Key indicators of this grouping can be summarised as follows:

- Contains 17% of the LGA population.
- Highest SEIFA indices: IRSD – 100% and IRSAD –100%.
- Highest proportion of retirees - 27%.
- 80% of households in the area are homeowners.
- Second highest proportion of households with a mortgage - 33%.
- Highest proportion of households paying high mortgage repayments (\$2,600 or more) - 67%.
- Second highest number of households where mortgage costs exceed 30% of income – 22%.
- Highest median income of \$4,044 per week.

‘Roseville - Chatswood West - Lane Cove North’

Key indicators of this grouping can be summarised as follows:

- Contains the lowest percentage of the LGA population - 8%.
- SEIFA indices: IRSD – 98% and IRSAD –100%.
- Second highest proportion of retirees - 27%.
- 75% of households in the area are homeowners.
- Highest proportion of households with a mortgage - 37%.
- Equal second proportion of households paying high mortgage repayments (\$2,600 or more) - 63%.
- Second highest median income of \$3,046 per week.
- Second lowest proportion of working age – 51%.
- Second lowest proportion of private renters - 17%.
- Highest proportion of households requiring assistance - 5%.

‘Naremburn - Willoughby (include North and East)’

Key indicators of this grouping can be summarised as follows:

- Contains the second highest percentage of the LGA population - 25%.
- SEIFA indices: IRSD – 95% and IRSAD –99 %.

- Equal second proportion of households paying high mortgage repayments (\$2,600 or more) - 63%.
- Third highest proportion of working age - 55%.
- Lowest proportion of homeowners – 41%.
- Lowest unemployment rate of 3%.

‘Artarmon - St Leonards’

Key indicators of this grouping can be summarised as follows:

- Contains 16% of the LGA population.
- SEIFA indices: IRSD – 77% and IRSAD –99%.
- Highest proportion of working age - 63%.
- Second lowest proportion of households paying mortgage – 20%.
- Highest proportion of people in social housing (4%) and renting (49%).

Chatswood

Key indicators of this grouping can be summarised as follows:

- Contains the largest percentage of the LGA population of 34%.
- SEIFA indices: IRSD – 63% (lowest in the LGA) and IRSAD –97%.
- Second highest proportion of working age - 61%.
- Second lowest proportion of homeowners – 45%.
- Highest number of households where mortgage costs exceed 30% of income – 28%.
- Lowest median income of \$2,269 per week.
- Highest unemployment rate of 6%.

Proposed rating changes

Willoughby City 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 one year (2024/25), 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 5%:

- **Option 2 – Maintain Services**, apply a one-year increase of 12%.
- **Option 3 – Increase Services**, apply a one-year increase of 15%.
- **Option 4 – Increase Services and Infrastructure**, apply a one-year increase of 20%.
- **Base case (Option 1) – Reduce Services**, apply only the normal annual rate peg increase of 5%.

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 17 Proposed special variation options

SV Option	2024/25
Base Case /Option 1 – Reduce Services	5.0%
Option 2 – Maintain Services	12.0%
Option 3 – Increase Services	15.0%
Option 4 – Increase Services and Infrastructure	20.0%

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 increases⁹ during the proposed one-year SV period.

⁹ This is the difference between average rate for 2024/25 and average rate for 2023/24

Residential rates – impact analysis by scenario

Option 2

Table 18 Estimated 2024/25 average residential rates – Option 2 and Option 1 (Base case)

Residential ratepayers	Average 2024/25 rate - Option 2	Average 2024/25 rate - Option 1	2024/25 annual increase – Option 2	2024/25 weekly increase - Option 2
Castlecrag - Northbridge - Castle Cove - Middle Cove	\$1,619	\$1,518	\$173	\$3.34
Roseville - Chatswood West - Lane Cove North	\$1,202	\$1,127	\$129	\$2.48
Naremburn - Willoughby (include North and East)	\$1,226	\$1,149	\$131	\$2.53
Artarmon - St Leonards	\$1,084	\$1,030	\$116	\$2.23
Chatswood	\$1,099	\$1,030	\$118	\$2.26
Willoughby City Council	\$1,218	\$1,142	\$131	\$2.51

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 ‘Castlecrag - Northbridge - Castle Cove - Middle Cove’ (average rate to increase to \$1,619, an increase of \$3.34 per week expected to see a larger increase in average rates compared to the lower land value area of ‘Artarmon - St Leonards’ (average to increase to \$1,084, an increase of \$2.23). It is noted that the highest number of ratepayers, 10,493 or 36% of the LGA’s ratepayers, live within Chatswood grouping.

Option 3

Table 19 Estimated 2024/25 average residential rates – Option 3 and Option 1 (Base case)

Residential ratepayers	Average 2024/25 rate - Option 3	Average 2024/25 rate - Option 1	2024/25 annual increase - Option 3	2024/25 weekly increase - Option 3
Castlecrag - Northbridge - Castle Cove - Middle Cove	\$1,663	\$1,518	\$217	\$4.17
Roseville - Chatswood West - Lane Cove North	\$1,234	\$1,127	\$161	\$3.10
Naremburn - Willoughby (include North and East)	\$1,259	\$1,149	\$164	\$3.16
Artarmon - St Leonards	\$1,113	\$1,016	\$145	\$2.79
Chatswood	\$1,128	\$1,030	\$147	\$2.83
Willoughby City Council	\$1,251	\$1,142	\$163	\$3.14

As with option 2, residential ratepayers in the higher land value area of ‘Castlecrag - Northbridge - Castle Cove - Middle Cove’ (average to increase to \$1,663, an increase of \$4.17 per week are expected to see a larger increase in average rates compared to the lower land value areas of ‘Artarmon - St Leonards’ (average to increase to \$1,113, an increase of \$2.79 per week) and ‘Chatswood (average to increase to \$1,128, an increase of \$2.83 per week).

Option 4

Table 20 Estimated 2024/25 average residential rates – Option 4 and Option 1 (Base case)

Residential ratepayers	Average 2024/25 rate - Option 4	Average 2024/25 rate - Option 1	2024/25 annual increase - Option 4	2024/25 weekly increase - Option 4
Castlecrag - Northbridge - Castle Cove - Middle Cove	\$1,735	\$1,518	\$289	\$5.56
Roseville - Chatswood West - Lane Cove North	\$1,288	\$1,127	\$215	\$4.13
Naremburn - Willoughby (include North and East)	\$1,313	\$1,149	\$219	\$4.21
Artarmon - St Leonards	\$1,161	\$1,016	\$194	\$3.72
Chatswood	\$1,177	\$1,030	\$196	\$3.77
Willoughby City Council	\$1,305	\$1,142	\$218	\$4.18

As with option 3, residential ratepayers in the higher land value area of ‘Castlecrag - Northbridge - Castle Cove - Middle Cove’ (average to increase to \$1,735, an increase of \$5.56 per week) are expected to see a larger increase in average rates compared to the lower land value areas of ‘Artarmon - St Leonards’ (average to increase to \$1,161, an increase of \$3.72 per week) and ‘Chatswood’ (average to increase to \$1,177, an increase of \$3.77 per week).

Summary

‘Castlecrag - Northbridge - Castle Cove - Middle Cove’, ‘Roseville - Chatswood West - Lane Cove North’ and ‘Naremburn - Willoughby (include North and East)’ residential ratepayers are likely to see a larger increase in rates. These areas have the highest levels of individual and household income within the LGA and the lowest levels of disadvantage. These groupings can therefore be considered to have a potential capacity to pay increased rates.

This compares to ‘Artarmon - St Leonards’ and Chatswood where ratepayers will see a lower increase in average rates, due to lower residential land values. They are the most disadvantaged grouping in the LGA, with the highest levels of disadvantage and 53% of resident ratepayers. It is therefore important for Council to consider the impact on individual ratepayers, such as through hardship policies.

Business – impact analysis by scenario

Option 2

Table 21 Estimated 2024/25 average business rates – Option 2 and Option 1 (Base case)

Business ratepayers	Average 2024/25 rate - Option 2	Average 2024/25 rate - Option 1	2024/25 annual increase - Option 2	2024/25 weekly increase - Option 2
Castlecrag - Northbridge - Castle Cove - Middle Cove	\$5,559	\$5,212	\$596	\$11.45
Roseville - Chatswood West - Lane Cove North	\$2,968	\$2,783	\$318	\$6.12
Naremburn - Willoughby (include North and East)	\$6,914	\$6,482	\$741	\$14.25
Artarmon - St Leonards	\$9,640	\$9,038	\$1,033	\$19.86
Chatswood	\$9,151	\$8,579	\$980	\$18.85
Willoughby City Council	\$8,260	\$7,744	\$885	\$17.02

Table 21 sets out the average impact of applying SV option 2 compared with increasing rates by the normal annual rate peg increase (base case) for business ratepayers. When compared to other Group 3 Councils, refer table 25 below, the average business rate moves from a lower ranking to a middle ranking.

Across the Willoughby City Council LGA, business ratepayers would pay, on average, an additional \$17.02 per week for 2024/25 under option 2 compared to \$7.09 per week 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).

Chatswood which has the largest assessment proportion (1,434 or 47%) will see an average increase to \$9,151, or an increase of \$18.85 per week for duration of SV period. The largest increase for the business category will be for 'Artarmon - St Leonards', an increase of \$19.86 per week. This compares to 'Roseville - Chatswood West - Lane Cove North' (average to increase to \$2,968, an increase of \$6.12 per week) and 'Castlecrag - Northbridge - Castle Cove - Middle Cove' (average to increase to \$5,559, an increase of \$11.45 per week) which will see lower increases.

Option 3

Table 22 Estimated 2024/25 average business rates – Option 3 and Option 1 (Base case)

Business ratepayers	Average 2024/25 rate - Option 3	Average 2024/25 rate - Option 1	2024/25 annual increase - Option 3	2024/25 weekly increase - Option 3
Castlecrag - Northbridge - Castle Cove - Middle Cove	\$5,708	\$5,212	\$745	\$14.32
Roseville - Chatswood West - Lane Cove North	\$3,048	\$2,783	\$398	\$7.65
Naremburn - Willoughby (include North and East)	\$7,099	\$6,482	\$926	\$17.81
Artarmon - St Leonards	\$9,899	\$9,038	\$1,291	\$24.83
Chatswood	\$9,396	\$8,579	\$1,226	\$23.57
Willoughby City Council	\$8,481	\$7,744	\$1,106	\$21.27

For SV option 3, across the Willoughby City Council LGA, business ratepayers would pay, on average, \$14.18 per week more than the base case (no SV), for the duration of the SV period. When compared to other Group 3 Councils, refer table 25 below, the average business rate for this option moves from a lower ranking to a middle ranking.

As with option 2, business ratepayers in the middle of the range land value area of 'Naremburn - Willoughby (include North and East)' (average to increase to \$7,099, an increase of \$17.81 per week) are expected to see lower increases in average rates compared to the higher land value area of 'Artarmon - St Leonards' (average to increase to \$9,899, an increase of \$24.83 per week for duration of SV period).

Option 4

Table 23 Estimated 2024/25 average business rates – Option 4 and Option 1 (Base case)

Business ratepayers	Average 2024/25 rate - Option 4	Average 2024/25 rate - Option 1	2024/25 annual increase - Option 4	2024/25 weekly increase - Option 4
Castlecrag - Northbridge - Castle Cove - Middle Cove	\$5,956	\$5,212	\$993	\$19.09
Roseville - Chatswood West - Lane Cove North	\$3,180	\$2,783	\$530	\$10.19
Naremburn - Willoughby (include North and East)	\$7,408	\$6,482	\$1,235	\$23.74
Artarmon - St Leonards	\$10,329	\$9,038	\$1,722	\$33.11
Chatswood	\$9,804	\$8,579	\$1,634	\$31.42
Willoughby City Council	\$8,850	\$7,744	\$1,475	\$28.36

For SV option 4, across the Willoughby City Council LGA, business ratepayers would pay, on average, \$21.27 per week more than the base case (no SV), for the duration of the SV period. Again, when compared to other Group 3 Councils, refer table 25 below, the average business rate moves from a lower ranking to a middle ranking, slightly higher than Options 2 and 3.

As with option 3 and 2, business ratepayers in the middle of the range land value area of 'Naremburn - Willoughby (include North and East)' (average to increase to \$7,408, an increase of \$23.74 per week) are expected to see lower increases in average rates compared to the higher land value area of 'Artarmon - St Leonards' (average to increase to \$10,329, an increase of \$33.11 per week for duration of SV period).

Summary

In average, the business ratepayers across LGA will receive an increase between \$885 and \$1,475 depending on the SV option selected. From all the groupings, 'Artarmon - St Leonards' will receive the highest average increase in rates of between \$1,033 and \$1,722, but this grouping contains only 27% of the LGA's business ratepayers. Further when compared to other group 3 Councils, for all three SV options, there are increases in the average business rates, moving the comparative ranking to the middle of group 3 Councils. As a result of the proposed increases, it is considered that for business ratepayers there is capacity to pay.

Other rating considerations

Table 24 Estimated 2024/25 rates for OLG Group 3 councils

Group 3 LGA	Est. average residential (\$)	Residential rank	Est. average business (\$)	Business rank
Bayside	1,239	11	5,083	13
Blacktown	1,197	13	11,497	2
Canada Bay	1,226	12	3,871	17
Canterbury-Bankstown	1,275	9	6,504	11
Cumberland	1,065	17	8,203	6
Fairfield	1,004	18	9,238	5
Georges River	1,308	8	3,123	18
Inner West	1,348	5	7,096	9
Ku-ring-gai	1,646	2	4,399	14
Liverpool	1,331	6	6,923	10
North Sydney	1,075	16	6,129	12
Northern Beaches	1,697	1	4,326	15
Parramatta	1,105	15	13,588	1
Randwick	1,630	3	10,690	4
Ryde	1,243	10	10,985	3
Sutherland	1,562	4	3,991	16
Waverley	1,313	7	7,486	8
Average for Group 3	1,300	-	7,271	-
Median for Group 3	1,259	-	7,010	-
Willoughby - Option 1	1,142	14	7,744	7
Willoughby - Option 2	1,218	13	8,260	6
Willoughby - Option 3	1,251	10	8,481	6
Willoughby - Option 4	1,305	9	8,850	6

Table 24 shows estimated average rates for the 2024/25 financial year (calculated by forecasting OLG time series reported year for group 3 councils for 2021/22 and taking into consideration any published SV variations). These councils are similar in size to Willoughby and are used for comparison.

Within group 3, Willoughby’s average rates for residential sit below the average and median levels. For business, the average rates are slightly above the average for group 3 councils. When allowing for the any of the proposed SV options, dependent on SV scenario and excluding the other scenarios, Willoughby LGA’s average rates for:

- residential will be below average for group 3 councils (only Option 4 - estimated to rank 9th)
- business will sit above the average (7th or 6th depending on the SV option).

Figure 5 Actual 2021/22 rates as a percentage of operating expenses for OLG Group 3 councils



Figure 5 shows total council rates as a percentage of operating expenditure for group 3 councils. For the 2021/22 financial year, City of Ryde had the highest level of rates as a percentage of operating expenses (at 57%), and at the lower end was Waverley at 33%. The average for group 3 councils was 50%. Willoughby ranked 14th out of 18 councils, with rates income representing 48% of total operating expenditure in 2021/22.

Willingness to pay

Table 25 Actual outstanding rates and charges for OLG Group 3 councils

Rates and Annual Charges Outstanding (%)	2021/22	2020/21	2019/20
Bayside	7.4%	8.3%	7.0%
Blacktown	4.8%	5.1%	4.5%
Canada Bay	3.9%	4.4%	3.3%
Canterbury-Bankstown	6.2%	6.3%	5.5%
Cumberland	5.6%	6.4%	5.9%
Fairfield	4.5%	4.0%	3.9%
Georges River	4.3%	4.5%	4.3%
Inner West	7.9%	8.5%	5.1%
Ku-ring-gai	4.3%	3.6%	4.1%
Liverpool	6.8%	6.2%	5.8%
North Sydney	2.9%	2.8%	2.9%
Northern Beaches	3.6%	3.9%	4.1%
Parramatta	9.7%	8.6%	7.0%
Randwick	4.5%	3.8%	4.8%
Ryde	5.0%	4.6%	3.7%
Sutherland	4.4%	4.7%	4.7%
Waverley	4.8%	4.2%	5.1%
Willoughby	2.6%	2.2%	2.0%
Average OLG Group 3	5.2%	5.1%	4.7%

Table 25 shows outstanding rates and charges ratios over the past three reporting years for NSW group 3 councils. Willoughby's percentage for 2021/22 is 2.6%, lowest from all the Group 3 Councils. The NSW benchmark for city and coastal councils is 5%, and Willoughby has consistently been significantly below this percentage for the past three financial years – this is therefore an indicator of capacity and willingness to pay.

Table 26 Willoughby City Council outstanding rates and charges 2022/23 by ratepayer category

Ratepayer category	Category's percentage of outstanding rates
Residential ratepayers	2.8%
Business ratepayers	1.9%
Pensioner ratepayers	2.3%
All ratepayers	2.5%

Willoughby City Council has published its audited financial statement for the financial year 2022/23. This statement shows that 2.5% of Willoughby's rates and annual charges were outstanding by the end of the

2022/23 financial year. This figure is well below the OLG benchmark of 5% and a decrease the 2.59% percentage in 2021/22. ¹⁰

A further analysis of this situation shows that business ratepayers and pensioner ratepayers had a level of outstanding rates which was below the overall Council 2.5% outstanding rates and annual charges percentage. This is indicative of a capacity to pay the rate increases among these two groups.

Conclusion

About the Willoughby LGA

Willoughby City Council is predominantly a residential area, but also has a substantial industrial and commercial areas. Major features of the City include the Chatswood CBD (including Chatswood Chase Shopping Centre, Westfield Chatswood Shopping Centre, Metro Chatswood and Chatswood Central), TAFE NSW Northern Sydney Institute (St Leonards Campus), Royal North Shore Hospital, North Shore Private Hospital, Castle Cove Golf Club, Chatswood Golf Club, Northbridge Golf Club, Willoughby Leisure Centre, Northbridge Baths and various parks and reserves

The LGA is characterised by a relatively high socioeconomic status, low unemployment rate, relatively low average residential rates and the lowest levels of rates outstanding in the OLG Group 3 (comprising larger metropolitan councils). All suburbs in the LGA have lower disadvantage levels, and greater advantage levels, compared to the Greater Sydney, NSW and Australian results.

Precinct analysis for residential ratepayers

The groupings of

- Castlecrag - Northbridge - Castle Cove - Middle Cove
- Roseville - Chatswood West - Lane Cove North; and
- Naremburn - Willoughby (include North and East)

have significant levels of advantage, as demonstrated by high levels of household income, high socio-economic scores and high levels of home ownership. These areas are ranking in top five advantage areas in Australia.

At the end of 2024/25, residential ratepayers in Castlecrag - Northbridge - Castle Cove - Middle Cove will be paying, depending on the SV option, between \$101 and \$217 per year more than they would have under the normal rate increases, while Roseville - Chatswood West - Lane Cove North and 'Naremburn - Willoughby (include North and East) areas between \$75 and \$161, therefore it is considered that there is capacity to pay.

The Artarmon - St Leonards and Chatswood areas have lower disadvantage levels, and higher advantage levels, than Greater Sydney, NSW and Australia ¹¹, however do have a weaker score in these areas compared to the suburbs mentioned above. Residential ratepayers in these areas will be paying between \$69 and \$147 per year more than they would have under the normal rate increases. After noting that these areas:

¹⁰ See page 75 of Annual Financial Statements for the year ended 30 June 2023 at <https://www.willoughby.nsw.gov.au/Council/Public-notice/Annual-Financial-Statements-for-the-year-ended-30-06-2023>

¹¹ As scored on the Index of Relative Socio-Economic Disadvantage (IRSD) and Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD)

- Will be paying the lowest average residential rate increases in the LGA (due to lower property values).
- Have the highest proportion of renters who are not immediately affected by any increase.

it is considered these areas have capacity to pay the proposed increases (but less capacity than other parts of the LGA).

The application of an appropriate hardship policy remains an important consideration in the implementation of any rate increase, particularly in Artarmon - St Leonards and Chatswood.

Business rates

In average, the business ratepayers across the LGA will receive an increase between \$885 and \$1,475 depending on the SV option selected. From all the groupings, Artarmon - St Leonards will receive the highest average increase in rates of between \$1,033 and \$1,722, but this grouping contains only 27% of the LGA's business ratepayers.

Before the proposed rate increases, Willoughby had the 7th highest average business rate out of the 18 OLG Group councils. Even with the largest increase, Willoughby will move just one spot to the 6th highest. In addition, an analysis of Willoughby's outstanding rates percentages in 2022/23 shows that businesses had a proportion of outstanding rates which was below the overall LGA-wide percentage. Given this, it is considered that for business ratepayers there is capacity to pay.

Rate rise choice

Council is considering three one-off special variation options in 2024/25 (which will be built into the rate base in future years) in addition to not applying an SV (Base case or Option 1 – reduce services). The three proposed special variations increases are: 12% for Option 2 (maintain services), 15% for Option 3 (increase services) and 20% for Option 4 (increase services and infrastructure). While Option 2 has the least impact on the ratepayers and therefore an enhanced capacity to pay when compared to the other options, Council will also need to consider the community feedback and a wide range of other factors in making its final decision on its preferred SV option.