

## General Purpose Grants – Revenue Adjustors

### 1 Household Income *(for person over 60 years)*

**Objective** Recognizes the impact that household income has on the level of fees and charges that a council can raise.

**Applied to** The Household Income Revenue Adjustor is applied to the following function within the Commission's general purpose grants model:

Revenue Function:	Major Revenue Driver:
Aged and Disabled Services	Population > 60 Years and Disabled and Carer Allowances

- Source data**
- Department of Social Services (DSS), Payment Demographic Data (Centrelink data) June 2023 quarter, downloaded September 2023. <https://data.gov.au/dataset/dss-payment-demographic-data>
  - Australian Bureau of Statistics, Estimated Residential Population, Table 1: ERP, Age by Sex, Local Government Area, at 30 June 2022 (p), Customised Report obtained, September 2023.
  - Australian Bureau of Statistics, Regional Population Growth, Australia, (cat no. 3218.0), Table 2. Estimated Residential Population, Local Government Area, at 30 June 2023, released 26 March 2024. <https://www.abs.gov.au/statistics/people/population/regional-population/latest-release>

**Index Construction** Source data for the Household Income Revenue Adjustor is drawn from 2021 Census data, which provides the median household income for each municipality for persons 60 years and over.

These values are spread across a range from 1.00 to 2.00 (the "primary Index"), with the council with the highest median household income being allocated the maximum value of 2.00.

A state average of the Primary Index is obtained by weighting each council's Primary Index by its estimated population aged 60 years or greater as at June 2011 (which is a major revenue driver).

The Revenue Adjustment Index (RAI) is the ratio of each council's Primary Index to the state average. Councils with an RAI below the state average are assessed as having a higher capacity to raise fees and charges than those with an RAI below the state average.

**Example: Household Income**

Minimum Value	779	Primary Index of	1.00
Maximum Value	1,891	Primary Index of	2.00

**Primary Index** =  $( (\text{Council} - \text{Minimum}) / (\text{Maximum} - \text{Minimum}) ) + 1.00$

$$\begin{aligned} \text{Alpine} &= ( (1,009 - 779) / (1,891 - 779) ) + 1.00 \\ &= 1.207 \end{aligned}$$

**Weighted Population Index (WPI)** = **Primary Index x (Population > 60 Years + Disabled + Carer Allowances)**

$$\begin{aligned} \text{Alpine} &= 1.207 \times 5,266 \\ &= 6,355 \end{aligned}$$

**State Average Primary Index** = **State Total WPI / (Population > 60 Years + Disabled + Carer Allowances)**

$$\begin{aligned} \text{State} &= 2,504,012 / 1,855,463 \\ &= 1.350 \end{aligned}$$

**Revenue Adjustor Index** = **Primary Index / State Average Primary Index**

$$\begin{aligned} \text{Alpine} &= 1.207 / 1.350 \\ &= 0.894 \end{aligned}$$

## General Purpose Grants – Revenue Adjustors

### 2 Socio-Economic

**Objective** Recognizes that residents of areas of relative socio-economic disadvantage will have less capacity to pay fees and charges than will residents of areas of relative socio-economic advantage.

**Applied to** The Socio-Economic Revenue Adjustor is applied to the following function within the Commission's general purpose grants model:

Revenue Function:	Major Revenue Driver:
Family & Community Services	Population

- Source data**
- Australian Bureau of Statistics, Census 2021, 2033.0 Socio-Economic Indexes of Australia (SEIFA), released 27 April 2023.  
<https://www.abs.gov.au/statistics/people/people-and-communities/socio-economic-indexes-areas-seifa-australia/latest-release>
  - Australian Bureau of Statistics, Census 2021 – Table 1: Median Household Income for Persons aged 60 years and over, Local Government Area, Customised Data Report (unpublished data), November 2022.
  - Australian Bureau of Statistics, Regional Population Growth, Australia, (cat no. 3218.0), Table 2. Estimated Residential Population, Local Government Area, at 30 June 2023, released 26 March 2024.  
<https://www.abs.gov.au/statistics/people/population/regional-population/latest-release>

**Index Construction** Source data for the Socio-Economic Revenue Adjustor is drawn from the above publication, which provides an index figure for each Victorian council. The Index of Relative Socio-Economic Disadvantage reflects the profile of disadvantage within local government areas.

The Census variables which are summarised by this index reflect measures of disadvantage such as low income, low educational attainment, unemployment and dwellings without a motor car.

These values are spread across a range from 1.00 to 2.00 (the "primary Index"), with the council with the lowest Relative Socio-Economic Disadvantage being allocated the minimum value of 1.00, and the council with the highest Relative Socio-Economic Disadvantage being allocated the maximum value of 2.00.

A state average of the Primary Index is obtained by weighting each council's Primary Index by the relevant major revenue driver (population).

The Revenue Adjustment Index (RAI) is the ratio of each council's Primary Index to the state average. Councils with an RAI above the state average are assessed as having relatively higher capacity to raise fees and charges than those with an RAI below the state average.

**Example: Socio-Economic**

Minimum Value	887 SEIFA	Primary Index of 1.00
Maximum Value	1,093 SEIFA	Primary Index of 2.00

**Primary Index** =  $( (\text{Council} - \text{Minimum}) / (\text{Maximum} - \text{Minimum}) ) + 1.00$

$$\begin{aligned} \text{Alpine} &= ((1,028 - 887) / (1,093 - 887)) + 1.00 \\ &= 1.684 \end{aligned}$$

**Weighted Population Index (WPI)** = **Primary Index x Population**

$$\begin{aligned} \text{Alpine} &= 1.684 \times 13,578 \\ &= 22,872 \end{aligned}$$

**State Average Primary Index** = **State Total WPI / Total Population**

$$\begin{aligned} \text{State} &= 10,584,799 / 6,616,803 \\ &= 1.599 \end{aligned}$$

**Revenue Adjustor Index** = **Primary Index / State Average Primary Index**

$$\begin{aligned} \text{Alpine} &= 1.684 / 1.599 \\ &= 1.053 \end{aligned}$$

## General Purpose Grants – Revenue Adjustors

### 3 Tourism

**Objective** Recognizes the impact that tourism has on the level of fees and charges that a council can raise.

**Applied to** The Tourism Revenue Adjustor is applied to the following function within the Commission's general purpose grants model:

Revenue Function:	Major Revenue Driver:
Business & Economic Services	Modified Population - adjusted by vacancy rates doubled to maximum 15,000

- Source data**
- Tourism Research Australia, 2018-19 (unpublished/customised data), Visitor Survey (International Visitors, Overnight Visitors and Daytrips), Nights - 4 year averages, by Local Government Area, ordered September 2019.
  - Australian Bureau of Statistics, Regional Population Growth, Australia, (cat no. 3218.0), Table 2. Estimated Residential Population, Local Government Area, at 30 June 2023, released 20 April 2024.  
<https://www.abs.gov.au/statistics/people/population/regional-population/latest-release>

Source data for the Tourism Revenue Adjustor is drawn from the Tourism Research Australia's National and International Visitor Survey. These surveys are a major source of information on the characteristics and travel patterns of domestic and international tourists. It measures travel for all reasons, including holiday and leisure travel, business travel and travel to visit friends and/or relatives.

The National Visitor Survey is conducted annually on the basis of telephone interviews with 80,000 Australian residents aged 15 years and over.

The International Visitor Survey is based on personal interviews with 20,000 overseas visitors.

Three components of the National Visitor Survey are used by the Victoria Grants Commission:

**International Visitors** - Data on numbers of international tourists to each region sourced from the International Visitor Survey.

**Overnight Stays** - An overnight trip is defined as a trip involving a stay away from home for at least one night, at a place at least 40 kilometres from home. This includes nights stayed in all accommodation establishments, including private holiday homes.

**Day Visitors** - A day visitor is defined as a person making a round trip for a non-routine purpose of at least 50 kilometres, who is away from home for at least 24 hours.

Data for the National Visitor Survey is aggregated at a local government level, except for a number of councils where to ensure the statistical reliability of the data the tourism sub-regions are used. This is the case for overnight and day trips visitors for the Melbourne/Geelong regions and the Bendigo/Loddon and Western Grampian regions for overnight visitors.

Data from the International Visitor Survey for Victoria is aggregated to the 21 tourism sub-regions. These sub-regions do not overlap and, with one exception, each sub-region comprises one or more whole councils. The exception is the Upper Yarra sub-region, which comprises the whole of Murrindindi Shire Council and Yarra Ranges Shire Council (Part B). Yarra Ranges Shire Council (Part A) is included in the Melbourne East Sub-Region, along with Nillumbik and Cardinia Shire Councils. These two sub-regions have been combined with the Melbourne sub-region.

It should be noted that the populations of Alpine Resort areas are included in the nearest council for example the population on Mount Buller is included in the Mansfield Shire.

## **Index Construction**

The number of overnight stays and the number of day visitors available on a council basis are divided by the estimated resident population.

The number of overnight stays and the number of day visitors and the number of international visitors for each council or sub-region have been divided by the estimated resident population of that council or sub-region (as at 30 June) to obtain estimates of:

- the number of international visitors per capita
- the number of overnight stays per capita
- the number of day visitors per capita

The estimated number of international visitors per capita, the estimated number of overnight visitors per capita and the estimated number of day visitors per capita are added together to produce an estimate of the total number of visitors per capita, on either a council or sub-regional basis. The numbers obtained for each sub-region are assumed to apply to all councils in that sub-region.

These values are then spread across a range from 1.00 to 2.00 (the "Primary Index"), with the council with the highest number of visitors per capita being allocated the maximum value of 2.00.

A state average of the Primary Index is obtained by weighting each council's Primary Index by the relevant major revenue driver (population).

The Revenue Adjustment Index (RAI) is the ratio of each council's Primary Index to the state average. Councils with a RAI above the state-wide average are assessed as having relatively higher capacity to raise fees and charges than councils with a RAI below the state average.

**Example: Tourism**

Minimum Value	5.9 Visits Per Capita	Primary Index of 1.00
Maximum Value	179.3 Visits Per Capita*	Primary Index of 2.00
	<i>* excludes Melbourne &amp; Queenscliffe</i>	

**Primary Index** =  $( (\text{Council} - \text{Minimum}) / (\text{Maximum} - \text{Minimum}) ) + 1.00$

$$\begin{aligned} \text{Alpine} &= ( (179.3 - 5.9) / (179.2 - 5.9) ) + 1.00 \\ &= 2.000 \end{aligned}$$

**Weighted Population Index (WPI)** = **Primary Index x Population**

$$\begin{aligned} \text{Alpine} &= 2.000 \times 13,279 \\ &= 26,558 \end{aligned}$$

**State Average Primary Index** = **State Total WPI / Total Population**

$$\begin{aligned} \text{State} &= 7,385,628 / 6,595,983 \\ &= 1.120 \end{aligned}$$

**Revenue Adjustor Index** = **Primary Index / State Average Primary Index**

$$\begin{aligned} \text{Alpine} &= 2.000 / 1.120 \\ &= 1.786 \end{aligned}$$

## General Purpose Grants – Revenue Adjustors

### 4 Value of Development

**Objective** Recognizes that councils that have a high value of developments as represented by building approvals have the capacity to raise more in fees and charges, particularly in terms of planning and building services.

**Applied to** The Value of Developments Revenue Adjustor is applied to the following function within the Commission's general purpose grants model:

Revenue Function:	Major Revenue Driver:
Business & Economic Services	Modified Population - adjusted by vacancy rates doubled to maximum 15,000

**Source data**

- Australian Bureau of Statistics, Buildings Approvals, Australia, June 2023, (cat no. 8731.0), Table 1 VIC LGA excel 2021-22, downloaded September 2023. <https://www.abs.gov.au/statistics/industry/building-and-construction/building-approvals-australia/jun-2022>
- Australian Bureau of Statistics, Regional Population Growth, Australia, (cat no. 3218.0), Table 2. Estimated Residential Population, Local Government Area, at 30 June 2023, released 26 March 2024. <https://www.abs.gov.au/statistics/people/population/regional-population/latest-release>

**Index Construction** The building approvals data provides the value of approvals for the period specified for each Victorian council by:

- New houses,
- New and other residential buildings,
- Alterations and additions to residential buildings, and
- Non-residential buildings.

For each council a three year average of the value of building works is divided by the estimated resident population and then multiplied by 1,000 to obtain an estimate of the value of building works per 1,000 population. The City of Melbourne's value of developments on a population basis has been excluded. This figure is four times the value of the next highest councils value of developments on a per 1,000 population basis. Including this figure substantially skews the figures so it has been excluded and the City of Melbourne given the equal highest revenue adjustor of 2.00.

These values are then spread across a range from 1.00 to 2.00 (the "Primary Index"), with the council with the lowest index of Value of Developments being allocated the minimum value of 1.00 and the council with the highest Index of Value of Developments being allocated the maximum value of 2.00.

A state average of the Primary Index is obtained by weighting each council's Primary Index by the relevant major revenue driver (population).

The Revenue Adjustment Index (RAI) is the ratio of each council's Primary Index to the state average. Councils with a RAI above the state-wide average are assessed as having relatively higher capacity to raise fees and charges than councils with a RAI below the state average.



**Example: Value of Developments***('000) building approvals per 1000 pop*

Minimum Value \$1,794

Primary Index of 1.00

Maximum \$14,165

Primary Index of 2.00

\*excludes Melbourne

**Primary Index** =  $( (\text{Council} - \text{Minimum}) / (\text{Maximum} - \text{Minimum}) ) + 1.00$

$$\begin{aligned} \text{Alpine} &= ( (3,962 - 1,794) / (13,578 - 1,794) ) + 1.00 \\ &= 1.175 \end{aligned}$$

**Weighted Population Index (WPI)** = **Primary Index x Population**

$$\begin{aligned} \text{Alpine} &= 1.175 \times 13,578 \\ &= 15,957 \end{aligned}$$

**State Average Primary Index** = **State Total WPI / Total Population**

$$\begin{aligned} \text{State} &= 9,427,332 / 6,815,373 \\ &= 1.383 \end{aligned}$$

**Revenue Adjustor Index** = **Primary Index / State Average Primary Index**

$$\begin{aligned} \text{Alpine} &= 1.175 / 1.383 \\ &= 0.850 \end{aligned}$$

## General Purpose Grants – Revenue Adjustors

### 5 Valuations (Commercial)

**Objective** Recognizes that councils that have a high proportion of commercial activity have the capacity to raise more in fees and charges, particularly in terms of parking fees and fines.

**Applied to** The Valuations Revenue Adjustor is applied to the following functions within the Commission's general purpose grants model:

Revenue Function:	Major Revenue Driver:
Recreation & Cultural Services	Population
Traffic & Street Management	Population

**Source data**

- Victorian Local Government Grants Commission - Accounting & General Information Questionnaire completed by councils annually (November).
- Australian Bureau of Statistics, Regional Population Growth, Australia, (cat no. 3218.0), Table 2. Estimated Residential Population, Local Government Area, at 30 June 2023, released 20 April 2024.  
<https://www.abs.gov.au/statistics/people/population/regional-population/latest-release>

**Index Construction**

Source data for the valuation of commercial properties is drawn from the Victoria Grants Commission's annual council questionnaire. Councils provide details of the assessed value of properties on a Capital Improved Value basis. The values of the commercial properties are divided by the total value of all assessed properties.

These values are spread across a range from 1.00 to 2.00 (the "Primary Index"), with the council with the lowest index or proportion of commercial valuations being allocated the minimum value of 1.00 and the council with the highest proportion being allocated the maximum value of 2.00.

A state average of the Primary Index is obtained by weighting each council's Primary Index by the relevant major cost driver (population).

The Cost Adjustment Index (RAI) is the ratio of each council's Primary Index to the state average. Councils with a RAI above the state-wide average are assessed as having relatively higher capacity to raise fees and charges than councils with a RAI below the state average.

**Example: Valuations**

Minimum Value	0%	Primary Index of 1.00
Maximum Value*	19.31%	Primary Index of 2.00
	*excludes Melbourne	

**Primary Index** =  $( (\text{Council} - \text{Minimum}) / (\text{Maximum} - \text{Minimum}) ) + 1.00$

$$\begin{aligned} \text{Alpine} &= ( (12.2 - 0) / (19.31 - 0) ) + 1.00 \\ &= 1.631 \end{aligned}$$

**Weighted Population Index (WPI)** =  $\text{Primary Index} \times \text{Population}$

$$\begin{aligned} \text{Alpine} &= 1.631 \times 13,578 \\ &= 22,151 \end{aligned}$$

**State Average Primary Index** =  $\text{State Total WPI} / \text{Total Population}$

$$\begin{aligned} \text{State} &= 9,286,293 / 6,815,373 \\ &= 1.363 \end{aligned}$$

**Revenue Adjustor Index** =  $\text{Primary Index} / \text{State Average Primary Index}$

$$\begin{aligned} \text{Alpine} &= 1.631 / 1.363 \\ &= 1.197 \end{aligned}$$