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DEPT. OF PLANNING &
COMMUNITY DEVELOPMENT

29 February, 2008

Mr Paul Slape
Chairman
Victoria Grants Commission
GPO Box 2392V
MELBOURNE VIC 3001

Dear Mr Slape

SUBMISSION TO VICTORIA GRANTS COMMISSION

In response to your letter dated 5 November, 2007 inviting brief submissions about any aspect of the allocation methodology, Benalla Rural City Council supports the Victoria Grants Commission's review of standardised rate revenue.

The calculation of standardised rate revenue as identified in the *Victoria Grants Commission Annual Report 2006/07* comprises a significant component of the general purpose grant allocation methodology. The current method of calculating standardised rate revenue focuses only on relative valuation and does not take account of factors such as the relative socio-economic status or income of ratepayers, which can impact on each Council's relative capacity to raise revenue from its community.

Councils have the ability to apply a differential rate to relative valuation categories to take account of relevant factors such as capacity to pay.

Benalla Rural City Council proposes that a cost adjustor be introduced in the Victoria Grants Commission calculation of standardised rate revenue to reflect the relative socio-economic status of ratepayers which impacts on each Council's relative capacity to raise rate revenue from its community.

The Victoria Grants Commission already uses similar cost adjustors in the calculation of standardised expenditure and standardised fees and charges.

Benalla Rural City Council also proposes that the Socio-Economic Indexes For Areas (SEIFA) be used as the measure of relative socio-economic status. The Australian Bureau of Statistics (ABS) has produced a number of indexes based on 2001 Census data which measures the level of 'disadvantage' in any given area.

According to the ABS, the Index of Relative Socio-Economic Disadvantage has "...been constructed so that relatively disadvantaged areas (e.g. areas with many low income earners) have low index values. The Index of Relative Socio-Economic Disadvantage is derived from attributes such as low income, low educational attainment, high unemployment, jobs in relatively unskilled occupations and variables that reflect disadvantage rather than measure specific aspects of disadvantage (e.g., Indigenous and Separated/Divorced).

High scores on the Index of Relative Socio-Economic Disadvantage occur when the area has few families of low income and few people with little training and in unskilled occupations. Low scores on the index occur when the area has many low income families and people with little training and in unskilled occupations. It is important to understand that a high score here reflects lack of disadvantage rather than high advantage, a subtly different concept.

To maintain consistency with the other indexes, the higher an area's index value for the Index of Relative Socio-Economic Disadvantage, the less disadvantaged that area is compared with other areas. For example, an area that has a Relative Socio-Economic Disadvantage Index value of 1200 is less disadvantaged than an area with an index value of 900." (Australian Bureau of Statistics, 2001, Socio-Economic Indexes for Areas, Cat no.2039.0)

The 2001 SEIFA index ranked Benalla Rural City as the 5th most disadvantaged rural community and the 10th most disadvantaged community in Victoria. The Australian Bureau of Statistics expects the 2006 SEIFA index data to be released from March 2008.

In addition the Jesuit Social Services report, entitled "Dropping Off The Edge; The Distribution of Disadvantage in Australia" (Vinson 2007), identified Benalla's overall social disadvantage ranking at approximately the fortieth most socially disadvantaged locality in Victoria.

I look forward to the outcome of your analysis of standardised rate revenue. Should the Victoria Grants Commission identify that there is no requirement for change to the existing model it would be appreciated if Councils could be advised of the underlying reasons.

Yours sincerely



Tony McIlroy
Chief Executive Officer