Tasmania

State Grants Commission

DISCUSSION PAPER
DP 07-01

REVIEW OF REVENUE ASSESSMENT: BASE GRANT MODEL

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STATE GRANTS COMMISSION

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1 PURPOSE

The purpose of this discussion paper is to consult councils in relation to a review of the State Grants Commission ('Commission') method for assessing revenue raising capacity in the base grant equalisation model.

2 BACKGROUND

The following information is relevant background to this review.

2.1 CURRENT METHOD

In the base grant equalisation model, the assessment of each councils' capacity to raise revenue is made on the basis of Assessed Annual Values (AAV).

In the current model, councils' standardised revenue is determined by total revenue collected by councils, and each council's share in the aggregate of all councils' adjusted AAV.

The Office of the Valuer-General, who also advises 'AAV movement factors', provides AAV data each year. AAV movement factors enable all valuations to be adjusted to a common date, such that they may be used in the comparative manner outlined above.

At the 2005 revision of the equalisation model, the Commission retained the current form of revenue assessment, unchanged from the earlier equalisation model except for a widening of the scope of the assessment – that is, the inclusion of a greater portion of all councils' revenue collections in the total of revenue standardised between councils.

2.2 THE USE OF AAV AS A BASIS FOR ASSESSMENT OF REVENUE RAISING CAPACITY – PREVIOUS REPORTS.

Assessed Annual Values is used as the basis for assessing revenue raising capacity in the base grant equalisation model, as it indicates the rental (income-producing) value of properties in each municipality, and reflects a market-based relationship between ratepayers' capacity to pay in each council.

A report entitled *Assessment of Revenue-Raising Capacity of Local Government Services* (Morton Consulting Services 1996), was produced

following the revision of the *Local Government (Financial Assistance) Act 1995*. This report concluded that incomes in the community are most closely approximated by rental value, followed by improved capital values, followed by unimproved values. The report concluded that "LGGCs should use a combination of indicators in their assessment methodology" (page 45), and that "revenue calculation should not be seen as a calculation of the capacity to raise rates, but as a broader calculation of capacity to raise revenue by whatever means a council chooses" (page 39).

An earlier Commonwealth Grants Commission report entitled Report on the Interstate Distribution of General Purpose Grants for Local Government (1991), advocated the assessment of revenue raising capacity on the basis of land value for commercial and industrial land, household income for residential land and farm income for rural land.

2.3 ASSESSMENT OF REVENUE RAISING CAPACITY BY OTHER LGGCS.

The approaches of other state Local Government Grants Commissions (LGGCs) are based on consideration of a range of factors including:

- Property values/Improved Capital Values
- Unimproved Capital Values
- Personal/household income statistics
- Property numbers
- Gross Rental Values/AAV
- SEIFA Indexes

The approach of the various state LGGCs are summarised in Appendix 1 of this discussion paper. State assessments are based on a range of indicators, some include an assessment of fixed charges, and some incorporate Socio-economic Indexes for Areas (SEIFA) as a determinant of the revenue assessment. An abbreviated summary of the basis for all states' revenue assessments is shown in Table 2 below:

TABLE 2 – THE BASIS FOR OTHER STATE LGGCS' REVENUE ASSESSMENTS

	Basis for Assessment	Other Fees and Charges	SEIFA applied?
NSW	Unimproved Capital Value	Not included	No
NT	Personal Income Statistics	Not included	No
QLD	Unimproved Capital Value	Min rate and Garbage charges included.	Yes
SA	Capital Improved Values	Not included	Yes
TAS	Assessed Annual Value	Included.	No
VIC	Capital Improved Values	Included	No
WA	Gross rental values (equiv to AAV)	Not included	No

The Tasmanian assessment is based on one overall AAV figure for each municipality, encompassing AAVs for all property types in aggregate. Some states calculate revenue assessments for different property types as a component of an overall revenue assessment.

As can be seen from Table 2 above (and Appendix 1), Queensland and South Australia both use SEIFA as a determinant of their revenue assessment. SEIFA is published by the ABS for all local government areas in Tasmania, which are outlined in Appendix 2. Appendix 2 also includes some notes on technical issues associated with using SEIFA.

3 ISSUES

The following issues are relevant to the use of AAV as a basis for assessment of the revenue raising capacity of councils in Tasmania:

3.1 THE 4 PER CENT MINIMUM (FLOOR) ON AAV

The Assessed Annual Value of a property is subject to a minimum level of 4 per cent of the capital value. This minimum was initially applied mainly to rural land, however increasing residential values in recent years has resulted in it applying to a greater number of properties. The 4 per cent minimum has had a different impact across councils, and has prompted a change in rating approaches by some councils. Nonetheless, the 4 per cent minimum appears to be accepted as an appropriate valuation measure by councils.

At this stage, the Commission does not intend to modify AAV for the effects of the '4 per cent minimum AAV' rule.

3.2 AAV "MOVEMENT FACTORS"

The rapid increase in property values has highlighted the importance of movement factors provided by the Valuer-General. Movement factors have been estimated by the Valuer-General to indicative AAV outcomes on an annual basis for those councils between valuations. In several instances, low movement factors have resulted in AAV outcomes which have proven, in retrospect, to be significantly understated.

The Valuer-General has assured the Commission that the recently-announced move to biennial valuations will reduce the potential for under/overestimates to occur. Moreover, the potential for AAV understatement is diminished as the property market cools.

3.3 AAV "GROSS-UP FACTORS"

The introduction of the *Valuation of Land Act 2003*, has resulted in taxation elements – included in valuations made under the previous *Act* – being excluded from revaluations made under the new *Act*.

The Valuer-General provides the Commission with 'gross-up factors' associated with each new valuation completed under the new Act, so that the AAV outcomes are directly comparable with those of councils which have yet to be revalued under the new Act.

The reliance on an additional estimated factor has been seen as compromising the simplicity of the revenue capacity determination.

This issue will be resolved when all municipalities have been revalued under the new Act (i.e. by 2008). All valuations will be directly comparable from that point, and gross up factors will no longer be required from that date. The effect of this will be that the basis for the Commission's revenue assessment will change from gross rental valuations to rental valuations net of taxation elements.

3.4 THE MAKEUP OF REVENUE RAISED BY COUNCILS

The makeup of revenue structures in Tasmania is highlighted by a recent report from Launceston City Council (LCC), entitled "Review of Alternative Rating Structures Following the 2005 Municipal Revaluation". All councils have been briefed on this report and it is available on the LCC website. The report includes information on inclusion of minimum and/or fixed charges in revenue raising by Tasmanian councils. Table 1 below is reproduced from Appendix 5 of that report.

TABLE 1. MINIMUM RATES AND SERVICE CHARGES –TASMANIAN COUNCILS 2006

	MINIMUM RATES			SERVICE CHARGES		
	GENERAL	**SEWERAGE**	**WATER**	**WASTE**	**SEWERAGE**	**WATER**
BREAK O'DAY	190	385		139		185
BRIGHTON				124	380	140
BURNIE	120	251	299	120		
CENTRAL HLANDS (*)	180			75	328	330
CIRCULAR HEAD	177	367		46		241
CLARENCE	105	357	248	188		
DERWENT VALLEY (*)		262	352	88		
DEVONPORT		50	20	60	300	200
DORSET	120	345		69		159
FLINDERS (*)	165					238
GEORGE TOWN	157	67		105	193	220
GLAM/SPRING BAY	190			145	330	320
GLENORCHY		237	246	75		
HOBART						
HUON VALLEY	75			83	410	393
KENTISH	245	338	463	109		
KINGBOROUGH	130	509	333	103		
LATROBE	190	370	364	103		
LAUNCESTON	25	210	75	65		30
MEANDER VALLEY	95			88	210	140
NTHERN MIDLANDS	70	125		60	145	250
SORELL	243				438	190
STHERN MIDLANDS	150			90	265	238
WAR/WYNYARD	60	315	245	77		280
WEST TAMAR	100			89	273	221

Notes:

- *These are values for selected councils for 2006, except where marked (*) - values relate to 2004-05.*
- *Hobart, Devonport and Waratah/Wynyard also have a stormwater rate. Devonport is the only one with a minimum stormwater rate - $10 for residential, $100 for commercial.*
- *The Devonport minimum rates shown are for residential properties.*
- *Waste Charge is the minimum service charge that applies. Some councils provide a fortnightly service, others such as Launceston provide a weekly service.*

Overall, councils appear to have become less reliant on AAV-based charges and more reliant on fixed charges. The Commission will consider basing its revenue assessment partly on fixed charges if this is determined as

appropriate. Such an approach is taken, for example, by the Queensland LGGC which bases its revenue assessment 30 per cent on fixed charges and 70 per cent on property values.

Notwithstanding any increased reliance on fixed charges, Tasmanian councils continue to base their revenue raising primarily on AAV and not on any alternative valuation measures such as Capital Improved Values. AAV is generally considered a superior valuation measure on which to base rating regimes. Tasmania and Western Australia are the only states where rental valuations are estimated and provided to councils for rating purposes.

At this stage, the Commission intends to continue basing its revenue assessment primarily on AAV, but will consider introducing a fixed component to its assessment.

3.5 THE APPLICATION OF SEIFA INDICES

A number of councils have raised the prospect of utilising SEIFA (Socio-Economic Indices for Areas) indices in the Commission's revenue capacity assessment. SEIFA Indices are published by the Australian Bureau of Statistics following each census, and reflect a variety of measures of community wealth and income.

Two LGGCs (SA and Qld) utilise SEIFA indices in their revenue assessment. The components of available SEIFA indices are described in Appendix 2. The comparison of the Economic Resources SEIFA index and AAV per dwelling shown in chart A2 in Appendix 2, suggests that the index reflects AAV per dwelling well for all local government areas except those with a high number of absentee landowners. This is to be expected, as the index reflects the economic resources of residents, rather than ratepayers or landowners.

The Commission's view is that rental values reflect a community's capacity to pay, and that weighting of revenue assessments by SEIFA, would constitute double-counting.

The Commission recognises that AAV reflects capacity to pay. At this stage, the Commission does not intend to introduce a SEIFA component to the revenue assessment in the equalisation model.

4 OPTIONS

The Commission has nominated three options for consideration which are intended to bracket the discussion of these issues. These options are:

4.1 OPTION 1

Option 1 is to retain the current method of assessment. That is, that the entire assessment be based on AAV outcomes, with no inclusion of a fixed charges component to the assessment, and no modification to the assessment on the basis of SEIFA.

4.2 OPTION 2

Option 2 is to introduce a fixed charges component to the assessment of revenue raising capacity, to reflect changing council revenue raising practices.

This might be implemented as follows, on the basis of an outcome where *n* per cent of all Tasmanian council revenue (R) is shown to be raised from AAV-based charges:

R multiplied by *n* per cent distributed on a per AAV basis, plus

R multiplied by *(1-n)* per cent distributed on a property number basis.

4.3 OPTION 3

Option 3 is to introduce a revenue assessment weighting based on SEIFA. This could be introduced in conjunction with Option 1 or Option 2.

This might be implemented by ranging the appropriate SEIFA index around an average of one (weighted by population, property numbers or AAV) to amplify or diminish its impact, and multiplying that series into the total revenue assessment, or into one or both components of the revenue assessment.

5 CONCLUSION

The Commission is seeking council views on the appropriate basis for revenue assessment in the base grant equalisation model.

Development of a revised method may be informed by the practises of other State Grants Commissions (see Appendix 1) and by the current make-up of revenue collected by councils in Tasmania (see Table 1).

At this stage, the Commission is particularly interested in learning councils' opinions regarding:

- The introduction of an element of fixed charges into the assessment, and
- The prospect of modifying an element of the assessment by a SEIFA index.

The Commission is seeking 'in-principle' views not affected by anticipated outcomes. Any empirical results or research provided to the Commission by councils will inform subsequent research by the Commission.

The Commission will provide a further discussion paper, including outcomes of selected options, to councils for the 2008 Hearings and Visits.

State Grants Commission
25 January 2007

APPENDIX 1 OTHER STATES' REVENUE ASSESSMENT METHODS

A1.1 NEW SOUTH WALES

The New South Wales Commission uses a direct assessment method, involving separate estimation of component Revenue and Expenditure "Allowances" for each council, which are aggregated to determine each council's overall equalisation need.

Revenue Allowances are calculated on the basis of property values. The NSW Commission Annual Report states that property values themselves are an indicator of the relative wealth of local government areas.

The Commission's methodology compares land values per property for the council to a state standard value and multiplies the result by a state standard rate-in-the-dollar. To reduce seasonal and market fluctuations in the property market, the valuations are averaged over three years.

In the Revenue Allowance calculation, councils with low values per property are assessed as being disadvantaged and are brought up to the average (positive allowances), while councils with high values per property are assessed as being advantaged and are brought down to the average (negative allowances).

In the NSW direct assessment model, Revenue Allowance R_c - for council c - is made equal to:

$$N_c \times RID_s \times (V_s/N_s - V_c/N_c) \quad , \text{ where}$$

N_c and N_s = number of properties for the council, and for all councils
RID_s = average rate in the dollar all councils
V_c and V_s = sum of rateable values for the council, and for all councils

Separate calculations are made for urban and non-urban properties. Non-rateable properties are excluded from the Commission's calculations on the basis that the calculations deal with relativities between councils, based on the theoretical revenue-raising capacity of each rateable property.

Other fees and charges are not assessed. Water and Sewerage provision is excluded from the assessment (from both expenditure and revenue allowances).

Other Grant Support Principle & Netting Out.

One of the expenditure allowances in the NSW model is made in respect of pensioner rebates. The allowance recognises the differential impact of compulsory pensioner rebates.

A1.2 NORTHERN TERRITORY

The NT LGGC states in its Annual Report that it is not feasible to use a land valuation system to assess revenue raising capacity in their equalisation model, because ownership of land on which many communities are located is vested in Land Trusts.

Revenue Capacity (balanced budget model) is made equal to each council's theoretical total gross income, calculated from personal income statistics obtained from the ABS. In addition, those councils which receive an Operational Subsidy (from NT Government), have 50 per cent of this revenue taken into account.

In the NT balanced budget model, Revenue Capacity R_c - for council c - is made equal to:

$$Y_c / Y_s \times B_s + 0.5 \times S_c \quad , \qquad \text{where}$$

Y_c and Y_s = gross community income for the council, and NT gross income
B_s = total local government rate revenue
S_c = operational subsidy for the council

Other Grant Support Principle & Netting Out.

As noted above, 50 per cent of any operational subsidy is included in each councils' revenue assessment. This is effectively an SPP included under the Other Grant Support Principle.

A1.3 QUEENSLAND

The Queensland Commission uses a balanced budget method. The model assessment of Revenue Capacity for each council includes the three components of Rates, Garbage Charges, and Other Fees and Charges.

Rates

The rates assessment formula is:

- 30 per cent weighting – a minimum rate ($397 for 2005-06) applied to all rateable properties; and
- 70 per cent weighting – an average cent in the dollar for a council's Unimproved Capital Value (UCV) for rateable properties broken across residential, commercial/industrial and rural land use categories

Property numbers and UCVs for each council are averaged over a five year period to smooth out fluctuations in property values, and to compensate on the grounds that not every council has a valuation each year.

To account for the effects of socio-economic factors on council revenue-raising capacity, the result of the two parts above is adjusted for each council's Index of Economic Resources (SEIFA) produced by the ABS.

The Commission also applies a cap on the annual increase in each council's, assessed rate revenue to reflect the practice of many Queensland councils who use caps (or adjustments to cents in the dollar rates) to ameliorate the potential impact on residents of increasing rates solely on the grounds of increasing UCVs.

Garbage

Garbage revenue is assigned to councils per occupied urban property. Rural properties are excluded, as on average, councils do not provide garbage services to rural properties.

Fees and Charges

For the purpose of assessing council revenues from fees and charges, an average figure of $221 per capita was used for the 2005-06 assessments.

Other Grant Support Principle & Netting Out.

In accordance with the Other Grant Support National Principle, grants relevant to the expenditure categories considered by the Commission are included as revenue according to the actual amounts received by each council (not the state average). Six such types of grants are included in the revenue assessment, with either 50 per cent or 100 per cent of the grants included. These are:

Identified Road Grant (100%)	Library Grant (100%)
Road and Drainage Grant (50%)	Roads to Recovery Grant (50%)
State Government Financial Aid (50%)	Minimum GP Grant (100%)

A1.4 SOUTH AUSTRALIA

The South Australian Commission uses a direct assessment method, involving separate estimation of a component revenue grant and a component expenditure grant for each council, which are aggregated to determine each council's overall equalisation need.

For local government bodies outside the incorporated areas (the Outback Areas Community Development Trust and five Aboriginal Communities) allocations are made on a per capita basis.

Component Revenue Grants compensate or penalise councils according to whether their capacity to raise revenue from rates is less than or greater than the State Average. Councils with below average capacity to raise revenue receive positive component revenue grants and councils with above average capacity receive negative assessments.

The Commission estimates each council's component revenue grant by applying the State average rate in the dollar to the difference between the council's improved capital values per capita (adjusted by a Revenue Relativity Index for some property types) and those for the state as a whole, and multiplying this back by the council's population. The state average rate in the dollar is the ratio of total rate revenue to total improved capital values of rateable property. The result shows how much less or more rate revenue a council would be able to raise than the average for the State as a whole if it applied the State average rate in the dollar to the capital values of its rateable properties.

The formulae for the raw revenue grants can be expressed as:

$$G_R = P_c \times RID_s \times [(CIV_s/P_s \times RRI_s) - (CIV_c/P_c \times RRI_c)]$$

Where the subscripts 'c' and 's' denote 'council' and 'state', and:

G_R = component revenue grant
P = Population
RID = Rate in the Dollar
CIV = Capital Improved Value
RRI = Revenue Relativity Index:
The RRI is the SEIFA Index of Economic Resources centred on one (such that $RRI_s = 1.0$)

This calculation is repeated for each of five land use categories, namely:

Residential	Commercial	Industrial
Rural	Other	

To overcome fluctuations in the base data, valuations, rate revenue and population are averaged over three years. Revenue Relativity Indices (RRI_c) are only applied to the residential and rural valuations.

Other Grant Support Principle & Netting Out.

Subsidies that are of the type most councils receive and are not dependent upon their own special effort, that is, they are effort neutral, are treated by the inclusion approach. That is, subsidies such as those for public bus and library services, and roads are included as a revenue function.

A1.5 VICTORIA

The Victorian Grants Commission introduced a new method for the 2005-06 assessments. Major changes were:

- replacement of net annual valuations with capital improved valuations in assessment of standardised rate revenue raising capacity; and
- assessment of each councils capacity to raise revenue from user fees and charges.

The calculation of standardised revenue is calculated for each council by multiplying its valuation base (on CIV basis, two year average) by the average rate across all councils. Payments in lieu of rates received for major facilities such as power stations and airports are added to standardised revenue.

The Commission constrains increases in each council's assessed revenue capacity to improve stability in grant outcomes. The constraint for each council has been set at the statewide average increase in standardised revenue adjusted by the council's own rate of population growth to reflect growth in the property base.

The Commission makes a separate assessment of the relative capacity to raise revenue through user fees and charges. For each council, for each functional area, the relevant driver (such as population) is multiplied by the State median revenue from user fees and charges. For some functions, this is then modified by a series of revenue adjustors to take account of differences between municipalities in their capacity to generate fees and charges, due to their characteristics.

Functional Area	Driver	Standard per unit	Rev Adjustor/s
		2005-06	
Governance	Population	$6.45	Nil
Family and Community Services	Population	$8.87	Socio-Economic
Aged Services	Population>60	$75.73	HH Income
Rec & Culture	Population	$12.00	% Commercial Valuations
Waste Management	No. of Dwellings	$13.04	Nil
Local Roads and Bridges	Population	$0.26	Nil
Traffic & street management	Population	$3.04	% Commercial Valuations
Other Infrastructure services	Population	$2.42	Nil
Business & Economic Services	Population	$15.99	Tourism + Value of Development

The assessed capacity to generate user fees and charges for each council is added to its standardised rate revenue to produce total standardised revenue.

Other Grant Support Principle & Netting Out.

Grant Support is treated on an 'inclusion' basis by subtracting standardised grant support (calculated on an average per unit basis) from gross standardised expenditure.

A1.6 WESTERN AUSTRALIA

The WA Local Government Grants Commission calculates Assessed Revenue Capacity via regression-based assessments of the revenue raising capacity of each local government in the categories of:

- Residential and commercial/industrial rates;
- Agricultural rates;
- Pastoral rates;
- Mining Rates; and
- Other Revenue.

Equations used in the calculation of revenue standards for 2005-06 were:

Residential and Commercial/Industrial Rates

Standard = $137.60 * number + 5.804c * value, where:

number = average number of rateable assessments for 2001-02 to 2003-04,
value = average GRVs for these assessments for 2001-02 to 2003-04.

Mining Rates

Standard = [113.61 * number + 0.086625 * value] * 0.9587, where:

number = total number of mining leases for the period 2001-02 to 2003-04, and
value = total unimproved mining valuations for the period 2001-02 to 2003-04.

Agricultural Rates

Standard = $0.002286 * value + $1.444 * area + $358.05 * number, where:

number = average number of agricultural assessments for 2001-02 to 2003-04,
value = average agricultural valuations for 2001-02 to 2003-04,
Area = average land area for valuations for 2001-02 to 2003-04 (excluding rock and salt).

Pastoral Rates

Standard = 0.06909 * value, where:

value = average pastoral valuations for 2001-02 to 2003-04.

Other Revenue

Standard = individual assessments

Other Grant Support Principle & Netting Out.

Other revenue (including ex gratia rates and payments from mining companies) is included with standard revenue, and is set at individual assessments.

APPENDIX 2 AVAILABLE SEIFA INDICES FOR TASMANIAN LOCAL GOVERNMENT AREAS

The Australian Bureau of Statistics publishes Socio-Economic Indexes for Areas (SEIFA) in conjunction with updated census publications. The four principal SEIFA indices published for Tasmanian local government areas (2001 census) are shown in Table A2 and are as follows:

Index of Relative Socio-Economic Disadvantage.

The Index of Relative Socio-Economic Disadvantage is derived from attributes such as low income, low educational attainment, high unemployment and jobs in relatively unskilled occupations. A high score on this index reflects a lack of disadvantage rather than high advantage.

Index of Relative Socio-Economic Advantage/Disadvantage.

A higher score on the Index of Relative Socio-Economic Advantage/Disadvantage indicates that an area has attributes such as a relatively high proportion of people with high incomes or a skilled workforce. It also means an area has a low proportion of people with low incomes and relatively few unskilled people in the workforce. Conversely, a low score on the index indicates that an area has a higher proportion of individuals with low incomes, more employees in unskilled occupations, etc.; and a low proportion of people with high incomes or in skilled occupations.

Index of Economic Resources.

The Index of Economic Resources reflects the profile of the economic resources of families within the areas. The census variables, which are summarised by this index reflect the income and expenditure of families, such as income and rent. Additionally, variables which reflect wealth, such as dwelling size, are also included. The income variables are specified by family structure, since this affects disposable income.

A higher score on the Index of Economic Resources indicates that the area has a higher proportion of families on high income, a lower proportion of low income families, and more households living in large houses i.e. four or more bedrooms. A low score indicates the area has a relatively high proportion of households on low incomes and living in small dwellings.

Index of Education and Occupation.

The Index of Education and Occupation is designed to reflect the educational and occupational structure of communities. The education variables in this index show either the level of qualification achieved or whether further education is being undertaken. The occupation variables classify the workforce into the major groups of the Australian Standard Classification of Occupations (ASCO) and the unemployed. This index does not include any income variables.

An area with a high score on this index would have a high concentration of people with higher education qualifications or undergoing further education, with a high percentage of people employed in more skilled occupations.

For full descriptions of the indexes and their underlying variables, refer to: 2001 Census of Population and Housing: Information Paper – Socio Economic Indexes for Areas (Cat. No. 2039.0)

TABLE A2: PRINCIPAL SEIFA INDEXES FOR TASMANIAN LOCAL GOVERNMENT AREAS.

	Advantage Disadvantage	Disadvantage	Economic Resource	Education Occupation
BREAK O'DAY	870	917	851	902
BRIGHTON	846	829	892	839
BURNIE	909	931	908	917
CENTRAL COAST	914	956	900	930
CENTRAL HIGHLANDS	875	935	869	887
CIRCULAR HEAD	890	935	909	877
CLARENCE	986	1001	969	998
DERWENT VALLEY	881	916	900	879
DEVONPORT	906	926	905	918
DORSET	890	943	899	885
FLINDERS	928	960	886	949
GEORGE TOWN	871	896	890	868
GLAMORGAN/SPRING BAY	900	954	887	918
GLENORCHY	903	928	912	909
HOBART	1094	1066	1031	1137
HUON VALLEY	897	937	889	913
KENTISH	883	936	870	897
KING ISLAND	947	996	956	930
KINGBOROUGH	1035	1050	990	1058
LATROBE	910	964	909	918
LAUNCESTON	944	953	933	962
MEANDER VALLEY	942	997	926	951
NORTHERN MIDLANDS	921	977	910	928
SORELL	912	956	911	922
SOUTHERN MIDLANDS	882	949	881	891
TASMAN	901	968	852	949
WARATAH/WYNYARD	907	942	896	920
WEST COAST	913	930	938	891
WEST TAMAR	983	1021	956	997

Note: these indexes are relative to an Australian mean of 1000.

The Queensland and South Australian LGGCs incorporate the Economic Resource Index as a component of their revenue assessments. The basis for utilising this series is that it is comprised of income and asset indicators, and reflects a capacity of residents to pay rent or mortgages. See Appendix 1 for a description of the methods of each state LGGC.

The Commission has tested the correlations of the four SEIFA indices above with two AAV-based measures. The AAV-based measures tested were AAV per capita and

AAV per dwelling. Of the eight estimated correlations, the best fit was apparent between the SEIFA Economic Resources indexes and AAV per dwelling. The equation describing this correlation and the associated correlation coefficient (R^2) are shown below:

$$\text{SEIFA Economic Resources Index} = 788 + 0.011 \times \text{AAV per dwelling}$$

$$R^2 = 0.545$$

Chart A2 following illustrates the relationship between the SEIFA Economic Resources Index and AAV per dwelling for each Tasmanian council.

CHART A2: COMPARISON OF 2001 SEIFA ECONOMIC RESOURCES INDEX AND 2004-05 AAV PER DWELLING FOR TASMANIAN COUNCILS.