

Regional Responsibility

Discussion Paper – DP12-01

March 2012



Tasmania
Explore the possibilities

Contents

- BACKGROUND3
- MEASURING THE MOVEMENT OF PEOPLE4
 - 1. Regional Responsibility Cost Adjustor5
 - 2. Regional Facility Expenditure.....6
 - 3. Working Service Population11
- COMMISSION POSITION14
- SUBMISSIONS AND TIMEFRAMES.....15
- APPENDICES16



Background

The Base Grant Model (BGM) assesses the relative needs of councils according to the principle of Horizontal Fiscal Equalisation. The Commission uses the BGM outcomes to recommend the distribution of the base grant component of the Australian Government financial assistance grants, which in 2011-12 amounted to \$33.8 million shared by Tasmanian councils.

Over recent years, various councils have argued that the provision of certain regional services or infrastructure may warrant additional acknowledgement within the BGM calculations, due to the significant cost of providing those services. The Commission currently accounts for the regional nature of council service provision through the Regional Responsibility Cost Adjustor (CA). Most recently, in early 2011, Launceston City Council proposed an alternative method for acknowledging the regionalism of service provision.

To ensure that the case put forward by Launceston is considered fully, the Commission decided to review the Regional Responsibility CA. The aim of the review is to assess and compare the current Regional Responsibility CA against Launceston's proposed alternative, and investigate other potential methods of accounting for the additional financial burden on regional councils.

The Commission is seeking council comment and views regarding the most appropriate measure.

Measuring the Movement of People

Determining the extent to which a council caters for ratepayers from surrounding municipalities, as well as its own, has been a contentious issue for some time. Every Local Government Grants Commission (LGGC) in Australia grapples with this issue due to the existence of obvious regional patterns where certain councils play a greater role in providing regional infrastructure than others. Various approaches have been adopted by LGGCs seeking to capture this pattern as best they can. (see Appendix 1)

The Australian Bureau of Statistics (ABS) attempted to find a quantitative measure in the late 1990's, when it ran a pilot study in Western Australia to assess the feasibility of producing what it called 'service population' estimates for local government areas.¹ In its paper, the ABS defined 'service population' as:

"... all persons who access services and facilities generally provided by the [local government area] LGA. Such persons may be permanent or temporary residents of the area from which the service is sought, or they may be daytime visitors (including commuters), overnight or short-term visitors to the area."

Unfortunately, the pilot study was not successful. Despite there being a large amount of information available, the ABS could not identify generic indicators that would successfully estimate service population across all the LGAs selected for the study. However, some of the measures considered by the ABS as indicators of service population are currently used by the Commission to measure the movement of people within the BGM. The BGM CAs that adjust for the movement of people are shown below in Table 1 along with the expenditure categories to which they are applied.

Table 1: Current Cost Adjustors that Measure the Movement of People

Cost Adjustor	Applicable Expenditure Categories	
Tourism	Waste Management & the Environment	Law, Order & Public Safety
	Planning & Community Amenities	Recreation & Culture
Worker Influx	Waste Management & the Environment	Recreation & Culture
	Planning & Community Amenities	
Regional Responsibility	Recreation & Culture	

Within this paper, the Commission will put forward three methods of acknowledging the provision of regional services by councils. However, it is possible that the third option may blur the distinctions between the CAs above. This may mean that further consideration will be required to ensure double-counting of external factors is not introduced into the assessment.

¹ Australian Bureau of Statistics 1999, 'Service Population Pilot Study: an investigation to assess the feasibility of producing service population estimates for selected Local Government Areas', Demography Working Paper 99/3, October 1999.

1. Regional Responsibility CA

Regional Responsibility has been acknowledged within the Commission assessment for many years. Prior to the 2005-06 assessment, it applied to several expenditure categories, but since then it has been applied to the Recreation and Culture expenditure category only.

The current Regional Responsibility CA is determined by the broad judgement of the Commission. The Commission examines actual expenditure information provided by councils in relation to council operated infrastructure that in the council's opinion provides a regional benefit. The extent of the premium awarded by the Commission depends on the infrastructure provided and the perceived regional importance of that infrastructure.

Table 2: Regional Responsibility CA

	Premium	CA*
Burnie	1.15	1.040
Clarence	1.10	0.980
Devonport	1.10	0.980
Glenorchy	1.10	0.980
Hobart	1.30	1.221
Kingborough	1.05	0.919
Launceston	1.40	1.342
Meander Valley	1.05	0.919
All other councils	1.00	0.859

* As used in the 2011-12 assessment.

Table 2 above shows the premiums awarded to eight nominated councils and the resulting CAs that were used for the 2011-12 Base Grant assessment. Table 2 draws on information taken from the cost adjustor calculation itself that can be found in Appendix 2. Launceston receives the highest premium of 40 per cent, which equates into the largest Regional Responsibility CA of 1.342. The CA when applied to the Recreation and Culture expenditure category adjusts Launceston's expenditure by +34.2 per cent in recognition of the regional infrastructure it provides.

There are strengths and weaknesses associated with the current Regional Responsibility CA. Its strengths include the fact that councils have the freedom to argue directly to the Commission regarding the importance of certain infrastructure and this provides a platform for greater involvement of councils within the assessment. Furthermore, the current assessment is focussed on specific infrastructure, which means that it is usually quite straightforward for councils to segregate the recurrent costs of providing that infrastructure.

Table 3: Pros & Cons of the Regional Responsibility CA

Pros	Cons
<ul style="list-style-type: none"> • Directly recognises regional infrastructure provision. • Provides greater latitude for councils to argue for the inclusion of regional infrastructure. • Easy for councils to segregate recurrent expenditure for Commission consideration. 	<ul style="list-style-type: none"> • Not an independent, quantitative measure. • Difficult to determine extent of council policy influences in the delivery of regional services. • Difficult to determine extent of council efficiency in the delivery of regional services.

2. 'Regional Facility Expenditure' Assessment

An alternative assessment method has been proposed by Launceston City Council. Launceston suggests that the Commission may remove the Regional Responsibility CA if it adopts a 'regional facility expenditure' (RFE) assessment.

As councils would be aware, the expenditure assessments within the BGM involve the following steps.

- Step 1** Council expenditure is summed for each category to provide State Total Expenditure.
- Step 2** The State Total Expenditure for each expenditure category is distributed between councils on a population basis, so that all councils receive the same dollar amount per head of population, which assumes the same level of service (standard expenditure).
- Step 3** The Commission derived cost adjustors, that seek to account for inherent council advantages/disadvantages, are applied to the standard expenditure to produce the standardised expenditure for each council.

Launceston has proposed that RFE be defined as recurrent costs associated with the provision of infrastructure which benefits a region. Once RFE has been identified for each council, it would be excluded from Steps 1, 2 and 3 above meaning that this expenditure would not be averaged across all councils. Instead, RFE would be segregated from the steps above then brought back into the calculation for each council after Step 3 had been completed.

The effect of this proposed change is to enable councils to retain the full expenditure responsibility for regional infrastructure within the assessment. Disregarding the impacts from the removal of the Regional Responsibility CA, it would be expected that as regional infrastructure is generally constructed to a higher standard, and thus more expensive to maintain and councils get to retain more of their actual expenditure, this would increase the expenditure requirement of a council within the assessment.

Conversely, it would be expected that those councils with no regional infrastructure would be awarded lower standardised expenditures under this scenario, and hence result in these councils being more likely to have a decreased expenditure requirement.

However, a difficulty exists with the approach suggested by Launceston. As most councils would be aware, in determining its recommendations for the distribution of the Base Grant, the Commission must apply the National Principles as dictated by the Australian Government. In particular, the RFE assessment may contravene the Effort Neutrality principle, which is detailed in Box A below. Effort Neutrality means that the Commission must make assessments that, as far as possible, disregard the revenue and expenditure policies of individual councils. If this principle was not in place, it would be possible for individual councils to make intentional policy choices that would influence the assessment process and the subsequent distribution of the available grant pool.

Box A: Effort Neutrality National Principle

NATIONAL PRINCIPLE FOR THE DISTRIBUTION OF BASE GRANTS²

2. EFFORT NEUTRALITY

An effort or policy neutral approach will be used in assessing expenditure requirements and revenue raising capacity of each local governing body. This means that as far as practicable, policies of individual local government bodies in terms of expenditure and revenue effort will not affect the grant determination.

² State Grants Commission Annual Report 2011-12, p11.

The danger for the Commission in adopting the RFE assessment as proposed is that the policy choice of a council to construct regional infrastructure would directly impact on the grant outcomes within the assessment, which arguably may contravene the principle. Alternatively, it could be viewed that if Launceston’s method is not a contravention of the principle, it may reduce the integrity of the assessment as there may be greater scope for councils to influence the assessment outcomes compared to the current assessment method. However, Launceston has argued that if a council chooses to provide a unique service, it should not be automatically implied that all councils have the same spending obligation.

The Commission’s current understanding of the principle of horizontal fiscal equalisation and how it is applied is that the statewide averaging process within each expenditure category obtains the average council policy, average council efficiency, and negates the external factors beyond council control. By averaging, the Commission obtains a picture of the average council policy and average efficiency of the delivery of services. Only then does it apply the cost adjustors to recognise the external factors beyond council control.

The Commission is open to suggestions and submissions of how it may better capture the differences between council service provision, but the Commission must be wary of sacrificing the integrity of the assessments in the process.

Table 4: Pros & Cons of Launceston’s ‘Regional Facility Expenditure’ Assessment

Pros	Cons
<ul style="list-style-type: none"> Prevents regional facility expenditure of a single council being averaged across all councils. Makes the assessment more reflective of actual circumstances for regional councils. 	<ul style="list-style-type: none"> The assessment may contravene the Effort Neutrality principle. Requires a definition of what constitutes ‘regional facility expenditure’. Introduces an assessment that is inconsistent with the remainder of the base grant assessment model.

The Commission has undertaken a modelling exercise on the RFE method to demonstrate the impacts of the alternative RFE assessment across councils using Regional Responsibility premiums for illustrative purposes.

The Commission has assumed that RFE for councils reflects the same proportions as the premiums awarded by the Commission for the Regional Responsibility CA (see Table 5). For example, Burnie is awarded a premium of 15 per cent which creates a cost adjustor index of 1.15 to account for its regional responsibility. The Commission has assumed that the council premiums reflect the actual proportion of council expenditure on regional infrastructure and services.

Table 5: Proportions used for the Regional Facility Expenditure (RFE) Modelling

Council	Regional Responsibility Premium	CA Index	Assumed RFE Proportion
Burnie	15%	1.15	15%
Clarence	10%	1.10	10%
Devonport	10%	1.10	10%
Glenorchy	10%	1.10	10%
Hobart	30%	1.30	30%
Kingborough	5%	1.05	5%
Launceston	40%	1.40	40%
Meander Valley	5%	1.05	5%
All other councils	0%	1.00	0%

According to the proposed RFE assessment method, the proportions in Table 5 were removed from actual Recreation and Culture expenditure for the eight councils, and the balance of actual expenditure was apportioned across all councils on a population basis. Table 6 below shows the dollar RFE amounts removed from actual Recreation and Culture expenditure for the eight councils from the three base years used for the 2011-12 assessment.

Table 6: Regional Facility Expenditure (RFE) using Commission Assumed Proportions

	2007-08	2008-09	2009-10	3 Yr Avg
	\$	\$	\$	\$
Burnie	745 791	770 235	1 033 350	849 792
Clarence	454 631	478 700	579 087	504 139
Devonport	518 719	441 899	475 415	478 678
Glenorchy	387 062	475 897	438 122	433 694
Hobart	6 355 504	6 708 935	6 858 476	6 640 972
Kingborough	185 767	215 248	242 963	214 659
Launceston	6 294 475	6 420 335	8 089 408	6 934 739
Meander Valley	58 905	74 980	80 853	71 579
	15 000 854	15 586 229	17 797 673	16 128 252

By removing the dollar amounts from the base years in Table 6 a reduced total State Recreation and Culture amount is apportioned to councils on a population basis. As can be seen in Table 7, three year average Recreation and Culture expenditure for the actual 2011-12 assessment was \$168pc, which falls to \$136pc under the RFE assessment, which is a decrease of -\$32pc or -19 per cent. The RFE expenditure in Table 6 is then reintroduced for each of the eight councils to return the total state expenditure for Recreation and Culture to its original state total.

Table 7: Standard (Average) Per Capita Recreation & Culture Expenditure

	2007-08	2008-09	2009-10	3 Yr vg
Actual 2011-12 Assessment	\$156 pc	\$164 pc	\$184 pc	\$168 pc
Illustrative RFE Assessment (after RFE deduction)	\$126 pc	\$133 pc	\$149pc	\$136 pc
Difference	-\$30 pc	-\$31 pc	-\$35 pc	-\$32 pc

To comprehend the impacts of the RFE assessment we need to remember that:

- the Regional Responsibility CA has been removed;
- RFE amounts have been quarantined for eight councils;
- a reduced average per capita Recreation and Culture amount has been attributed to councils; and
- the remaining eight CAs that apply to Recreation and Culture have been applied to the reduced standard (average) expenditure.

Table 8 shows the differences in standardised Recreation and Culture expenditure between the RFE and actual 2011-12 assessments, where all movements can be explained by a combination of the four points listed above.

Appendix 3 of this paper shows the base grant outcomes (before applying caps and collars) of the illustrative RFE assessment using the actual 2011-12 assessment as a base line comparison.

The grant outcomes in Appendix 3 show a distribution where 21 councils see a drop in grant due to the introduction of the RFE assessment, 4 councils receive increases in grant, and the remaining 4 minimum per capita grant councils see no change in grant outcome.

Launceston receive the largest increase in base grant (before caps and collars) under the illustrative RFE assessment with an increase of +\$441 048 or +27.7 per cent above actual 2011-12 assessment outcomes.

Table 8: Comparison of 'Recreation & Culture' Standardised Expenditure 2009-10 Base Year

	Actual 2011-12	RFE Assessment	Change	
	Assessment		\$	%
	\$	\$	\$	%
Break O'Day	1 604 152	1 434 882	- 169 270	-10.6%
Brighton	2 230 426	2 148 500	- 81 926	-3.7%
Burnie	3 642 290	3 862 189	+ 219 898	+6.0%
Central Coast	3 246 401	3 083 821	- 162 581	-5.0%
Central Highlands	800 569	696 572	- 103 997	-13.0%
Circular Head	1 671 341	1 526 003	- 145 338	-8.7%
Clarence	8 115 049	7 306 270	- 808 779	-10.0%
Derwent Valley	1 640 719	1 540 208	- 100 511	-6.1%
Devonport	4 163 349	3 921 847	- 241 502	-5.8%
Dorset	1 520 109	1 384 553	- 135 556	-8.9%
Flinders	303 664	264 621	- 39 043	-12.9%
George Town	1 325 593	1 217 431	- 108 162	-8.2%
Glamorgan Spring Bay	1 378 278	1 209 940	- 168 338	-12.2%
Glenorchy	6 516 791	5 847 095	- 669 695	-10.3%
Hobart	10 554 098	13 750 235	+3 196 137	+30.3%
Huon Valley	2 903 655	2 672 518	- 231 137	-8.0%
Kentish	1 229 351	1 126 822	- 102 528	-8.3%
King Island	496 704	437 274	- 59 431	-12.0%
Kingborough	5 410 300	5 031 673	- 378 627	-7.0%
Latrobe	1 775 492	1 647 200	- 128 293	-7.2%
Launceston	14 867 900	16 770 196	+1 902 296	+12.8%
Meander Valley	3 611 036	3 239 574	- 371 462	-10.3%
Northern Midlands	2 182 777	2 032 105	- 150 672	-6.9%
Sorell	2 302 465	2 144 775	- 157 691	-6.8%
Southern Midlands	1 317 444	1 195 160	- 122 284	-9.3%
Tasman	748 082	656 016	- 92 067	-12.3%
Waratah Wynyard	2 424 128	2 257 697	- 166 431	-6.9%
West Coast	1 425 276	1 263 603	- 161 673	-11.3%
West Tamar	3 844 135	3 582 793	- 261 342	-6.8%
TOTAL	93 251 573	93 251 573	+ 0	+0.0%

3. Working Service Population

The Commission has examined the methods used by other LGGCs to account for the regionality of service provision and the movement of people. A list of the methods used by LGGCs can be found in Appendix 1.

One of the measures used by Victoria provides an interesting variation on the ABS attempts to determine service population. As mentioned earlier, the ABS sought a measure to gauge the number of people accessing council services within each LGA, and it was discovered that there was a lack of appropriate data to be able to provide a reliable measure across all councils. From an economic perspective, the ABS sought a measure of the ‘demand’ for council services within an LGA. This contrasts with Victoria’s Regional Significance CA, which seeks to measure the ‘supply’ of all services within an LGA.

The Victorian disability uses a measure constructed from the proportion of people employed in service industries within a council area and its resident population. On the surface, this is viewed as a fairly good proxy for the extent to which a council area is a service centre for a wider population. A significant regional centre would be expected to have a relatively large proportion of service industry positions, and a surrounding population would travel to access the available services. The more significant the regional centre, the more services that are provided and hence greater employment in those service industries.

This measure includes all service industry positions and not just those provided by councils. It would be expected that as the working service population within a council area increases, so the range of services provided by council expand and the level of council service provision increases.

Victoria obtains industry of employment information for each LGA from Census data. Census data provides employment information broken down by the Australia and New Zealand Standard Industrial Classification (ANZSIC). At its most detailed level ANZSIC provides employment numbers from over 290 different industry classifications. However, Victoria uses aggregated data to reduce the classifications to 19 industry divisions shown in the table below.

Table 9: 2006 ANZSIC – Industry of Employment by Divisions

Agriculture, Forestry & Fishing	Financial & Insurance Services
Mining	Rental, Hiring & Real Estate Services
Manufacturing	Professional, Scientific & Technical Services
Electricity, Gas, Water and Waste Services	Administrative & Support Services
Construction	Public Administration & Safety
Wholesale Trade	Education & Training
Retail Trade	Health Care & Social Assistance
Accommodation & Food Services	Arts & Recreation Services
Transport, Postal & Warehousing	Other Services
Information Media & Telecommunications	

The 10 highlighted industry divisions above relate to service industries used by the Victorian Commission to calculate working service populations. Most of the job classifications that make up the industry divisions are self-explanatory, except “Other services” which includes but is not limited to personal care services (e.g. hair, beauty, etc...), and the repairing of equipment and machinery.

Victoria bases its assessment on the proportion of working service population to resident population in each council area. Victoria then control for the significant proportion of service industry positions found

within the greater Melbourne area, by limiting the maximum service employment to population ratio to 35 per cent. Furthermore, Victoria also applies this maximum to eight major regional centres outside the metropolitan area with a population of greater than 20 000 people (i.e. Ballarat, Greater Bendigo, Greater Geelong, Greater Shepparton, Latrobe, Mildura, Warrnambool and Wodonga).

Working Service Populations in Tasmania

Appendix 4 of this paper shows the breakdown of the working service populations for all Tasmanian councils by the ANZSIC divisions used by Victoria, and the calculation of the working service population to resident population ratio.

The concept of working service populations is a departure from the current infrastructure based assessment under the Regional Responsibility CA. The inherent assumption when using a ratio based on working service population is that the greater the ratio, the greater the pressure on council to construct and maintain regional infrastructure.

The ratio outcomes are very different from the current premiums used by the Commission for the Regional Responsibility CA. Launceston would no longer receive the largest CA if the raw results were used, as Hobart has the largest ratio. The state average working service population ratio is 22.3 per cent, and only Burnie (32.4 per cent), Devonport (24.0 per cent), Hobart (67.5 per cent) and Launceston (33.1 per cent) have a ratio above the average, which reflects the regional nature of Tasmania.

The councils with the lowest working service population ratio are Brighton (6.8 per cent), Central Highlands (9.8 per cent), Kentish (9.6 per cent), Sorell (8.7 per cent), Southern Midlands (6.4 per cent) and West Tamar (8.7 per cent).

Table 10: Pros & Cons of the Working Service Population Measure

Pros	Cons
<ul style="list-style-type: none"> Objective, reliable measure based on ABS data. Population based measure would be more appropriate to gauge the regional importance of a council area. Removes council policy and efficiency of service delivery from the assessment. 	<ul style="list-style-type: none"> Moves the focus of the assessment away from infrastructure to a population based measure.

In this paper the Commission is providing councils the opportunity to examine the working service population data if used within an assessment at a statewide level. The Commission considered controlling the working service population ratio for Hobart in a similar manner to that used by the Victorian Grants Commission, but instead opted to present this option unchanged within the discussion paper.

The Commission has produced a statewide assessment that can be found in Appendix 5. It should be noted that Hobart has a ratio of 67 per cent which is twice that of Launceston with 33 per cent. The ratio for Hobart is significant due to its status as the State capital and as such there is a concentration of services in the city, some of which service the entire state rather than just the local region. The state average ratio of working service population to resident population is 22.3 per cent. This means that any council with a ratio above the average will be awarded a CA greater than 1.00, and a CA of less than 1.00 will be given to councils below the state average ratio.

Table 11: Comparison of 'Recreation & Culture' Standardised Expenditure 2009-10 Base Year

	Actual 2011-12 Assessment	Regional Significance	Change	
	\$	\$	\$	%
Break O'Day	1 604 152	1 683 385	+ 79 234	+4.9%
Brighton	2 230 426	2 158 325	- 72 101	-3.2%
Burnie	3 642 290	3 891 401	+ 249 111	+6.8%
Central Coast	3 246 401	3 397 789	+ 151 388	+4.7%
Central Highlands	800 569	804 273	+ 3 704	+0.5%
Circular Head	1 671 341	1 783 979	+ 112 638	+6.7%
Clarence	8 115 049	7 544 171	- 570 878	-7.0%
Derwent Valley	1 640 719	1 687 130	+ 46 411	+2.8%
Devonport	4 163 349	4 346 534	+ 183 185	+4.4%
Dorset	1 520 109	1 589 796	+ 69 686	+4.6%
Flinders	303 664	325 794	+ 22 130	+7.3%
George Town	1 325 593	1 359 758	+ 34 165	+2.6%
Glamorgan Spring Bay	1 378 278	1 456 675	+ 78 397	+5.7%
Glenorchy	6 516 791	6 383 795	- 132 995	-2.0%
Hobart	10 554 098	12 958 386	+2 404 288	+22.8%
Huon Valley	2 903 655	2 976 492	+ 72 837	+2.5%
Kentish	1 229 351	1 236 199	+ 6 848	+0.6%
King Island	496 704	523 437	+ 26 733	+5.4%
Kingborough	5 410 300	5 210 008	- 200 292	-3.7%
Latrobe	1 775 492	1 866 146	+ 90 654	+5.1%
Launceston	14 867 900	12 123 522	-2 744 378	-18.5%
Meander Valley	3 611 036	3 515 832	- 95 204	-2.6%
Northern Midlands	2 182 777	2 233 426	+ 50 650	+2.3%
Sorell	2 302 465	2 295 161	- 7 304	-0.3%
Southern Midlands	1 317 444	1 286 403	- 31 041	-2.4%
Tasman	748 082	784 075	+ 35 993	+4.8%
Waratah Wynyard	2 424 128	2 478 725	+ 54 597	+2.3%
West Coast	1 425 276	1 521 894	+ 96 618	+6.8%
West Tamar	3 844 135	3 829 062	- 15 072	-0.4%
TOTAL	93 251 573	93 251 573	+ 0	+0.0%

Table 11 above, shows a comparison of 2009-10 standardised expenditure from the 2011-12 assessment with the regional significance assessment, and the grant outcomes (before caps and collars) as a result of adopting the Regional Significance assessment can be found in Appendix 6.

As can be seen in Appendix 5, Hobart receives the highest CA of 1.483, followed by Launceston (1.115) and Burnie (1.108). Devonport also receives a positive adjustment with a CA of 1.019. Despite Hobart's highly positive CA, it is still not significant enough to raise Hobart from its minimum per capita grant status. The result for Launceston is, however, a return to being a minimum per capita grant council.

Commission Position

The Commission has presented the options within this paper to enable councils to provide informed comments, and encourage council involvement in the review of this element of the assessment. Council comments are considered essential to the review process to ensure the Commission adopts the most appropriate assessment of acknowledging the provision of regional services.

The options proposed in this paper are varied and all have particular strengths and weaknesses that must be balanced to benefit the integrity of the overall assessment process. The Commission is aware that depending on the comments received from councils further work may be required to ensure that unintended consequences do not have a negative impact on the assessment.

However, the current Commission position is that neither of the options proposed (Regional Facility Expenditure nor Regional Significance) are sufficiently more robust than the current Regional Responsibility CA to be considered as possible replacements. Therefore, the Commission is inclined to retain the status quo, and the retention of the Regional Responsibility CA for future assessments. Council comments are sought and will constitute an important part of the final analysis of the options presented in this paper prior to the finalisation of the 2012-13 assessment.

SUBMISSIONS AND TIMEFRAMES

The Commission invites comments and input from councils on the issues raised within this discussion paper. However, council input need not be confined to the issues identified. Councils should feel free to provide comments on other pertinent issues regarding the Commission assessment methodologies.

Submissions should be forwarded to the Commission Secretary, Mr Rod Malcomson as follows:

- By post: Secretary
State Grants Commission
GPO Box 147
HOBART TAS 7001
- By email: rodney.malcomson@treasury.tas.gov.au

Further details regarding the annual assessments can be found in the 2011-12 Annual Report that is available on the Commission website. Go to the Department of Treasury and Finance webpage (www.treasury.tas.gov.au) and click the State Grants Commission 'Quick Link', then click Publications.

Submissions close on Friday 23 March February 2012.

Any queries should be directed to the Secretary on 6233 8988.

2012 Hearings and Visits

The Commission will provide councils with an opportunity to discuss this paper and any other concerns during the 2012 Hearings and Visits program that will begin in April 2012.

APPENDICES

APPENDIX 1

Inter-jurisdictional Comparisons

Other Local Government Grants Commissions use the following methods to adjust for the movement of people and the concentration of services within local government areas.

New South Wales

Non-Resident Use (Culture) – this is based on Commission assessment and adjusts for the additional cost to councils for the provision of higher order facilities in regional centres. *Applied to: Cultural Facilities.*

Food Premises – adjusts for the additional inspection costs in areas with high proportions of food premises, using a measure of the number of food premises for 1000 of resident population. *Applies to: Health and Safety.*

Public Toilets – adjusts for increased expenditure due to non-resident use, and is based on Commission assessment of need to provide facilities. *Applied to Health and Safety.*

Non-Resident Borrowers – additional cost of providing library services for non-residents. *Applied to: Libraries.*

Regional Centres and Secondary CBDs – additional costs of forward planning generally related to non-resident use. This uses data available from the NSW Department of Infrastructure, Planning and Natural Resources. *Applied to: Planning and Building Services*

Daytrippers – additional cost of providing facilities for one-off day visitors. Based on Commission judgement. *Applied to: Recreation.*

Non-Resident Use (Recreation) – costs of additional services required in regional and tourist centres. Determined by the Commission based on a sampling of councils. *Applied to: Recreation.*

Non-Urban Measure – recognises the cost advantages of councils whose residents have the opportunity to use facilities provided in adjacent centres. Set by Commission judgement based on sample data from councils. *Applied to: Recreation.*

Queensland

Regional Role – reflects the increase in costs faced by councils in providing services and facilities regularly used by non-residents. This is determined by comparing the number of people working in a council area with the number of employed people living in the council area. Applied to all Expenditure Categories: administration; public order and safety; education, health, welfare and housing; garbage and recycling; street lighting; community amenities, recreation, culture and libraries; building control and town planning; business and industry development.

Tourism – this calculates the total percentage of people employed in retail, accommodation, cafes, restaurants, and cultural and recreational; service industries. Above state average employment in these categories reflects an influx of tourists. Applied to: public order and safety; garbage and recycling; community amenities, recreation, culture and libraries.

South Australia

Regional Centre – the number of urban centres and localities is obtained from ABS data, and an allowance of \$20 000 (set by the Commission) is applied to each urban centre/locality over and above one.

Non-Resident Use – this is an allowance set by Commission judgement to be either high (\$250 000), medium (\$175 000) or low (\$100 000) depending on the perceived popularity of the LGA.

Cultural and Tourism Facilities – this is an allowance set by Commission judgement based on a three-year average of the proportion of expenditure on cultural and tourism activities to total operating expenditure. The allowance is then awarded according to the following proportions: <1% (no allowance), <3% (\$75 000), <5% (\$150 000) and 5% plus (\$300 000).

Victoria

Regional Significance – this uses census data relating to occupation, and calculates a proportion of people employed in service industries within a council area compared to the estimated resident population of the council itself. Applied to: Recreation & Culture, Traffic and Street Management, and Business and Economic Services.

Tourism – this uses survey data from Tourism Research Australia to provide regional visitation patterns from international visitors, overnight stays and day visitors. Applied to: Recreation & Culture, Traffic and Street Management, and Business and Economic Services.

Other LGGCs

Neither the **Western Australian** nor the **Northern Territory** Commissions make any adjustment for regionality or non-resident use.

APPENDIX 2

REGIONAL RESPONSIBILITY COST ADJUSTOR

	DATA		Pop Weighted Avg (PWA)		COST ADJUSTOR			
	Population	Reg Resp Index	STEP 1	STEP 2	RAW CA	Range Factor	Ranged CA	Rank
	2010p							
	<i>a</i>	<i>b</i>	$c = a \times b$	$d = \Sigma c / \Sigma a$	$e = b / d$	RF-> -0.290	$f = (b+RF)/(d+RF)$	
Break O'Day	6 514	1.00	6 514		0.895		0.859	9
Brighton	16 358	1.00	16 358		0.895		0.859	9
Burnie	19 892	1.15	22 876		1.030		1.040	3
Central Coast	21 747	1.00	21 747		0.895		0.859	9
Central Highlands	2 322	1.00	2 322		0.895		0.859	9
Circular Head	8 263	1.00	8 263		0.895		0.859	9
Clarence	52 935	1.10	58 229		0.985		0.980	4
Derwent Valley	10 118	1.00	10 118		0.895		0.859	9
Devonport	25 551	1.10	28 106		0.985		0.980	4
Dorset	7 355	1.00	7 355		0.895		0.859	9
Flinders	900	1.00	900		0.895		0.859	9
George Town	6 892	1.00	6 892		0.895		0.859	9
Glamorgan-Spring Bay	4 507	1.00	4 507		0.895		0.859	9
Glenorchy	44 716	1.10	49 188		0.985		0.980	4
Hobart	50 078	1.30	65 101		1.164		1.221	2
Huon Valley	15 372	1.00	15 372		0.895		0.859	9
Kentish	6 286	1.00	6 286		0.895		0.859	9
King Island	1 683	1.00	1 683		0.895		0.859	9
Kingborough	34 171	1.05	35 880		0.940		0.919	7
Latrobe	10 020	1.00	10 020		0.895		0.859	9
Launceston	65 826	1.40	92 156		1.253		1.342	1
Meander Valley	19 694	1.05	20 679		0.940		0.919	7
Northern Midlands	12 654	1.00	12 654		0.895		0.859	9
Sorell	13 407	1.00	13 407		0.895		0.859	9
Southern Midlands	6 146	1.00	6 146		0.895		0.859	9
Tasman	2 413	1.00	2 413		0.895		0.859	9
Waratah-Wynyard	14 096	1.00	14 096		0.895		0.859	9
West Coast	5 251	1.00	5 251		0.895		0.859	9
West Tamar	22 476	1.00	22 476		0.895		0.859	9
STATE TOTAL	507 643		566 994	PWA = 1.117	PWA = 1.000		PWA = 1.000	
					max=1.253 min=0.895		max=1.342 min=0.859	

APPENDIX 3

Base Grant Model Grant Outcomes for the Regional Facility Expenditure (RFE) Modelling

	Grant Outcomes Before Caps & Collars Using 2011-12 Assessment Data		Change	
	Actual Outcomes (\$)	RFE Outcomes (\$)	\$	%
Break O'Day	1 026 231	996 496	- 29 735	-2.9%
Brighton	1 107 301	1 101 090	- 6 211	-0.6%
Burnie	1 341 650	1 400 678	+ 59 028	+4.4%
Central Coast	2 101 694	2 091 555	- 10 139	-0.5%
Central Highlands	731 983	717 117	- 14 866	-2.0%
Circular Head	891 669	864 643	- 27 025	-3.0%
Clarence	1 056 702	1 056 702	+ 0	+0.0%
Derwent Valley	1 216 054	1 209 551	- 6 503	-0.5%
Devonport	828 958	779 623	- 49 334	-6.0%
Dorset	1 438 504	1 427 378	- 11 126	-0.8%
Flinders	630 088	632 847	+ 2 759	+0.4%
George Town	908 362	893 711	- 14 651	-1.6%
Glamorgan Spring Bay	340 272	295 921	- 44 351	-13.0%
Glenorchy	892 632	892 632	+ 0	+0.0%
Hobart	999 670	999 670	+ 0	+0.0%
Huon Valley	1 503 021	1 462 301	- 40 721	-2.7%
Kentish	1 449 393	1 449 499	+ 105	+0.0%
King Island	577 076	571 481	- 5 595	-1.0%
Kingborough	682 130	682 130	+ 0	+0.0%
Latrobe	714 058	688 548	- 25 510	-3.6%
Launceston	1 589 871	2 030 919	+ 441 048	+27.7%
Meander Valley	1 934 900	1 859 546	- 75 354	-3.9%
Northern Midlands	1 500 056	1 484 261	- 15 796	-1.1%
Sorell	1 719 323	1 706 257	- 13 066	-0.8%
Southern Midlands	1 591 522	1 589 262	- 2 259	-0.1%
Tasman	535 682	519 712	- 15 970	-3.0%
Waratah Wynyard	1 850 373	1 836 785	- 13 588	-0.7%
West Coast	1 273 111	1 249 241	- 23 870	-1.9%
West Tamar	1 346 705	1 289 434	- 57 271	-4.3%
TOTAL	33 778 989	33 778 989	+ 0	+0.0%

APPENDIX 4

Working Service Populations for Tasmanian Councils

Using 2006 Census Data and resident population data (3218.0)

ANZSIC Service Industry Divisions	Retail Trade	Accommodation & Food Services	Financial & Insurance Services	Rental, Hiring & Real Estate Services	Admin & Support Services	Public Admin & Safety	Education & Training	Health Care & Social Assist	Arts & Rec Svs	Other Services	TOTAL Working Service Pop <i>a</i>	Estimated Res Pop 30-Jun-10 <i>b</i>	Proportion <i>c = a / b</i>
Break O'Day	212	214	19	31	25	94	159	182	15	40	991	6 514	15.21%
Brighton	198	121	6	24	49	139	290	174	37	67	1 105	16 358	6.76%
Burnie	1 361	540	244	134	509	924	881	1 442	32	379	6 446	19 892	32.40%
Central Coast	668	402	52	45	111	239	457	508	33	216	2 731	21 747	12.56%
Central Highlands	23	79	0	0	0	59	38	17	9	3	228	2 322	9.82%
Circular Head	317	189	39	27	162	96	210	181	20	78	1 319	8 263	15.96%
Clarence	1 911	803	234	291	219	1 185	1 301	1 263	206	442	7 855	52 935	14.84%
Derwent Valley	234	133	27	24	49	149	226	255	13	38	1 148	10 118	11.35%
Devonport	1 676	730	210	169	356	596	865	979	98	454	6 133	25 551	24.00%
Dorset	265	166	30	22	27	123	164	142	14	65	1 018	7 355	13.84%
Flinders	25	27	6	9	3	43	27	38	0	16	194	900	21.56%
George Town	157	124	18	32	40	85	136	136	6	61	795	6 892	11.54%
Glamorgan-Spring Bay	153	310	6	25	33	75	66	80	36	22	806	4 507	17.88%
Glenorchy	2 450	844	191	268	472	661	1 076	1 503	283	670	8 418	44 716	18.83%
Hobart	4 658	3 527	2 159	719	984	8 099	4 012	7 037	826	1 795	33 816	50 078	67.53%
Huon Valley	425	229	29	50	72	177	322	310	49	93	1 756	15 372	11.42%
Kentish	108	199	6	6	26	46	79	87	29	15	601	6 286	9.56%
King Island	65	36	7	7	12	46	46	47	6	16	288	1 683	17.11%
Kingborough	1 246	432	86	92	99	295	716	734	79	213	3 992	34 171	11.68%
Latrobe	247	151	14	24	25	153	180	488	17	66	1 365	10 020	13.62%
Launceston	4 705	2 323	1 653	522	911	2 131	3 155	4 750	321	1 304	21 775	65 826	33.08%
Meander Valley	548	377	48	38	63	268	330	317	287	128	2 404	19 694	12.21%
Northern Midlands	271	200	20	89	67	174	162	285	40	90	1 398	12 654	11.05%
Sorell	334	177	22	35	47	125	173	167	19	71	1 170	13 407	8.73%
Southern Midlands	77	37	10	0	4	59	111	60	13	24	395	6 146	6.43%
Tasman	37	114	3	8	3	42	43	36	103	12	401	2 413	16.62%
Waratah-Wynyard	399	224	20	33	59	121	283	298	7	104	1 548	14 096	10.98%
West Coast	138	336	12	12	52	107	137	101	14	57	966	5 251	18.40%
West Tamar	442	255	23	38	73	124	486	337	39	130	1 947	22 476	8.66%
STATE TOTAL	23 350	13 299	5 194	2 774	4 552	16 435	16 131	21 954	2 651	6 669	113 009	507 643	22.26%

APPENDIX 5

REGIONAL SIGNIFICANCE - STATEWIDE ASSESSMENT

	DATA			Pop Weighted Avg (PWA)		COST ADJUSTOR			
	Population	Working	Index	STEP 1	STEP 2	RAW CA	Range	Ranged	Rank
	Service					Factor	CA		
	2010p	Population	$c = b/a$	$d = a \times c$	$e = \sum d / \sum a$	$f = c/e$	RF->0.715	$g = (c+RF)/(e+RF)$	
a	b								
Break O'Day	6 514	991	0.15	991		0.683		0.925	12
Brighton	16 358	1 105	0.07	1 105		0.303		0.835	28
Burnie	19 892	6 446	0.32	6 446		1.456		1.108	3
Central Coast	21 747	2 731	0.13	2 731		0.564		0.897	16
Central Highlands	2 322	228	0.10	228		0.441		0.867	24
Circular Head	8 263	1 319	0.16	1 319		0.717		0.933	11
Clarence	52 935	7 855	0.15	7 855		0.667		0.921	13
Derwent Valley	10 118	1 148	0.11	1 148		0.510		0.884	21
Devonport	25 551	6 133	0.24	6 133		1.078		1.019	4
Dorset	7 355	1 018	0.14	1 018		0.622		0.910	14
Flinders	900	194	0.22	194		0.968		0.992	5
George Town	6 892	795	0.12	795		0.518		0.886	19
Glamorgan-Spring Bay	4 507	806	0.18	806		0.803		0.953	8
Glenorchy	44 716	8 418	0.19	8 418		0.846		0.963	6
Hobart	50 078	33 816	0.68	33 816		3.033		1.483	1
Huon Valley	15 372	1 756	0.11	1 756		0.513		0.884	20
Kentish	6 286	601	0.10	601		0.429		0.865	25
King Island	1 683	288	0.17	288		0.769		0.945	9
Kingborough	34 171	3 992	0.12	3 992		0.525		0.887	18
Latrobe	10 020	1 365	0.14	1 365		0.612		0.908	15
Launceston	65 826	21 775	0.33	21 775		1.486		1.115	2
Meander Valley	19 694	2 404	0.12	2 404		0.548		0.893	17
Northern Midlands	12 654	1 398	0.11	1 398		0.496		0.880	22
Sorell	13 407	1 170	0.09	1 170		0.392		0.856	26
Southern Midlands	6 146	395	0.06	395		0.289		0.831	29
Tasman	2 413	401	0.17	401		0.747		0.940	10
Waratah-Wynyard	14 096	1 548	0.11	1 548		0.493		0.880	23
West Coast	5 251	966	0.18	966		0.826		0.959	7
West Tamar	22 476	1 947	0.09	1 947		0.389		0.855	27
STATE TOTAL	507 643	113 009		113 009	PWA = 0.223	PWA = 1.000		PWA = 1.000	
						max = 3.033 min = 0.289		max = 1.483 min = 0.831	

APPENDIX 6

Comparative Base Grant Model Outcomes for the Regional Significance (RS) Modelling

	Grant Outcomes Before Caps & Collars Using 2011-12 Assessment Data		Change	
	Actual Outcomes (\$)	RS Outcomes (\$)	\$	%
Break O'Day	1 026 231	1 045 841	+ 19 610	+1.9%
Brighton	1 107 301	1 083 663	- 23 638	-2.1%
Burnie	1 341 650	1 411 261	+ 69 611	+5.2%
Central Coast	2 101 694	2 139 801	+ 38 107	+1.8%
Central Highlands	731 983	730 494	- 1 489	-0.2%
Circular Head	891 669	922 085	+ 30 417	+3.4%
Clarence	1 056 702	1 056 702	+ 0	+0.0%
Derwent Valley	1 216 054	1 225 742	+ 9 688	+0.8%
Devonport	828 958	881 416	+ 52 458	+6.3%
Dorset	1 438 504	1 454 130	+ 15 626	+1.1%
Flinders	630 088	634 321	+ 4 234	+0.7%
George Town	908 362	915 388	+ 7 027	+0.8%
Glamorgan Spring Bay	340 272	362 339	+ 22 067	+6.5%
Glenorchy	892 632	892 632	+ 0	+0.0%
Hobart	999 670	999 670	+ 0	+0.0%
Huon Valley	1 503 021	1 519 562	+ 16 540	+1.1%
Kentish	1 449 393	1 446 390	- 3 003	-0.2%
King Island	577 076	582 987	+ 5 911	+1.0%
Kingborough	682 130	682 130	+ 0	+0.0%
Latrobe	714 058	737 853	+ 23 795	+3.3%
Launceston	1 589 871	1 314 035	- 275 836	-17.3%
Meander Valley	1 934 900	1 901 152	- 33 748	-1.7%
Northern Midlands	1 500 056	1 510 154	+ 10 098	+0.7%
Sorell	1 719 323	1 711 662	- 7 661	-0.4%
Southern Midlands	1 591 522	1 576 960	- 14 562	-0.9%
Tasman	535 682	544 264	+ 8 583	+1.6%
Waratah Wynyard	1 850 373	1 860 471	+ 10 098	+0.5%
West Coast	1 273 111	1 297 126	+ 24 015	+1.9%
West Tamar	1 346 705	1 338 757	- 7 948	-0.6%
TOTAL	33 778 989	33 778 989	+ 0	+0.0%



Tasmania
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