Strategic and Operational Planning Framework

Information Paper IP20-16

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Context

The State Grants Commission (the Commission) is an independent statutory body established under the *State Grants Commission Act 1976* and is responsible for recommending the distribution of Australian Government funds for Tasmanian local government authorities to the Australian Government through the Tasmanian Treasurer. These funds are known as Financial Assistance (FA) Grants.

The Commission also recommends the distribution of Tasmania Government funds known as Heavy Vehicle Motor Tax Revenue amongst Tasmanian local government authorities to the Tasmanian Treasurer.

To ensure that the distribution of available funds is as equitable and contemporary as possible, within legislative requirements, the Commission continually monitors council practices and updates assessment methods and data where appropriate.

Based on these reviews, the Commission implements changes as they are determined. This approach enables the appropriate prioritisation and resourcing of reviews and projects the Commission seeks to do, to be conducted in a matter that enables the Commission’s methodology to take into account, and ultimately result in its recommendations being as reflective of the current Tasmanian local government sector characteristics, as much as possible.

In relation to FA Grants, the Commission continues to provide a degree of certainty to councils by ensuring that fluctuations in grant outcomes are moderated by the Commission’s use of averaging and the application of collars (caps and floors) in its Base Grant Model.

The Commission takes a strategic approach to its processes and work planning. This includes the Commission’s continuous review of its Strategic and Operational Planning Framework. The Commission’s current work program and projects, and their priorities, are detailed within this Framework.

In addition to its processes for conducting reviews, the Commission seeks to uphold good governance practices to its internal operational processes.

The Commission welcomes feedback from stakeholders on its Strategic and Operational Planning Framework.
Introduction

The Commission relies on a number of factors in ensuring the integrity and meaningfulness of its deliberations and its decisions, which ultimately result in the annual allocation of the FA Grant funding to Tasmanian councils. These factors include, but are not limited to:

- The accuracy and consistency of the data input utilised;
- The Excel based mathematical “FA Grant Model” (the Model) which take the various data inputs and produce the allocation results, based on the parameters determined by the Commission;
- The conversion of the Commission’s decisions in the Model into results which have the intended impact; and
- The ability to analyse the outputs (allocations) of the Model to ensure reasonableness and explainability.

The current Model was developed in 2019-20 and implemented for the allocation of the 2020-21 Grants. Annually, the Commission has controls in place, such as a formal quality assurance process undertaken by an independent person, to review and check the mathematical integrity of the Model.

In addition, there is a review of the outputs (that is, the allocations) to ensure “reasonableness” given the changes and new data incorporated into the calculations. This includes a review of all the decisions relating to the factors and data which result in the calculation of the FA Grant allocations annually.

If changes to methodology are deemed necessary, these are made following a consultation process with councils and the implementation of the Commission’s decisions is closely checked.

The Commission has reviewed its strategic priorities and, in turn, any operational changes which may be required to provide a “future-proofed” Model process for the Commission.

It is also incumbent on the Commission that the Model are able to:

- ensure input data integrity;
- adapt to changes in the nature of local government in Tasmania;
- changing data availability; and
- adapt to accommodate decisions by the Commission to alter the methodologies, policies and processes into the future.

This will provide all stakeholders with full confidence that the allocations determined annually are in accordance with all relevant legislation, National and Commission principles and decisions and, primarily, the achievement of allocations which are based on the principle of Horizontal Fiscal Equalisation (HFE).
Risks

The Commission recognises that councils are the primary stakeholders and beneficiaries from the Commission’s work.

The Commission is aware that its integrity, and therefore the confidence of councils and its other stakeholders in its activities and determinations, is dependent on the Commission managing the following risk areas:

1) Data integrity
2) Delays in receipt of council Consolidated Data Collection (CDC) Returns;
3) Model outcomes integrity;
4) Communication and education;
5) Its principles and practices;
6) Achievement of its longer term outcomes;
7) Management of expectations and the constraints on its activities;
8) Management of its projects; and
9) Integration of work plans and resourcing.

The Commission has therefore considered its priorities in terms of activities and resource utilisation over the coming years.

The Commission’s priorities are comprised of two major components:

1. Ongoing confidence and integrity in its methodologies and the Model; and
2. Ensuring that its methodologies are reviewed and changed as considered necessary to reflect both the meeting of the National and Commission principles, and the changing nature, structures and activities of local government in Tasmania.

The following is a diagrammatic format of the Strategic Plan for the Commission for the next decade.
SGC Strategic Plan 2020 - 2029

Mission
The SGC is highly respected by local government and other stakeholders

Strategic Areas

A. Strong relationships with stakeholders
B. Improved understanding of the Commission’s responsibilities
C. Effective governance and administration
D. Improved and ongoing relationship with Treasury

Desired Outcomes

Improved and broader communication, particularly with councils
Maintaining input and output data integrity
Legislative requirements are all achieved
Regular updates to Treasury on Commission activities

Increasing cooperation with LGD and LGAT
Reasoned longer term work plans
Regular reviews of Commission operations
Annual resourcing submissions to Treasury

Reasoned and informed decision making
Improved understanding by councils of reasons for changes to allocations
Grant recommendations consistent with National Principles
Otongo FA Grant Model and administrative support from Treasury

Performance Targets

1. Increased opportunities for communications with councils
2. Positive support from LGD and LGAT
3. Ongoing review of activities in other jurisdictions

1. Increased learning opportunities for council staff
2. Understandable annual council-based explanation of allocation changes
3. Work plans which have reasoned and achievable priorities and projects
4. Regular reviews of Commission processes and model

1. Regular reviews against National and Commission principles
2. Regular reviews of Commission processes at planning day and other times
3. All discussions and decision making by the Commission are comprehensible by councils

1. Regular meetings or written updates to Departmental Officers (as required)
2. Annual planning days which review work plans and related resource requirements
3. Optimal level of understanding and support of the Model by Treasury
Commission’s Business/Work Plan 2020-2029 - the methodology framework

The Commission’s Strategic Plan has prompted the Commission to consider its future projects in two parts:

1. Methodology related – with the objectives of:
   - Accuracy;
   - Reliability;
   - Future proofing; and
   - Governance.

2. Specific issues – the Commission will ensure that the preparation for and undertaking of a work project will entail a process to provide confidence in the Commission’s determinations:
   a. “Map” the projects; determine the objectives – Research;
   b. Early stakeholder consultations – “Conversation Starters”;
   c. Design of project and resourcing – “Discussion Papers”;
   d. Implementation – decision and implementation in the Model; and
   e. Closure – review the project and consider any learnings for future projects.

In diagrammatic form, the Commission’s grant determination process is comprised as follows:
1. **Data Input**

**AIMS:**
- Accuracy
- Recognition of impact of inaccurate data (including expenditure and revenue categorisation)
- Consistency of data inputs

**WHICH REQUIRE:**
- Education and instructions
- Explanations
- Checks and balances

2. **The FA Grant Model**

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<th>IT Calculation Elements and Processes</th>
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<tbody>
<tr>
<td><strong>Data</strong></td>
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<tr>
<td>Checks and balances</td>
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<tr>
<td>Identify questionable data</td>
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<td>Identify significant variations</td>
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3. **Annual Allocations**

**AIMS:**
- Confidence
- Explainability to stakeholders

**WHICH REQUIRE:**
- Ability for the Commission to ‘highlight’ possible inconsistencies
- Ability to analyse changing allocations
Priority Work Plan

The decisions of the Commission to undertake activities related to its purposes depends on a balancing of priorities and resource availability. The priorities are reviewed at least annually and the Commission has determined that there are some high priority and significant “quality” issues which need to be ensured, as well as reviewing work practices to ensure all outputs, including reports and other documents, are efficiently developed, effective and of use to stakeholders.

It has developed a list of principles and policy based projects which have been raised by councils or considered to be of importance in achieving its performance targets. The priority of many of these projects is yet to be finalised and the feedback of councils will continue to be sought to assist in the Commission’s consideration of these matters. However, it is accepted by the Commission that the following priorities will span a number of years.

(1) **Methodology Projects - Ongoing:**

   (a) Enhancements to Methodology:

      - (i) Quality assurance – data input (instructions, education) in liaison with the Local Government Division of the Department of Premier and Cabinet (LGD), Local Government Association of Tasmania (LGAT) and councils; and

      - (ii) Timeliness – input data availability to enable checking and reviewing (particularly in 2020-21) in liaison with LGD and councils.

   (b) Enhancements to Public Documentation:

      - (i) Data output (analytical tools) – further improvements to explainability of data and allocation variations;

      - (ii) Council-specific reporting – providing comparative analysis and explanatory information; and

      - (iii) Review of reports and other documentation publicly available – review of Annual Report and potential changes to online data availability.

(2) **Specific Policy Projects:**

   a) Impact on services of non-resident population – preparation of recommendations relating to the recognition of Regional Responsibility, Tourism, Absentee Population and Worker Influx cost adjustors, and potentially itinerant and seasonal workers - scheduled for 2020-21;
b) Review of relative impact of all cost adjustors;

c) Isolation and Scale (Administration & Other) Cost adjustors – cumulative impact;

d) Revenue capacity assessment, including possible adjustors;

e) Non-resident impacts on Council road network asset preservation costs;

f) Treatment of pedestrian bridges in the Road Grant Model;

g) Impact of disasters and disaster recovery;

h) Expenditure category review;

i) Grant stability – averaging, caps and floors; and

j) Data updates – as available.
Projects for 2020-21

The Commission expects that the following projects will be pursued this year, their development and completion being dependant on quantification of the resources and timing required to undertake each project:

1(a) and (b); and

2(a) and (b).

The commencement of other projects will depend on resourcing and timing. In particular, the potential impacts of the COVID-19 pandemic will be reviewed by the Commission, both in terms of council services and data consistency, to determine if any methodology modifications should be made for these matters.

The 2020-21 Projects are predicated on the timely receipt of CDC returns from councils. The Commission notes that LGD has already flagged with all CDC users and stakeholders there will be a potential delay in the receipt of the 2019-20 CDC Returns. The implications of this delay and the resourcing of the above projects may have an impact on the Commission’s desired activities.

It is hoped that the usual Hearings and Visits program will be undertaken in early 2021. However, the status of the COVID-19 pandemic may have implications on those activities.

The Commission is currently assessing the implications of the above issues and how it can achieve its 2020-21 Work Plan and still deliver appropriate grant recommendations to the Australian Government within the Australian Government’s specified timeframes.
Feedback

The Commission welcomes any feedback and suggestions in relation to its Strategic and Operational Planning Framework.

The Commission will be working with councils, the Local Government Association of Tasmania, the LGD and its other data providers and stakeholders to achieve its targets over the coming years.

Any feedback or input is appreciated and can be forwarded to the Commission’s Executive Officer at the following email address:

SGC@treasury.tas.gov.au

Further details regarding the annual assessments and methodology used by the Commission are at its website:
