

# 2018-19 Triennium Work Plan – Progress Update 1

Information Paper – IP16-25

December 2016

## Review Background

The State Grants Commission is an independent statutory body responsible for recommending the distribution of Australian Government and State Government funds to Tasmanian local government authorities. To ensure that the distribution of available funds is as equitable and contemporary as possible, the Commission continually monitors council practices and updates assessment methods and data where appropriate.

To provide some structure to updating the distribution methods of the Australian Government Financial Assistance Grants (FAGs), the Commission operates a triennial review policy whereby major method changes are introduced only every three years, with data updates and minor changes applied every year.

### Overview of Triennial Review Period (FAGs)

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Distribution	Action
2015-16	Method Changes + Data Updates
2016-17	Data Updates
2017-18	Data Updates
2018-19	Method Changes + Data Updates

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## 2018-19 Triennium

To start the 2018-19 Triennium, the 2016 Hearing and Visits discussions was an open discussion on matters of council interest. The 2016 Hearings and Visits represented an opportunity for councils to raise issues of interest to councils with the Commission and potentially influence the Commission's draft 2018-19 Triennium Work Plan.

Councils raised or discussed with the Commission at the 2016 Hearings and Visits a variety of issues, some of which were matters already identified by the Commission for review (i.e. confirming the Commission's draft work plan objectives), with some other matters resulting in new items being added to the Commission's work plan.

The Commission deliberated on these matters, and modified its priorities accordingly.

The Commission's 2018-19 Triennium Work Plan and priorities were first issued in May 2016 as Information Paper IP16-06.

This Information Paper (IP16-25) provides the 2016 progress report to councils on the matters the Commission undertook to work on over Year 1 of the 2018-19 Triennium. The Paper also provides some rescheduling of some of the tasks the Commission has undertaken to review. The Triennium Work Plan will be reported against each year in this manner so councils can see how matters are being progressed and report any methodology change decisions that the Commission has made during the Triennium that will be implemented at the end of the Triennium.

The Commission looks forward to discussing its progress on its 2018-19 Triennium Work Program with councils as part of the 2017 Hearings and Visits Program scheduled for February – March 2017.

**State Grants Commission**  
December 2016

## 2016 Councils Hearings and Visits focus:

YEAR 1	Why	Status
2016 Feedback Survey	The External Feedback Survey is conducted every 3 years. The 2016 Survey was issued to councils on 19 November 2015, with responses due by 24 December 2015.	Completed
Draft 2018-19 Triennium Program	The Draft 2018-19 Triennium Work Plan outlines what aspects of the Commission's methodology the Commission is expecting to review during the 2018-19 Triennium. The 2016 Hearings and Visits represent an opportunity for councils to raise issues of interest to councils with the Commission and potentially influence the Commission's 2018-19 Triennium Work Plan.	Completed
Regional Methodology Presentations	In response to several requests for training in the Commission's methodology, and how data from councils is used by the Commission, Regional Presentations on the State Grants Commission Methodology were conducted in conjunction with the 2016 Regional Hearings.	Completed
Tourism Cost Adjustor	In light of changes to Tiger Tourism bed capacity data availability and statistically low numbers for Daytripper data, assess options for the Tourism Cost Adjustor for the 2016-17 grant recommendations.	Refer DPI7-01
Road Preservation Model (RPM) Review	With the assistance of an engineering consultant and council engineers, undertake a desktop review of road and bridge maintenance and life cycle cost assumptions in the RPM to ensure these are still reflective of Tasmanian council experience and circumstances.	Completed

## 2017 Councils Hearings and Visits focus:

YEAR 2	Why	Status
Road Preservation Model (RPM) Review	<p>The RPM Review is intended to determine if any refinements or adjustments need to occur to any aspects of the RPM. This may include, but is not limited to a review of the RPM cost adjustors, including the rainfall, terrain, traffic and remoteness cost adjustor range factors, including determining the impact of the following factors on road network life cycle costs:</p> <ul style="list-style-type: none"> <li>• rainfall intensity/concentration;</li> <li>• cross terrain issues (such as retaining walls &amp; landslip areas); and</li> <li>• accessibility of road networks.</li> </ul> <p>Consultancy advice is expected to be sourced in the undertaking of these tasks.</p> <p><i>During 2016 the Commission reviewed the RPM Remoteness Cost Adjustor and determined that the rankings were an appropriate representation of road remoteness and did not require modification.</i></p> <p><i>The Commission also reviewed the Terrain Cost Adjustor. Following consultation with external experts, the Commission determined that through the averaging of different council costs used in the Road Preservation Cost Model, there is sufficient capture of various terrain related costs in the RPM.</i></p> <p><i>High level engineering advice as to the appropriateness of the RPM was also sought from a Road Engineer. While the Road Engineer assessed the RPM as being appropriate for Tasmanian circumstances, certain aspects were suggested for closer review.</i></p> <p><i>In DPI 7-02 the Commission is seeking council submissions as part of the 2017 Hearings and Visits process on:</i>  <i>The Urbanisation allowance factor “3x”; and</i>  <i>Criteria for determining eligible road lengths for the urbanisation allowance.</i></p> <p><i>A separate exercise of sourcing contract rates and internal council costings for bridge and culvert works is to be undertaken by a road engineer to determine average concrete bridge and culvert construction rates.</i></p>	2016-17 Refer DPI7-02 for discussion 2017 Hearings & Visits

<b>2017 Councils Hearings and Visits focus:</b>		
<b>YEAR 2</b>	<b>Why</b>	<b>Status</b>
Population growth/decline	<p>Review the adequacy of the current Population Decline Cost Adjustor, investigate issues associated with rapid population growth and decline and determine if there is a need to recognise both in the Base Grant Model.</p> <p><i>This matter was reviewed during 2016 using regression analysis to evaluate trends in expenditure and population growth over the periods 2011-12 and 2014-15. The regression analysis indicated no correlation between population growth and expenditure categories. The Commission has therefore determined that no further investigation into the effects of rapid population growth is required.</i></p>	Completed
Tourism Cost Adjustor	<p>Depending on outcomes from Year 1, assess future options, including consideration of whether there is any ongoing need for a Tourism Cost Adjustor, in the Base Grant Model.</p> <p><i>This matter was reviewed during 2016 using regression analysis to evaluate trends in a range of tourism data options, and council expenditure over the periods 2011-12 and 2014-15. The regression analysis indicated very weak correlations between tourism data and expenditure categories and an inverse correlation with daytripper statistics. The Commission has formed a preliminary view to remove the Tourism Cost Adjustor at the completion of the 2018-19 Triennium. Discussion Paper DPI7-01 provides further details on the analysis undertaken and associated issues.</i></p> <p><i>The Commission seeks council submissions on this matter as part of the 2017 Hearings and Visits process.</i></p>	Refer DPI7-01 for discussion 2017 Hearings & Visits
Allowances	<p>Source data from those councils that are currently being recognised by the Commission as qualifying for the GP Practice and (Island Public) Airport Allowances. Data requirements will relate to current forms of council support being provided to General Practices and Public Airports. This data will inform the review of allowances to be undertaken as part of the 2018 Hearings and Visits discussions.</p> <p><i>A pro-forma for the collection of data is being issued to councils to complete and return for evaluation.</i></p>	Oct 2016 – Jun 2017

## 2018 Councils Hearings and Visits expected focus:

YEAR 3	Why	Status
Regional Significance	<p>The Commission has undertaken to revisit the topic of Regional Responsibility. The Commission has determined that the revisit will focus on:</p> <ul style="list-style-type: none"> <li>• a review of the current approach used by the Commission for assessing regional responsibility;</li> <li>• researching approaches adopted by other local government grants commissions relating to recognising regional significance compared to regional responsibility; and</li> <li>• a review of the relationship of the Commission’s current Regional Responsibility Cost Adjustor with other cost adjustors.</li> </ul> <p>An initial review has revealed that not all jurisdictions recognise regional significance in their models. Furthermore, there is no consistent methodology used by the jurisdictions which do account for a regional factor (or similar concept). Further work will be undertaken on this issue over the next 12 months.</p>	<p>Anticipate Discussion Paper: Dec 2017</p>
Policy versus Responsibility <sup>1</sup>	<p>In light of increasing diversity and scope of local government activities, review the Commission’s concepts and underlying assumptions regarding “what are matters of policy” versus “matters of responsibility”, and the extent to which, if any, the Commission should have regard for, or conversely disregard for, the diverse or unique circumstances that occur across councils.</p>	<p>Anticipate Discussion Paper: Dec 2017</p>
Scale <sup>2</sup>	<p>Review the Commission’s Scale Cost Adjustors. For example, consider whether the existing Scale Cost Adjustors are reflecting all data appropriately. Investigate how Tasmania’s Scale curve compares to that experienced in other jurisdictions. Consider how Scale is reflected in, or impacts across, expenditure categories and how the Scale Cost Adjustors relate to, or interact with, the other cost adjustors used by the Commission.</p>	<p>Anticipate Discussion Paper: Dec 2017</p>
Allowances	<p>Review the concept, criteria eligibility and adequacy of the GP Practice and (Island Public) Airport Allowances within the Base Grant Model. For example, what are the determining criteria for receipt of the allowances? Are all councils being appropriately recognised in the model? Review the adequacy and effectiveness of the current rates of allowance provided.</p>	<p>Anticipate Discussion Paper: Dec 2017</p>

<sup>1</sup> Note the Policy versus Responsibility review may ultimately be incorporated into the regional significance project.

<sup>2</sup> Note the Review of the Scale Cost Adjustors may ultimately be incorporated into the regional significance project.

## 2019 + Future Councils Hearings and Visits expected focus:

Year   Next Triennium	Why	Status
Climate Change	The Commission wishes to explore and report on options available, and make recommendations relating to, suitable measures to recognise municipal climate change relativities and their possible future inclusion in the Commission's methodologies.	2018-19 Anticipate Discussion Paper: Dec 2018
Socio-economic/demographic matters	<p>With councils becoming more active in facilitating programs addressing socio-economic/demographic matters, the Commission proposes to review its current Unemployment Cost Adjustor. This Review may involve:</p> <ul style="list-style-type: none"> <li>• considering whether the Unemployment Cost Adjustor is recognising overall social-economic matters adequately;</li> <li>• investigating what, if any, additional data indicators or measures may be available which may be suitable for informing a cost adjustor, if needed; and</li> <li>• assessing the need for, and form of, any additional socio-economic recognition in the Commission's Base Grant Model.</li> </ul>	Anticipate Discussion Paper: Dec 2018

## Consultation

As the Commission progresses its research on matters throughout the 2018-19 Triennium, it will develop and issue discussion papers and consult with councils for their views. This is an important part of the Commission's deliberations. Notwithstanding this process, councils should feel free to provide comments on any pertinent issues regarding the Commission assessment methodologies.

Written submissions should be forwarded to the Commission Executive Officer by **Friday, 27 January 2017**, as follows:

- By post: Executive Officer  
State Grants Commission  
GPO Box 147  
HOBART TAS 7001
- By email: [pam.marriott@treasury.tas.gov.au](mailto:pam.marriott@treasury.tas.gov.au)

Details regarding the latest annual assessments and methodology used by the Commission can be found on the Commission website. Go to the Department of Treasury and Finance webpage ([www.treasury.tas.gov.au](http://www.treasury.tas.gov.au)) and click the State Grants Commission 'Quick Link', click on 'Go', and then click 'Publications'.

Any queries should be directed to the Executive Officer on (03) 6166 4274.

## *Annual Hearings and Visits*

The Commission provides councils with an opportunity to discuss its various discussion papers and raise any other matters of interest to councils during its annual Hearings and Visits program.

These are typically conducted during February – April each year in each region (South, North, and North-West). The Commission strives to visit every council on a rolling basis approximately every three years.