

REGIONAL RESPONSIBILITY

The obligations that come with being a major regional hub

Discussion Paper - DP18-01

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1. Review Background

The State Grants Commission (the 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)

Distribution	Action
2015-16	Method Changes + Data Updates
2016-17	Data Updates
2017-18	Data Updates
2018-19	Method Changes + Data Updates
2019-20	Data Updates

As part of the Commission's review process, and in accordance with the Commission's Triennium Work Plan, the Commission has undertaken to revisit the topic of Regional Responsibility. The Commission has determined that the revisit will focus on:

- a review of the current approach used by the Commission for assessing regional responsibility;
- researching approaches adopted by other local government grants commissions relating to recognising regional significance compared to regional responsibility; and
- a review of the relationship of the Commission's current Regional Responsibility Cost Adjustor with other cost adjustors.

2. Introduction

The Commission regularly reviews its models and processes to ensure it is still relevant and up to date and can be supported by available data. The Commission last reviewed its Regional Responsibility Cost Adjustor in 2012 and therefore considers a review is now warranted.

The topic of regional responsibility was also resubmitted by Launceston City Council in 2016 as a matter requiring further review and consideration by the Commission.

During 2018, the Commission intends to review the Regional Responsibility Cost Adjustor.

The purpose of this paper is to:

- 1) explore the logic behind this cost adjustor; and
- 2) consider what data or judgement might best be used in the assessment.

Ultimately, the primary outcome the Commission seeks from the review is to increase the objectivity and measurability of the Commission's recognition of regionality, which is consistent with the Commission's General State Principle in respect of Data quality and resources (replicated below).

- **Data quality and sources**

The Commission takes the accuracy and consistency of data very seriously and actively seeks to increase the integrity of the data used within its assessments. The Commission has a strong preference for independent measures and data sources to inform its modelling, while being able to exercise broad judgement in its deliberations in relation to sources of data.

The Commission actively seeks to increase the integrity of the data used within the Commission's assessments and ensure its methods are contemporary and equitable across councils. The Commission may exercise its judgement and adopt alternative information sources where it considers such to be justified.

There are a number of objectives Commission seeks to achieve from the review, as follows:

- I. test and satisfy the Commission that the concept of regional responsibility is legitimate and real, and warrants continued recognition in the Commission's Base Grant Model;

2. review the current regional responsibility cost adjustor to determine if its rankings are still reasonable in light of the construction of new assets in some regions. Note the current rankings for the regional responsibility cost adjustor were last updated for the 2012-13 Financial Assistance Grant distributions. A copy of the cost adjustor, including rankings, used for the 2011-12 Financial Assistance Grant distributions is provided at Attachment 2; and
3. identify some data that helps support the current regional responsibility cost adjustor rankings (whether that be specific data, or designing some alternative data that could form a proxy indicator of regional significance (e.g. number of feeder schools/students within a 25/50km radius of the facility)).

The Commission has reviewed the use of similar cost adjustors and other mechanisms in other jurisdictions where they are available. The scope of this Review, however, will not extend to replacing the current Regional Responsibility Cost Adjustor with one which measures a different disadvantage. For example, the Commission is already aware of Victoria's approach of recognising regional significance using a cost adjustor which is based on employment in service industries. While this approach is of interest, the Commission considers that the disadvantage being measured by the Victorian cost adjustor is different to that currently being recognised through Tasmania's Regional Responsibility Cost Adjustor.

Should the Commission consider an alternative approach should be investigated, this will form part of a future review.

In past hearings, councils have outlined to the Commission a variety of ways in which councils have had to take on new responsibilities due to isolation and market failure. While the Commission welcomes such discussion and hearing about current issues facing councils, the Commission's current view is that responsibilities due to market failure represent a type of disadvantage which is different, and more localised, than regional responsibility.

3. Background - Cost Adjustors in the Base Grant Model (BGM)

The Commission assesses the relative needs of councils in Tasmania using a model it calls the Base Grant Model (BGM). The BGM is designed to comply with the National Principles for the distribution of funding provided by the Australian Government, the primary principle being Horizontal Fiscal Equalisation (HFE).

The BGM includes all of the formulae and processes by which the Commission determines each council's relative need for financial assistance grant funding. The BGM, amongst other things, applies cost adjustors to each council's "standard" expenditure to convert it to a standardised expenditure for each expenditure category for each council. Each cost adjustor aims to assign a graded ranking based on each council's particular circumstances and thus relative advantage or disadvantage for the particular issue under consideration. Collectively, these individual expenditure assessments combine to inform the Commission of each council's total expenditure requirement, and helps determine each council's relative need for financial assistance, and thus relative share in the financial assistance grant funds made available by the Australian Government.

The Commission currently recognises eleven cost adjustors in its BGM. These cost adjustors can conveniently be broken into groups of issues that they aim to address or measure. For the purpose of this paper, the cost adjustor groupings can be viewed as follows:

Resident Services type Cost Adjustors

Dispersion: This cost adjustor relates to the additional costs incurred in servicing a widely scattered population within a municipality.

Unemployment: This cost adjustor attempts to capture the additional costs that councils incur through having a higher than average proportion of unemployed working-age residents.

Economies of Scale type Cost Adjustors

Scale - Administration: This cost adjustor strives to reflect the diseconomies of scale experienced by smaller councils in providing a range of administrative services.

Scale - Other: This cost adjustor strives to reflect the diseconomies of scale experienced by smaller councils in providing a range of non-administrative services.

Population Decline: Councils face disadvantages as a result of fluctuations in population levels. This may lead to councils being committed to excess capacity in certain service areas when they experience rapid population decline. This cost adjustor recognises that it takes time to respond and adjust or restructure when faced with rapid declines in population.

Non-Resident Services type Cost Adjustors

Absentee Population: Recognises a council may have to support a much higher seasonal population when "absent" property owners move back (e.g. holiday homes). This cost adjustor adjusts for the additional "population" based on unoccupied dwellings that must be serviced within a municipality, when the additional population does not live in that municipality on a permanent basis.

Worker Influx: This cost adjustor recognises that some council services may have to include workers whose employment brings them into the municipality from other municipalities. The Worker Influx Cost Adjustor is designed to reflect the additional costs imposed on municipalities that have significant daily net influxes of non-resident workers.

Regional Responsibility: Recognises that councils may actually have responsibility for a wider population than just the one within its boundaries. This cost adjustor is applied to the relevant expenditures of those municipalities that provide particular services recognised as being not only for their own residents but also for servicing the residents of surrounding municipalities.

Tourism: Recognises that tourist numbers reflect a larger population than the number actually resident within the municipality and recognises that councils generally incur additional costs as a result of tourist influx through increased use of council resources and infrastructure.¹

Geographical type Cost Adjustors

Climate: This cost adjustor recognises additional costs arising from climatic factors, such as excessive 'downtime' of outdoor work due to rain, as well as increased maintenance costs on council infrastructure through adverse weather.

Isolation: This cost adjustor is designed to reflect the increased costs associated with being geographically isolated within the State.

¹ The Commission has decided to phase out the Tourism Cost Adjustor from the BGM due to loss of a data source. The phase out will be over two years, commencing from the 2018-19 Financial Assistance Grant Allocations.

4. Regional Responsibility Cost Adjustor

Over many years, various councils have argued that the provision of certain regional services or infrastructure warrant additional acknowledgement within the BGM calculations, due to the significant cost of providing those services. Typically the services linked to these arguments have been significant sporting or cultural facilities that require significant investment by councils and ongoing costs, including depreciation. Councils argued that these facilities are the result of their responsibility to serve a population greater than just the residents of their own municipality, and therefore the “real” number of people being serviced needed recognition. In the absence of suitable data, the focus of any measures of this regional responsibility has been on the type and scale of the facilities that are provided in these municipalities.

When the Australian Bureau of Statistics (ABS) attempted to find a quantitative measure in the late 1990's to assess the feasibility of producing what it called "service population" estimates for local government areas, it 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.”

Despite there being a large amount of information available, at the time the ABS could not identify generic indicators that would successfully estimate service population across all the LGAs selected for its Western Australia pilot study.

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. Sometimes these exist as a result of building on a natural blessing or features of a location or area. However, finding measures of such impacts, or drivers for regional responsibility expenditure has remained elusive. Various approaches have been adopted by LGGCs seeking

to capture this impact as best they can (see Attachment 1)² but in recent times several LGGCs have ceased to apply such measures due to the lack of a suitable objective measure.

The State Grants Commission currently accounts for the regional nature of council service provision through the Regional Responsibility Cost Adjustor. By recognising such, the Commission has historically accepted that some Tasmanian councils provide recreational or cultural facilities at a level which reflects a responsibility for a population wider than just their own resident population.

Prior to the 2005-06 assessment, this cost adjustor was applied to several expenditure categories, but since then it has been applied to the Recreation and Culture expenditure category only.

The current Regional Responsibility Cost Adjustor (refer Attachment 2) has been determined by the broad judgement of the Commission. To initially help determine this, the Commission examined 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 depended on the infrastructure provided and the perceived regional importance of that infrastructure. Typically this infrastructure is recreation or culturally based infrastructure, but may include other forms of infrastructure.

Currently six councils are recognised as providing services of a regional nature. These are Burnie, Clarence, Devonport, Glenorchy, Hobart and Launceston³.

The rankings that are currently applied by the Regional Responsibility Cost Adjustor were last reviewed and updated for the 2012-13 Financial Assistance Grant Recommendations.

In recent years several other councils have also undertaken upgrades to facilities that are typically argued as providing regional services (e.g. Burnie Swimming Pool, Devonport Swim Centre, and Clarence Blundstone Arena). Other councils have also invested in, or are investing in, similar type facilities, such as the Dial Regional Sports Complex in Ulverstone (Central Coast), the upgrading of sporting grounds in Prospect (Meander Valley), the Blue Tiers Mountain Bike Track (Dorset and Break O'Day) and the Twin Ovals at Kingston (Kingborough). Other regional facilities also include the Windsor Community Precinct which includes both sporting facilities and a regional medical services hub (West Tamar).

² Interestingly, the Commonwealth Grants Commission (CGC) representative stated at the recent Local Government Grants Commission Forum in Adelaide, South Australia in 30-31 October 2017, that the CGC approach is to not recognise something if it cannot identify a driver for the matter.

³ Clarence, Glenorchy, Hobart and Launceston are also Minimum Grant councils. Kingborough Council is the only Minimum Grant council that is not currently recognised as having any regional responsibility.

5. Launceston City Council: Statistics of a regional hub

The municipal area for the Launceston City Council has a resident population of approximately 67 000, and is the major council in a region which has 144 000 of Tasmania's total population of almost 520 000.

Launceston City Council currently receives the 30 per cent per capita Minimum Grant portion of the Base Grant funding pool. It currently does not receive any of the Relative Needs portion of the Base Grant funding pool.

Launceston's actual 2015-16 expenditure on recreation and cultural operations was \$25 644 691 after grants and other financial support, which represents 39 per cent of Launceston City Council's total non-roads expenditure and 32.2 per cent of its total 2015-16 expenditure⁴. Launceston City Council's expenditure on Recreation and Culture represents 21.43 per cent of the total state expenditure on recreation and culture, only being surpassed by Hobart City Council (\$31,339,610 or 26.19 per cent of Total Expenditure on Recreation and Culture).

Launceston City Council has actual recreation and culture expenditure which is approximately two thirds higher (\$382 per person) than the Tasmanian state average of \$231 per person. (Hobart City Council is 265 per cent higher at \$613 per person).

Launceston City Council amasses its expenditure through provision of a number of major recreation and culture related facilities. These include:

- Queen Victoria Museum and Art Gallery⁵;

⁴ Figures reflect calculations based on data sourced from Launceston City Council's 2015-16 Consolidated Data Collection (CDC) Return.

⁵ Councils in Tasmania generally do not run major museums. However, responsibility, by way of permanent endowment, for the QVMAG has been passed to Launceston City Council by State legislation (Part 16 Division 2 of the *Local Government Act 1993 (Tasmania)*). As part of this arrangement, Launceston City Council receives an appropriation amount to be used by the Launceston City Council towards –

(a) the salaries of persons employed by the Launceston City Council in relation to the Queen Victoria Museum and Art Gallery; and

(b) the maintenance, management and other charges in respect of the Queen Victoria Museum and Art Gallery; and

(c) obtaining specimens of natural history, goods, chattels, paintings and works of art for the Queen Victoria Museum and Art Gallery.

- University of Tasmania Stadium (previously Aurora Stadium)⁶; and
- Launceston Leisure and Aquatic Centre.

Launceston City Council currently receives the highest ranking recognition from the current cost adjustor of 1.4 (refer Attachment 2).

In 2015-16, the Launceston City Council received an appropriation of \$1 366 200 towards the costs of the QVMAG from Arts Tasmania. The 2015-16 Annual Report for the QVMAG is available at <http://www.qvmag.tas.gov.au/About/About-QVMAG>. Page 42 of the report details the QVM Statement of Revenues and Expenses for the Year ended 30 June 2016.

⁶ This is currently the "Home of the Tassie Hawks" and is a major stadium with seating capacity of 21,000.

6. The logic of recognising Regional Responsibility Disadvantage

What are we trying to capture?

If it is accepted that a regional council is servicing a significantly greater number of people than simply those in its municipal area, then the “real” population serviced should be the logical focus of any measure.

Using the scale of any facilities or capital and operational cost of facilities as a proxy indicator of population serviced, however, presents some risk, and has the potential to distort the situation, for example when facilities are built to a higher scale or standard than is reasonably required for the population serviced. A council may build, or have built, regional facilities to a higher standard than that required to service both its own population and meet its “regional responsibility” based on other policy objectives or factors. Unfortunately, in cases without any clear distinction between what is needed to service a region and what might be viewed as excessive/excess capacity, it will be difficult to distinguish between what expenditure should be recognised for determining regional responsibility requirements (standard and standardised expenditure) and what is additional expenditure (being that portion representing additional expenditure due to the policy choice to provide higher scale facilities). This may even result in councils making less efficient expenditure decisions or the Commission recognising more expenditure than it should.

While past reviews of Regional Responsibility rankings have considered both the revenues and expenditure of regional facilities, when applying the Regional Responsibility Cost Adjustor to council recreation and cultural expenditure in the Base Grant Model, the Commission uses only net council expenditure (actual expenditure less any relevant Other Financial Support that a council may have received) to determine the Expenditure Requirement⁷.

The Challenge of Policy Choice versus Responsibility

It can be difficult to draw the line between when a certain level of service or facility provided is a matter of policy (i.e. choice) to provide a (better) service (e.g. better standard of facility than is

⁷ The Commission assesses standardised revenue capacity, based on the average rate in the dollar and the Assessed Annual Value of properties in each municipality.

required to service a region's population) versus a responsibility to provide a service. Business cases, level of interest from the private sector and depth of the market (number of suppliers) for providing such services can be useful inputs to these deliberations.

The fact that a council spends in excess of the state average in a particular area does not, of itself, prove there is a disadvantage which the Commission needs to address in its model. However, to date it has been the Commission's judgement that adjusting for the disadvantage of regional responsibility is consistent with the section of the first National Principle (Horizontal Fiscal Equalisation) which states that the allocation of grants should take account of "differences in the expenditure required by those local governing bodies in the performance of their functions."

In addition to considering Horizontal Fiscal Equalisation in determining grant allocations, the Commission is required to apply the National Principle of Effort Neutrality⁸. Differentiating between regional infrastructure expenditure due to responsibility and expenditure due to policy is difficult. In some cases, the facility may have an underlying basis of responsibility to the region, but the extent of the expenditure made may be dictated by policy decision of a council.

That is, whether these additional costs are the product of a duty or responsibility imposed on councils to incur, or a matter of policy choice to incur is not clear. Drawing on the New South Wales observations of public toilet costs for councils with urban centres on major traffic routes incurring higher than average costs, a similar observation may exist for recreational and cultural facilities on major traffic routes or close to major traffic routes. Whether this "higher cost" is an obligation, or one of choice (given the standard is generally higher than rural equivalent facilities) is still not apparent.

How best do we capture responsibility?

The ABS study in the late 1990's indicated that measuring "serviced" population is difficult. The ABS still has no suitable measure. It is for this lack of measure, and difficulty in determining the extent of responsibility, some LGCCs have ceased, or looking to cease, to have a measure of regionality in their models.

The Commission's Regional Responsibility Cost Adjustor (as detailed in Section 3 and Attachment 2) is underpinned by Commission judgements of the level of regionality (which is informed by an examination of revenue and expenditure (including depreciation) of council facilities, with the most recent review occurring in 2012-13 based on 2010-11 data). The link to current infrastructure provided to the population "served" is now less clear.

If we accept the premise that regionality is driven by the real number of people serviced, then continuing with a measure focusing on judgement and infrastructure "drivers" would appear to be at odds. It is suggested that a more acceptable and objective measure may be one that is based on the number of people in a region, either in full or in part.

⁸ National Principle 2 states that LGCCS are to apply an Effort or policy neutral approach to their deliberations in assessing expenditure requirements and revenue raising capacity of each local governing body. This means as far as practicable, policies of individual local governing bodies in terms of expenditure and revenue effort will not affect the grant determination.

If we assume that support for a concept of regionality in the Commission's BGM exists and the existing approach is unsatisfactory, the question becomes: Can we develop a suitable proxy measure that has some grounding in objective data, and relates albeit indirectly, to "people" served, if we make some assumptions relating to the primary source of population movements?

Attachment 6 and its associated graph, provides some examples of how a measure based on population, either using banding thresholds (block rating), a greater suburb ranking (limited to one close neighbouring council), and a greater city ranking system (attributing the greater suburb population to the respective city council) might look.

To develop the proxy measures used in Attachment 6, rankings have been assigned based on municipal populations.

For example, the Block ranking approach assigns a score based on each municipal population, with a ranking of either 1, 2, 3 or 4 depending on whether the population is either below 25,000 people, above 25,000 but below 50,000 people, above 50,000 but below 60,000 people and above 60,000 people respectively.

The greater suburb ranking proxy measure assigns a ranking of either 1, 2, 3, 4 or 5 depending on where the combined population of the municipality with its nearest/dominant feeder municipality's population is either less than 30,000 people, greater than 30,000 but less than 60,000 people, greater than 60,000 but less than 80,000 people, greater than 80,000 but less than 90,000 people, or greater than 90,000 people respectively. The greater suburb concept is aimed at reflecting a broader population that adjoins a municipality and from which most of the regional servicing is likely to be generated.

In arriving at the Greater Suburb proxy measure, adjoining suburbs have been restricted to one municipality, to avoid double counting a population when awarding rankings.

For the Greater City Council proxy measure rankings, a similar "one adjoining council" limitation has been applied when evaluating the population size but with the further assumed restriction that only municipalities that contain a city, are assigned a ranking greater than 1. This results in some "feeder or dormitory councils" which may not provide a significant amount of regional infrastructure and services, not being assigned a high Regional Responsibility ranking simply because it adjoins a municipality that has a large population.

The options for high level proxy cost adjustor measures is not restricted to just the above mentioned concepts. The Commission is interested in developing any other ideas for proxy measures that may be designed, with relatively little effort, and which may intuitively result in a "regionality" profile that links to population served and provide a reasonable and objective measure suitable for use in the BGM.

7. Points for Discussion

The Commission seeks council submissions and views on the following questions:

1. How would you define regional responsibility?
2. Does a regional responsibility cost disadvantage exist and if so, does it exist to a level that warrants ongoing recognition in the Commission's BGM?
3. If a Regional Responsibility Cost Adjustor should be retained in the BGM,
 - a. Is the current cost adjustor approach appropriate and reasonable?
 - b. If so, should the Commission retain the existing cost adjustor ((maintain the status quo/current rankings and range factor)? If not, what should they be?
4. Should the current cost adjustor be replaced with a form of proxy cost adjustor, such as the block or greater suburb or greater city block rankings as suggested in Attachment 6 or an alternative form of recognition (e.g. a set expenditure allowance)?
5. If the Regional Responsibility Cost Adjustor be changed, please rank your preference of proxy adjustors, and provide any comments or suggestions regarding any possible amendments to these proxy measures, or suggestions for alternative proxy measures.
6. Should the Commission undertake a further review of approaches used by other jurisdictions based around people employed in service industries as a proportion of employment or population? If so, does this need to include consideration of possible modifications to the relationship with other cost adjustors such as Worker Influx and Absentee Population Cost Adjustors?

8. 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 Executive Officer as follows:

- By post: The Executive Officer
 State Grants Commission
 GPO Box 147
 HOBART TAS 7001
- By email: SGC@treasury.tas.gov.au

Further details regarding the annual assessments can be found in the Commission's 2016-17 Annual Report and the State Grants Commission Financial Assistance Distribution Methodology that are both 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. Alternatively, direct access to the Commission website, access the following link:

<http://www.treasury.tas.gov.au/state-grants-commission>

Submissions close on Friday 2 February 2018.

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

2018 Hearings and Visits

The Commission will provide councils with an opportunity to discuss this paper and any other concerns during the 2018 Hearings and Visits program that will begin in February 2018.

ATTACHMENTS

ATTACHMENT I INTER-JURISDICTIONAL COMPARISONS

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).

Other Local Government Grants Commissions (LGGCs) 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. Disability factors for non-resident use have generally been determined as follows, based on sampling:

Major regional centres: 50%;
Parramatta: 50%;
Newcastle: 50%.

Following significant boundary changes in 2004, Sydney City was revised down from 150 to 110 to give a similar outcome to that of the former pre-amalgamated council

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. The number of food premises is taken from the council return. The number of premises per thousand capita in each council is compared to the average of all councils. 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. The calculation is based on 5 year averaged net expenditure per capita for public toilets for the council compared to the 5 year average per capita for the state. Applied to Health and Safety.

Examination of the reported expenditure indicated that coastal councils spend significant amounts, metropolitan councils generally spend little and provincial councils spend a little above the average; rural councils with urban centres on major traffic routes tend to spend above average amounts.

Non-Resident Borrowers – additional cost of providing library services for non-residents. The disability factor for non-resident borrowers attempts to recognise the additional cost of providing services to non-residents. Applied to: Libraries.

The measure used is the percentage of non-resident borrowers plus 100, which is calculated using “registered members” and “non-resident members” information published by the State Library of NSW. A weighting of 1 is applied with an upper limit of a 10% weighted disability factor, due to concerns with the accuracy of the data (councils use different time periods to purge their records). Where councils enter into regional library service arrangements the non-resident measure for the regional group is applied to the constituent councils.

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. The assessment of the disability factor for Regional Centres and Secondary CBDs is based on advice by the former Department of Urban Affairs and Planning (DUAP) and Commission judgement. Applied to: Planning and Building Services

Daytrippers – additional cost of providing facilities for one-off day visitors. Based on Commission judgement. On the basis of the data a simple disability factor ranking was developed using the per capita day visitor numbers, where available. A weighting of 0.1813796 has been applied to the per capita day visitor numbers. 0.1813796 is the multiplier required to weight back the highest per capita score of 27.6 (Kiama) to 5, the maximum disability factor previously used for this measure. The results have been rounded to the nearest integer. For those metropolitan LGAs where day visitor numbers are not published Commission judgement has been used.. Applied to: Recreation.

Non-Resident Use (Recreation) – costs of additional services required in regional and tourist centres. The index generally is in range 100-125 determined by the Commission based on a sampling of councils. Factors for non-resident use have been determined within the following guidelines:

Generally:

- councils with major tourist attractions are given allowances of 5 - 20%;
- major regional centres are given allowances of 10%;
- minor regional centres without rural areas are given allowances of 5 - 10%;
- major regional centres with significant rural areas are given allowances of 7%;
- metropolitan councils with major regional recreational facilities not directly related to council policy are given allowances of 2 - 5%.

Applied to: Recreation.

Non-Urban Measure – recognises the cost advantages of councils whose residents have the opportunity to use facilities provided in adjacent centres. An index in a range 50-100, determined by the Commission based on a sampling of councils, is used. Because of the clear cost advantage to some councils, negatives are calculated for this component of the function. Applied to: Recreation.

South Australia

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.

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. It uses as its data source Australian Bureau of Statistics, Census 2011 of Population and Housing, Local Government Area (2011 Boundaries), (Place of Work)

Employment by Industry, generated by ABS TableBuilder, March 2013. 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.

Western Australia

The Regional Centres Disability recognises the additional cost incurred by local governments providing services to non-residents. These non-resident populations impact on recreation and culture, community amenities and governance expenditures. The Commission applies the following definition to a regional centre:

A town site with a relatively large population within its region, providing most essential State and local government services. Consisting of a large diverse employment base and acting as a transport hub for major road networks to connect surrounding settlements to services that are beyond the boundary of the local government.

The Commission has acknowledged the following local governments as regional centres:

1. Perth
2. Albany, Bunbury, Greater Geraldton, Kalgoorlie-Boulder
3. Camarvon, Esperance, Manjimup, Merredin, Northam, Narrogin, Armadale, Joondalup, Mandurah, Swan, Katanning

Tier 3 local governments are allocated a relativity of 2, tier 2 local governments are allocated a relativity of 5 and the City of Perth is allocated a relativity of 10. These relativities in combination with population share are used to calculate the Regional Centres Disability.

Applied to: Recreation and Culture, Community Amenities, Governance

Data Used: The Commission exercises its discretion on which local governments qualify as a regional centre.

Purpose: The Regional Centres Disability recognises that local governments incur additional costs for the provision of services and facilities on a recurrent basis as a consequence of population inflow from other local governments.

Other LGGCs

The **Queensland** and **Northern Territory** Commissions do not make any adjustment for regionality or non-resident use. Queensland decided to cease making regional role and tourism and services industry employment type adjustments as part of its [2011 Review](#)⁹.

⁹ Refer Page 23 of the Queensland Local Government Grants Commission Methodology Review - Information Paper September 2011.

ATTACHMENT 2

CURRENT (2017-18) FINANCIAL ASSISTANCE GRANT DISTRIBUTIONS BGM REGIONAL RESPONSIBILITY RANKINGS/COST ADJUSTOR

	DATA		Pop Weighted Avg (PWA)		COST ADJUSTOR		
	Populatio n 2016p a	Reg Resp Index b	STEP 1 c = a x b	STEP 2 d = Σc / Σa	RAW CA e = b / d	Range Factor RF-> - 0.181	Ranged CA f = (b+RF)/(d+R F) Ra nk
Break O'Day	6 453	1.00	6 453		0.918		0.901 7
Brighton	16 101	1.00	16 101		0.918		0.901 7
Burnie	19 779	1.10	21 757		1.009		1.011 2
Central Coast	22 313	1.00	22 313		0.918		0.901 7
Central Highlands	2 301	1.00	2 301		0.918		0.901 7
Circular Head	8 187	1.00	8 187		0.918		0.901 7
Clarence	55 175	1.10	60 693		1.009		1.011 2
Derwent Valley	10 045	1.00	10 045		0.918		0.901 7
Devonport	25 579	1.10	28 137		1.009		1.011 2
Dorset	7 078	1.00	7 078		0.918		0.901 7
Flinders	786	1.00	786		0.918		0.901 7
George Town	6 870	1.00	6 870		0.918		0.901 7
Glamorgan Spring Bay	4 528	1.00	4 528		0.918		0.901 7
Glenorchy	46 143	1.10	50 757		1.009		1.011 2
Hobart	51 127	1.10	56 240		1.009		1.011 2
Huon Valley	16 577	1.00	16 577		0.918		0.901 7
Kentish	6 497	1.00	6 497		0.918		0.901 7
King Island	1 583	1.00	1 583		0.918		0.901 7
Kingborough	36 197	1.00	36 197		0.918		0.901 7
Latrobe	11 097	1.00	11 097		0.918		0.901 7
Launceston	67 181	1.40	94 053		1.285		1.341 1
Meander Valley	19 801	1.00	19 801		0.918		0.901 7
Northern Midlands	12 758	1.00	12 758		0.918		0.901 7
Sorell	14 146	1.00	14 146		0.918		0.901 7
Southern Midlands	6 303	1.00	6 303		0.918		0.901 7
Tasman	2 404	1.00	2 404		0.918		0.901 7
Waratah-Wynyard	14 276	1.00	14 276		0.918		0.901 7
West Coast	4 435	1.00	4 435		0.918		0.901 7
West Tamar	23 343	1.00	23 343		0.918		0.901 7
STATE TOTAL	519 063		565 716	PWA = 1.090	PWA = 1.000		PWA = 1.000
					max = 1.285		max = 1.341
					min = 0.918		min = 0.901

Mtg 362

Range Factor affirmed maximum shift of 34.1% of applicable expenditure categories (Lau is maximum)

ATTACHMENT 3 RECREATION AND CULTURE EXPENDITURE 2015-16 DATA

Council	2016p	RECREATION & CULTURE		
		ACTUAL	AVERAGE (STANDARD)	ASSESSED (STANDARDISED)
Break O'Day	6 453	876 068	1 487 549	2 022 984
Brighton	16 101	1 031 891	3 711 612	2 959 847
Burnie	19 779	6 727 431	4 559 467	4 415 405
Central Coast	22 313	3 482 678	5 143 606	4 527 640
Central Highlands	2 301	304 942	530 428	973 102
Circular Head	8 187	1 139 731	1 887 272	2 193 063
Clarence	55 175	8 188 692	12 718 974	11 079 883
Derwent Valley	10 045	1 755 200	2 315 579	2 179 260
Devonport	25 579	6 313 107	5 896 486	5 482 992
Dorset	7 078	1 823 500	1 631 625	1 972 731
Flinders	786	- 2 274	181 189	330 581
George Town	6 870	1 527 311	1 583 676	1 711 174
Glamorgan-Spring Bay	4 528	373 279	1 043 797	1 806 261
Glenorchy	46 143	4 982 714	10 636 912	8 903 420
Hobart	51 127	31 339 610	11 785 826	10 999 697
Huon Valley	16 577	1 834 546	3 821 340	3 984 347
Kentish	6 497	702 348	1 497 692	1 611 997
King Island	1 583	223 017	364 914	569 479
Kingborough	36 197	5 203 645	8 344 154	7 035 239
Latrobe	11 097	2 321 549	2 558 087	2 534 666
Launceston	67 181	25 644 691	15 486 604	19 033 200
Meander Valley	19 801	2 013 232	4 564 538	4 545 941
Northern Midlands	12 758	1 571 016	2 940 982	2 937 571
Sorell	14 146	1 798 589	3 260 944	3 132 696
Southern Midlands	6 303	727 670	1 452 971	1 704 496
Tasman	2 404	148 990	554 172	929 916
Waratah-Wynyard	14 276	2 121 954	3 290 912	3 127 602
West Coast	4 435	1 858 983	1 022 359	1 693 294
West Tamar	23 343	3 620 600	5 381 042	5 256 226
STATE TOTAL	519 063	119 654 711	119 654 711	119 654 711

ATTACHMENT 4 2015-16 EXPENDITURE

			RECREATION & CULTURE								ALL EXPENDITURE		% Actual R&C/Actual Total	% Standardised R&C/%Standardised Total
	ACTUAL		ACTUAL	AVERAGE	ASSESSED					ACTUAL	ASSESSED			
	<i>2016p</i>	<i>% of Total</i>	(NET OFS)	(STANDARD)	(STANDARDISED)	% of Actual Total	% after Cas	Diff Standard - Actual	Diff Standardised - Actual	(NET OFS)	(STANDARDISED)			
Break O'Day	6453	1.24%	876,068.00	1,487,549.39	2,022,984.31	0.73%	1.69%	611,481.39	1,146,916.31	12,722,130.45	14,697,727.21	6.89%	13.76%	
Brighton	16101	3.10%	1,031,891.00	3,711,612.07	2,959,847.47	0.86%	2.47%	2,679,721.07	1,927,956.47	12,847,083.00	15,952,893.97	8.03%	18.55%	
Burnie	19779	3.81%	6,727,431.00	4,559,466.81	4,415,405.04	5.62%	3.69%	-2,167,964.19	-2,312,025.96	28,646,255.00	22,305,979.40	23.48%	19.79%	
Central Coast	22313	4.30%	3,482,678.00	5,143,605.99	4,527,639.94	2.91%	3.78%	1,660,927.99	1,044,961.94	22,200,990.41	26,830,981.51	15.69%	16.87%	
Central Highlands	2301	0.44%	304,942.00	530,427.88	973,102.37	0.25%	0.81%	225,485.88	668,160.37	6,008,354.00	9,856,435.04	5.08%	9.87%	
Circular Head	8187	1.58%	1,139,731.00	1,887,272.09	2,193,062.84	0.95%	1.83%	747,541.09	1,053,331.84	13,160,614.00	17,135,936.80	8.66%	12.80%	
Clarence	55175	10.63%	8,188,692.00	12,718,973.72	11,079,883.10	6.84%	9.26%	4,530,281.72	2,891,191.10	47,880,989.00	48,582,051.06	17.10%	22.81%	
Derwent Valley	10045	1.94%	1,755,200.00	2,315,579.36	2,179,259.60	1.47%	1.82%	2,179,259.60	424,059.60	10,363,834.00	13,429,915.21	16.94%	16.23%	
Devonport	25579	4.93%	6,313,107.00	5,896,486.25	5,482,991.86	5.28%	4.58%	-416,620.75	-830,115.14	29,596,497.42	26,553,335.58	21.33%	20.65%	
Dorset	7078	1.36%	1,823,500.00	1,631,624.76	1,972,731.47	1.52%	1.65%	-191,875.24	149,231.47	9,785,500.00	15,746,989.96	18.63%	12.53%	
Flinders	786	0.15%	-2,274.00	181,189.19	330,580.54	0.00%	0.28%	183,463.19	332,854.54	5,046,330.46	4,535,057.75	-0.05%	7.29%	
George Town	6870	1.32%	1,527,311.46	1,583,676.47	1,711,174.23	1.28%	1.43%	56,365.01	183,862.77	10,634,295.16	10,817,404.57	14.36%	15.82%	
Glamorgan-Spring Bay	4528	0.87%	373,279.00	1,043,797.25	1,806,261.12	0.31%	1.51%	670,518.25	1,432,982.12	11,183,551.40	10,734,667.92	3.34%	16.83%	
Glenorchy	46143	8.89%	4,982,714.09	10,636,911.72	8,903,419.88	4.16%	7.44%	5,654,197.63	3,920,705.79	44,947,025.64	41,039,677.35	11.09%	21.69%	
Hobart	51127	9.85%	31,339,610.00	11,785,826.36	10,999,697.14	26.19%	9.19%	-19,553,783.64	-20,339,912.86	92,797,819.53	47,751,423.83	33.77%	23.04%	
Huon Valley	16577	3.19%	1,834,546.00	3,821,339.87	3,984,346.89	1.53%	3.33%	1,986,793.87	2,149,800.89	19,944,507.71	22,873,348.56	9.20%	17.42%	
Kentish	6497	1.25%	702,348.43	1,497,692.29	1,611,996.68	0.59%	1.35%	795,343.86	909,648.25	9,050,743.86	11,913,930.47	7.76%	13.53%	
King Island	1583	0.30%	223,016.71	364,914.10	569,479.06	0.19%	0.48%	141,897.39	346,462.35	4,893,981.38	6,649,149.05	4.56%	8.56%	
Kingborough	36197	6.97%	5,203,645.00	8,344,153.91	7,035,239.45	4.35%	5.88%	3,140,508.91	1,831,594.45	33,775,433.00	35,076,308.25	15.41%	20.06%	
Latrobe	11097	2.14%	2,321,549.00	2,558,087.02	2,534,666.42	1.94%	2.12%	236,538.02	213,117.42	13,363,971.00	13,890,669.65	17.37%	18.25%	
Launceston	67181	12.94%	25,644,691.00	15,486,603.96	19,033,200.10	21.43%	15.91%	-10,158,087.04	-6,611,490.90	79,727,304.83	69,372,545.02	32.17%	27.44%	
Meander Valley	19801	3.81%	2,013,232.00	4,564,538.26	4,545,941.15	1.68%	3.80%	2,551,306.26	2,532,709.15	17,177,415.00	27,052,366.88	11.72%	16.80%	
Northern Midlands	12758	2.46%	1,571,016.00	2,940,981.73	2,937,570.74	1.31%	2.46%	1,369,965.73	1,366,554.74	15,596,089.00	21,960,645.33	10.07%	13.38%	
Sorell	14146	2.73%	1,798,589.08	3,260,944.31	3,132,695.91	1.50%	2.62%	1,462,355.23	1,334,106.83	14,457,821.03	17,286,611.26	12.44%	18.12%	
Southern Midlands	6303	1.21%	727,670.07	1,452,971.30	1,704,496.23	0.61%	1.42%	725,301.23	976,826.17	9,687,870.64	13,810,366.38	7.51%	12.34%	
Tasman	2404	0.46%	148,990.00	554,171.51	929,915.70	0.12%	0.78%	405,181.51	780,925.70	4,856,334.00	5,908,349.03	3.07%	15.74%	
Waratah-Wynyard	14276	2.75%	2,121,954.00	3,290,911.99	3,127,602.13	1.77%	2.61%	1,168,957.99	1,005,648.13	16,138,318.18	18,913,602.79	13.15%	16.54%	
West Coast	4435	0.85%	1,858,982.73	1,022,358.83	1,693,293.53	1.55%	1.42%	-836,623.90	-165,689.20	9,555,236.81	9,231,315.06	19.46%	18.34%	
West Tamar	23343	4.50%	3,620,600.00	5,381,042.20	5,256,225.65	3.03%	4.39%	1,760,442.20	1,635,625.65	20,146,296.00	26,282,907.01	17.97%	20.00%	
STATE TOTAL	519063	100.00%	119,654,710.57	119,654,710.57	119,654,710.57	100.00%	100.00%			626,192,591.91	626,192,591.91	19.11%	19.11%	

ATTACHMENT 52011-12 FINANCIAL ASSISTANCE GRANT DISTRIBUTIONS BGM REGIONAL RESPONSIBILITY RANKINGS/COST ADJUSTOR

REGIONAL RESPONSIBILITY COST ADJUSTOR

	DATA		Pop Weighted Avg (PWA)		COST ADJUSTOR			Rank
	Population	Reg Resp Index	STEP 1	STEP 2	RAW CA	Range Factor	Ranged CA	
	2010p					RF-> 0.290	f= (b+RF)/(d+RF)	
	a	b	c = a x b	d = Σc / Σa	e = b / d			
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	

ATTACHMENT 6 HIGH LEVEL PROXY MEASURE - BASED ON POPULATION AND GREATER CITY CONCEPT

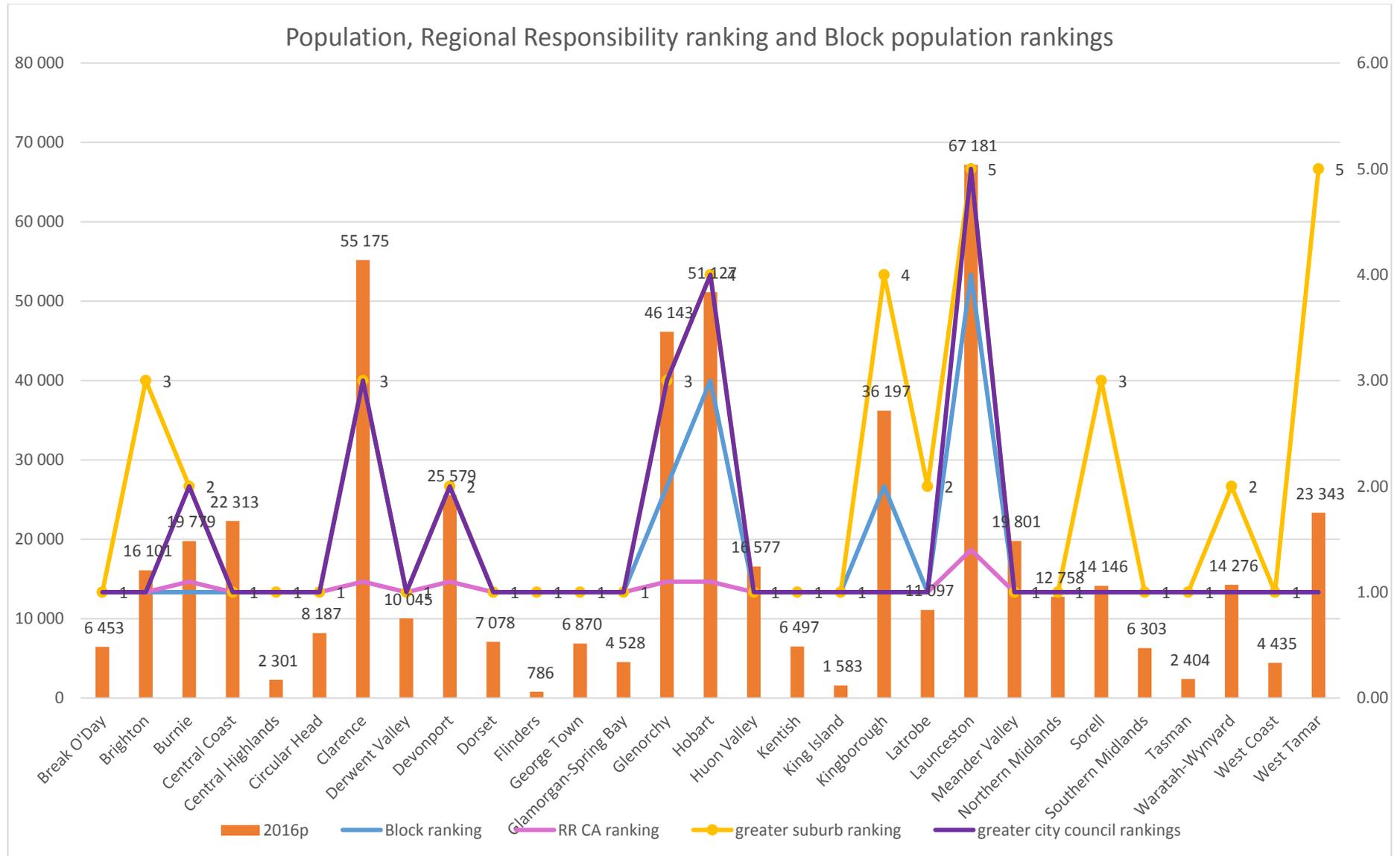
Council	Block ranking	2016p	RR CA ranking	greater suburb ranking	greater city council rankings
Break O'Day	1.00	6 453	1.00	1	1
Brighton	1.00	16 101	1.00	3	1
Burnie	1.00	19 779	1.10	2	2
Central Coast	1.00	22 313	1.00	1	1
Central Highlands	1.00	2 301	1.00	1	1
Circular Head	1.00	8 187	1.00	1	1
Clarence	3.00	55 175	1.10	3	3
Derwent Valley	1.00	10 045	1.00	1	1
Devonport	2.00	25 579	1.10	2	2
Dorset	1.00	7 078	1.00	1	1
Flinders	1.00	786	1.00	1	1
George Town	1.00	6 870	1.00	1	1
Glamorgan-Spring Bay	1.00	4 528	1.00	1	1
Glenorchy	2.00	46 143	1.10	3	3
Hobart	3.00	51 127	1.10	4	4
Huon Valley	1.00	16 577	1.00	1	1
Kentish	1.00	6 497	1.00	1	1
King Island	1.00	1 583	1.00	1	1
Kingborough	2.00	36 197	1.00	4	1
Latrobe	1.00	11 097	1.00	2	1
Launceston	4.00	67 181	1.40	5	5
Meander Valley	1.00	19 801	1.00	1	1
Northern Midlands	1.00	12 758	1.00	1	1
Sorell	1.00	14 146	1.00	3	1
Southern Midlands	1.00	6 303	1.00	1	1
Tasman	1.00	2 404	1.00	1	1
Waratah-Wynyard	1.00	14 276	1.00	2	1
West Coast	1.00	4 435	1.00	1	1
West Tamar	1.00	23 343	1.00	5	1

Block ranking approach used	Value	Greater Suburb Ranking system applied
Population>60000	4	ranking > 90000=5
Population >50000	3	ranking > 80000=4
Population>25000	2	ranking > 60000=3
Population<25000	1	ranking > 30000=2 ranking <30000=1

Greater Suburb Alignments used:

- Burnie and Waratah-Wynyard
- Clarence and Sorell
- Devonport and Latrobe
- Glenorchy and Brighton
- Hobart and Kingborough
- Launceston and West Tamar

COMPARISON OF RANKINGS V POPULATION: A POSSIBLE PROXY MEASURE OPTION COMPARISON





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Tasmanian
Government

State Grants Commission

21 Murray Street
HOBART TAS 7000

Phone: 03 6166 4274

Fax: 03 6233 5690

Visit: www.treasury.gov.au/state-grants-commission