

state grants commission
annual report for 05-06



Tasmania

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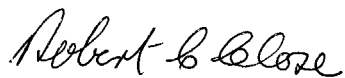
The Hon. Paul Lennon MHA

TREASURER

Dear Treasurer

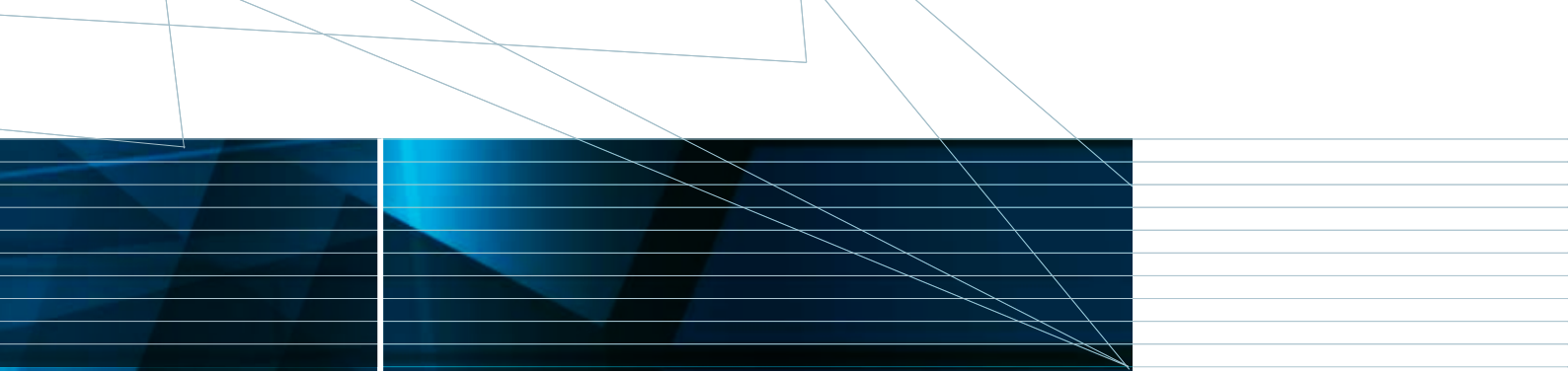
In accordance with Section 9(3) of the *State Grants Commission Act (No. 40 of 1976)*, I have pleasure in presenting the State Grants Commission's Annual Report and recommendations of financial assistance for local government authorities in Tasmania. This is the thirtieth Annual Report of the Commission, and relates to grants for payment in the 2005-06 financial year.

Yours sincerely

A handwritten signature in black ink that reads "Robert C. Close". The signature is written in a cursive style with a large initial 'R'.

R C Close

CHAIRMAN



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1 - Introduction

The State Grants Commission was established under the *State Grants Commission Act 1976*. It is responsible for making recommendations to the Treasurer concerning the distribution of Commonwealth Financial Assistance Grants (FAGs) and Identified Local Road Funds (ILRF) to local government.

In performing its task the Commission, *inter alia*, adopts the principle of horizontal fiscal equalisation to ensure that as far as possible, the grants which it recommends are sufficient to enable a municipality to function, by reasonable effort, at a standard not lower than the average standard of other municipalities within the State.

The abovementioned Act provides that the Commission comprise four members: a Chairman, who is appointed by the Governor; two representatives of local government nominated by the Minister responsible for the *Local Government Act 1993* from a list of four names submitted by the Local Government Association of Tasmania (LGAT); and one person nominated by the Secretary of the Department of Treasury and Finance and approved by the Treasurer.

The current members of the Commission are:

Mr R C Close	Chairman
Mr G P Appleyard	nominee of the Secretary of the Department of Treasury and Finance
Mr B A Southorn PSM	representative of local government
Mr G H K Denny	representative of local government



2 - Legislation governing the grants

The Commonwealth *Local Government (Financial Assistance) Act 1995* replaced the earlier 1986 Act in April 1995, which had in turn replaced the *Local Government (Personal Income Tax Sharing) Act 1976*. The Act prescribes the conditions that must be fulfilled for the states to receive funds, and stipulates the basis for distributing the funds among local governing bodies.

The Act also provides that a set of national principles governing the distribution of grants be developed in consultation with the states, territories and local government. The principles came into effect on 1 July 1996.

The most important principle is horizontal fiscal equalisation (HFE). However, the achievement of full HFE is compromised to some extent by the minimum grant principle which ensures that no local governing body will be allocated a base grant less than that which it would receive if 30 per cent of the State entitlement was allocated amongst local governing bodies in the State on an equal per capita basis.

The other principles include the need for effort neutrality in the assessments, inclusion of other grant support, recognition of the needs of Aboriginal and Torres Strait Islanders and the distribution of identified local road funds. These principles are described in full in Section 5 of this Report.

The principle regarding identified local road funds recognises the relative needs of councils for roads expenditure and the preservation of their road assets, but has no regard to councils' fiscal capacities. These funds remain separately identified but are untied and are not required to be spent on roads.

The Commonwealth Act provides for the base grant to be distributed on a population share basis among the states and the Northern Territory. This share is determined by the Commonwealth Statistician, based on state populations as at 31 December in the year prior to the application of the grants. Road funds are distributed between the states and territories on the basis of historical shares as defined in the *Australian Land Transport Development Act 1988*.

The Commonwealth Act also provided for a review of the operation of the Act to be carried out by no later 30 June 2001. The Commonwealth Grants Commission was appointed to undertake the required Review and its final report was publicly released on 4 July 2001. Section 4 of this Report provides a summary of the changes made to the Commission's equalisation method in response to the findings of this Review.

3 - Level of assistance for 2005-06

The amount of general purpose financial assistance provided for local government by the Commonwealth is shown in Table 1 below.

TABLE 1: Financial Assistance for Local Government 2005-06

	National pool of funds \$	Tasmanian grant entitlement \$	Proportion of national pool %	Increase on 2004-05 actual entitlement* %
Base grant	1,119,895,058	26,794,504	2.4	3.6
Road grant	476,930,394	26,333,800	5.3	4.0
Total grant	1,616,825,452	53,128,304	3.3	3.8

* This column shows the 2005-06 year estimated entitlement compared to the 2004-05 actual entitlement

Since the reforms of Commonwealth-State financial arrangements arising from the introduction of *A New Tax System* in 2000-01, the national quantum of local government general purpose financial assistance has been linked to annual changes in both the Australian population and the consumer price index, so that the pool is maintained in "real per capita" terms.

Tasmania's base grant increased by slightly less than the level of the indexation applied to the national pool, as the estimated Tasmanian population decreased as a proportion of the national population. According to the latest Australian Bureau of Statistics (ABS) estimates, Tasmania's population grew by 0.8 per cent over the year to 31 December 2004, compared to an Australian growth rate of 1.1 per cent.

The Commonwealth has determined that there will be a positive adjustment of \$272,037 to the 2004-05 estimated grant entitlement of \$50,922,446 as the estimate of inflation and population growth of 3.10 per cent used to determine last year's pool was lower than the actual level of 3.60 per cent. Therefore, the "final" 2004-05 grant entitlement for Tasmania has been calculated by the Commonwealth as \$51,194,483 (which is \$50,922,446 plus \$272,037). Details of the components of Financial Assistance Grants payments for 2005-06 are provided in Appendix 1.

This adjustment will be added to the 2005-06 quarterly payments, based on the distribution of the 2004-05 grants. This will mean that the funds paid to councils in 2005-06 will be the estimated 2005-06 entitlement of \$53,128,304 plus the adjustment to the 2004-05 grants of \$272,037, which is a total of \$53,400,341.

4 - Reforms to the Equalisation Model

In July 2001, the Australian Government released a report by the Commonwealth Grants Commission (CGC) entitled *Review of the Operation of The Local Government (Financial Assistance) Act 1995*.

The CGC's findings were aimed at ensuring that Local Government Grants Commissions more accurately and transparently achieve equalisation objectives. In summary, the major findings presented in the Final Report were that:

- the minimum grant principle, under which all councils receive a base grant share equivalent to 30 per cent of what they would receive if the pool was distributed on a *per capita* basis, should be retained;
- the efficiency and effectiveness purpose should be removed from the Act as it is not an appropriate purpose for an Act that distributes untied assistance on equalisation principles;
- the recommendations of Local Government Grants Commissions should be finalised shortly after the Commonwealth budget (in mid May each year) so as to better align the time of grant announcements with councils' budget planning needs;
- the method of allocating the minimum grant should be altered by splitting the base grant pool into separate *per capita* and *relative needs* pools;
- in order to achieve a comprehensive, accurate and transparent assessment of councils' needs, Grants Commissions' standard equalisation budgets should include as much of local government revenue and expenditure as possible. In Tasmania's context, this would mean that:
 - non-rate revenue should be incorporated into the assessment of each council's revenue capacity;
 - depreciation should be incorporated into the assessment of each council's expenditure needs;
 - the scope of the "other grant support principle", relating to the extent to which grants from other sources should be assessed in the same way as ordinary revenue, should be expanded;
- a "budget result term" (attributing to each council an equal per capita share of the aggregate of any collective surplus or deficit calculated by the model) should be introduced to reduce the volatility of the model and to more correctly reflect the reality of how councils finance their expenditure;
- in assessing expenditure needs all disability factors should be centred on 1.00, as opposed to the former practice of according a minimum factor of 1.00 to the least disadvantaged councils;
- a revised method should be adopted for "factoring back" the difference between the total standardised deficits of all councils assessed as having grant needs and the quantum of available grant funds; and
- there should be an assessment of the proportion of standard expenditure within each expenditure category to which disability factors are applied.

The State Grants Commission determined three fundamental principles to govern its response to the recommendations presented in the CGC Review. These were conveyed to councils in the Discussion Paper "The State Grants Commission's Response to the Review of *The Local Government (Financial Assistance) Act 1995*", provided to councils in November 2001. The three principles were:

- The State Grants Commission's evaluation of the recommendations presented in the Review will be based solely upon the merit of each recommendation without regard to the grant impact that may arise from the introduction of any one methodological change in isolation.
- The State Grants Commission will not make incremental changes to its methodology in response to the review. Rather, the introduction of any changes will be deferred until all the recommendations have been evaluated. At the conclusion of the proposed process of research and consultation, any modifications to the SGC's method will be introduced simultaneously.
- Once the State Grants Commission has agreed to its response, any new methodology may be phased in over a lengthy time frame, most likely five years, so as to minimise the financial disruption caused to those councils that may experience large grant changes.

By the end of 2002, the State Grants Commission had released six discussion papers, dealing with elements of the CGC's recommendations. These papers were:

- "The State Grants Commission's Response to the Review of the *Local Government (Financial Assistance) Act 1995*" (November 2001).
- "The Assessment of Non-rate Revenue" (November 2003).
- "The Assessment of Depreciation Expenditure" (November 2001).
- "Disability Factors Centred on One" (November 2002).
- "The Budget Result Term" (November 2002).
- "Factoring Back" (November 2002).

With the exception of the CGC's proposal to alter the means of 'factoring back', councils were almost unanimous in support of the reforms addressed by these papers. On the basis of consultation with councils on the reforms canvassed in the discussion papers, the Commission took the following in-principle decisions, which were advised to councils by letter dated May 2003:

- The Commission's assessment of councils' revenue capacity and expenditure needs should be expanded to include depreciation expenses and non-rate revenue, adopting the methods proposed in the CGC Working Papers released in 2001.
- The Commission should modify the method through which it calculates disability factors so that they will centre upon 1.0. The term 'disability factors' should be renamed 'cost adjustors'.

- A Budget Result Term should be included in the Commission's standard equalisation budget.
- The Commission should not adopt separate 'relative needs' and 'per capita' base grant pools in the absence of a legislative imperative to do so, and should continue to apply the Minimum Grant Principle as the final step in the process of base grant calculation. This decision was subsequently reviewed, see page 7.
- The Commission should not adopt the 'equalisation ratio' method of factoring back, and should continue to use the 'proportional' method.
- The Commission should continue to apply its current approach to the Other Grant Support Principle, whereby only those recurrent grants that relate to functions within the ordinary scope of local government activity and are received by the majority of councils are treated by inclusion.

Following the advice of these in-principle decisions in 2003, a further three review-related discussion papers were provided to councils. These discussion papers dealt principally with the partial impacts of those elements of the review which were quantifiable, and comparable with the former methodology. These discussion papers were:

- "Other Revenue and Expenditure" (November 2003), which proposed that the scope of revenue assessment be expanded to include, for the first time: Garbage Charges, Other User Charges (excl parking), Interest Received, Fines and Current Revenue, and Profit on the Sale of Assets. These changes would result in the coverage of revenue increasing from 70 per cent of reported revenue to 87 per cent. The paper also proposed that the scope of expenditure assessment be expanded to include, for the first time: Depreciation and Other Interest Paid, resulting in the assessment of 95 per cent of councils' expenditure in the model.
- "Review of Cost Adjustors" (January 2005), which indicated the need for the respecification of cost adjustors in order to maintain the reasonableness of their impacts. The paper also proposed that:
 - The following cost adjustors would be deleted:
 - Age Profile
 - Daytripper
 - Population Growth
 - Regional Responsibility – General Administration
 - Regional Responsibility – Planning and Community Amenities
 - Scale - Low
 - The Tourism cost adjustor would be modified to incorporate a measure reflecting the impact of daytrippers.

- The Scale High cost adjustor would be renamed “Scale – General Administration” and apply to the General Administration expenditure category only. The Scale Medium cost adjustor would be renamed “Scale – Other”, and apply to all other expenditure categories except Education Health Housing and Welfare, Law Order and Public Safety, and Other Expenditure. The Scale-Low cost adjustor would be replaced with explicit allowances to King Island and Flinders councils in recognition of their operation of airports.

The “Review of Cost Adjustors” discussion paper also indicated that the introduction of cost adjustors centred on one would diminish the ‘standardised’ deficits for all councils, as standardised expenditures – previously inflated by all cost adjustors being greater than one – would be brought into equality with actual and standard expenditure levels. That is, the ‘artificial deficit’ resulting from the inflation of standardised expenditures would be removed. It was explained that this would impact most significantly on those councils where a reduction in standardised expenditures would result in their being assessed as having a ‘standardised surplus’ and therefore being eligible for minimum grant funding only.

- “Overview of Reforms to State Grants Commission Methodology and Indicative Outcomes for 2005-06” (January 2005), which provided preliminary indicative outcomes for 2005-06, and was presented as a final consultative discussion paper. It also provided a summary of issues for discussion at the 2005 Hearings, along with schematic and tabular descriptions of the reformed model. It also stated that the Commission had reconsidered its earlier decision regarding the two pool approach suggested by the CGC and decided that it would be consistent with National Principles and should be introduced to the model alongside the other CGC-related reforms. The Commission concluded that such an approach had advantages in terms of simplicity and transparency, notwithstanding its previously stated view that in the absence of prescriptive legislation it would not be appropriate to adopt a two pool approach.

The Commission held information seminars, on 8 February 2005 in Devonport for Northern Councils, and 10 February 2005 in Hobart for Southern Councils. The draft revised model was presented to councils by overhead presentation and in printed table form, along with details of proposed changes to cost adjustors. The information provided at the seminars was intended to augment the material provided to councils by way of discussion papers, and to assist councils with the preparation of submissions and material for the 2005 Hearings.

Following consideration of the issues raised by councils in their submissions and at the hearings, the Commission released a final Information Paper to Councils entitled “Amendments to State Grants Commission Methodology and Final Outcomes for 2005-06” (July 2005). This paper detailed the final specification of the model and revised indicative outcomes based on the budget estimates for the grant pools provided by the Commonwealth Department of Transport and Regional Services (DOTARS) in May 2005.



The following is a summary of the advice provided to councils in July 2005:

- The Commission confirmed its intention to proceed with a grant distribution based on a 'separate pools' approach, and its intention to phase the new distribution in over a four year period, as indicated in January 2005.
- The data, specification or application of the following cost adjustors would be changed such that they redistributed larger dollar amounts between councils, relative to the advice provided to councils in January 2005:
 - Absentee Population
 - Dispersion
 - Population Decline
 - Regional Responsibility
- The data, specification or application of the following cost adjustors would be changed such that they redistributed smaller dollar amounts between councils, relative to the advice provided to councils in January 2005:
 - Climate
 - Daytripper Tourism
 - Worker Influx

Variations from the indicative outcomes provided to councils in January 2005 were relatively small.

The Commission submitted the recommended distribution of 2005-06 Financial Assistance Grants on 11 August 2005, thereby adopting the reformed model as the Equalisation Model to be used in the determination of future Financial Assistance Grants allocations.

Phase-in of the Distribution associated with the Revised Equalisation Model.

As advised to councils in January 2005, and confirmed in July 2005, the distribution associated with the reformed Equalisation Model is to be phased-in over four years, such that the reformed model will be fully implemented for the distribution of Financial Assistance Grants in 2008-09.

The phase-in will proceed on the basis of a progressive introduction of 25 per cent of the revised distribution of the relative needs component of the base grant per year over the four year phase-in period. The distribution of the per capita grant component of the base grant is not subject to phase-in, and will continue to be determined on the basis of shares of the total state population.

Appendix 2 shows indicative shares in the distribution of the total base grant pool for the current grant year, and for the remaining three years of the phase-in. The indicative grant shares shown in Appendix 2 have been calculated as follows, for each council:

TABLE 2: Phase - in Procedure for Outcomes of the Revised Model

	2005-06	2006-07	2007-08	2008-09
Per Capita Grant Component.	30 per cent share of Base Grant Pool, allocated on the basis of council populations only, and not dependent on equalisation model outcomes.			
<i>plus:</i>				
Relative Needs Component – former model.	70 per cent of the Base Grant Pool, multiplied by the share in relative needs grants indicated by the former model, multiplied by the proportions below.			
Proportion of the former model shares used	75%	50%	25%	0%
<i>plus:</i>				
Relative Needs Component – revised model.	70 per cent of the Base Grant Pool, multiplied by the share in relative needs grants indicated by the revised model, multiplied by the proportions below.			
Proportion of the revised model shares used	25%	50%	75%	100%

In relation to the indicative shares shown in Appendix 2, it is important to note that these have been calculated using council relativities calculated for the 2005-06 assessments. In particular, it has been assumed that council population shares remain constant, and that there are no changes to councils' revenue and expenditure relativities, cost adjusters or other methodological changes to the equalisation model. These variables will be subject to updates each year during the transition.

5 - Investigations and Inquiries

Section 8 of the *State Grants Commission Act 1976* provides that, for the purpose of making recommendations to the State Treasurer, the Commission may hold such inquiries and make such investigations as it considers necessary.

Under Section 11 of the Commonwealth Act, a state is not entitled to its grant unless the Commission has held public hearings in connection with the recommendations and permitted or required local governing bodies in the state, or associations of those bodies, to make submissions to it in connection with the recommendations.

In accordance with these requirements, the Commission conducted a series of regional hearings which councils, the public and media representatives were free to attend.

The dates of the hearings were:

Burnie	5-7 April 2005 - for north-western councils;
Launceston	19-21 April 2005 - for northern councils;
Hobart	26-29 April 2005 - for southern councils.

The duration of each council's hearing for 2005 was extended, with at least one and a half hours provided to each council, to enable extended discussions in relation to the Commission's reform of its equalisation model.

In conjunction with council Hearings, the Commission considered written submissions from 17 councils.

Consultation with councils in relation to the reform of the Commission's equalisation model is described in detail in Section 4 of this Report. Attendance by councillors and council staff at the 2005 Hearings is shown at Appendix 18 of this Report.

6 - Principles and Methods

BASE GRANT DISTRIBUTION

The national principles for the distribution of base grants (Section 9 payments under the Commonwealth Act) are shown in the box below.

National principles for the distribution of base grants

1. Horizontal Equalisation

General purpose grants will be allocated to local governing bodies, as far as practicable, on a full horizontal equalisation basis as defined by the Act. This ensures that each local governing body in the State/Territory is able to function, by reasonable effort, at a standard not lower than the average standard of other local governing bodies in the State. It takes account of differences in the expenditure required by those local governing bodies in the performance of their functions and in the capacity of those local governing bodies to raise revenue.

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 as far as practicable, policies of individual local governing bodies in terms of expenditure and revenue effort will not affect the grant determination.

3. Minimum Grant


The minimum general purpose grant allocation for a local governing body in a year will not be less than the amount to which the local governing body would be entitled if 30 per cent of the total amount of general purpose grants to which the State or Territory is entitled under Section 9 of the Act in respect of the year were allocated among local governing bodies in the State/Territory on a per capita basis.

4. Other Grant Support

Other relevant grant support provided to local governing bodies to meet any of the expenditure needs assessed should be taken into account using an inclusion approach.

5. Aboriginal Peoples and Torres Strait Islanders

Financial assistance shall be allocated to councils in a way which recognises the needs of Aboriginal peoples and Torres Strait Islanders within their boundaries.



Under the revisions introduced for 2005-06, the base grant is distributed on the basis of a “two pool” approach. This method allocates the per capita grant on the basis of council population shares as a first step, and independently of the equalisation process. This method ensures simplicity and transparency in the calculation of the separate components of the base grant.

The former equalisation model calculated the per capita grant as the final step in the calculation, and employed an iterative ‘factoring back’ mechanism to correct for any base grant outcome indicating less than the per capita grant.

The revised equalisation model calculates a distribution of the relative needs pool based on the ‘balanced budget’ approach. That is, each council’s relative needs grant entitlement is derived from the difference between the council’s expenditure ‘requirement’ necessary to provide services to a common standard with all other councils, and the council’s revenue ‘capacity’ based on the statewide average rate per dollar AAV.

Each council’s ‘expenditure requirement’ is calculated as follows:

- the expenditure ‘required’ to provide a common range of services, given that council’s unique cost conditions (standardised expenditure), *plus*
- any allowances made in respect of the cost of providing services which are not adequately captured as ‘standardised expenditure’, *plus*
- the ‘Budget Result Term’ which is a per capita allocation of the difference between all statewide sources of revenue, including the grant pool, and all statewide revenue requirements. The inclusion of the Budget Result Term enables a ‘balanced budget’ at the state level.

Each council’s ‘revenue capacity’ is calculated as follows:

- the revenue that the council could raise by applying a standard or average rate per dollar of assessed annual values to all rateable property in its area (standardised revenue), *plus*
- Specific Purpose Payments (SPPs) that have not been deducted from expenditures in the process of calculating standardised expenditure.

SPPs are treated by either the ‘inclusion’ or ‘deduction’ approach. The ‘inclusion’ approach recognises funds received by councils as contributing to normal expenditure for the purpose of calculating expenditure standards. They are treated as a source of revenue and are applied to reduce a municipality’s standardised deficit. Using the ‘deduction’ approach, funds are excluded from expenditure and revenue data prior to the determination of expenditure standards. The deduction approach is employed where:

- a council is effectively acting as an agent of the State or Commonwealth Governments and the SPP is a reimbursement of costs incurred; or

- grants for a particular service are received by only a relatively small number of councils to provide a service that is beyond the scope of ordinary local government activity, and the service is generally provided only where grants are received.

Equalisation therefore occurs on the basis of “net” expenditures where this particular approach to the treatment of SPPs is adopted.

A detailed explanation of the calculation of standardised revenue and expenditure is provided below. It should be noted that no matter how sophisticated the Commission’s methodology might become, there is always the need for the Commission to exercise broad judgement as it considers the various issues which confront it each year as it goes about its task of grant assessments.

Calculation of standardised revenue

Each council’s standardised revenue is determined by multiplying the rateable assessed annual value (AAV) of properties in the municipality by an average revenue per dollar of AAV as calculated by the Commission. The Commission uses AAV data, adjustment factors and exempt AAV information supplied by the Office of the Valuer-General, and rate revenue information obtained from the Local Government Division’s Consolidated Data Collection. An adjustment is made to account for the value of properties which are partially exempt from rates, that is, liable for service charges only.

The rateable AAV for each council is determined and then adjusted using the Valuer-General’s adjustment factors so that all figures are expressed in terms of a common valuation year. Additional adjustment factors are applied to adjust valuations made under the revised definition of AAV in section 3 of the *Valuation of Land Act 2001*, to include the taxation component now excluded from land values. The Valuer-General has undertaken to provide such ‘grossing’ adjustment factors to the Commission each year until all councils have been revalued according to the new definition.

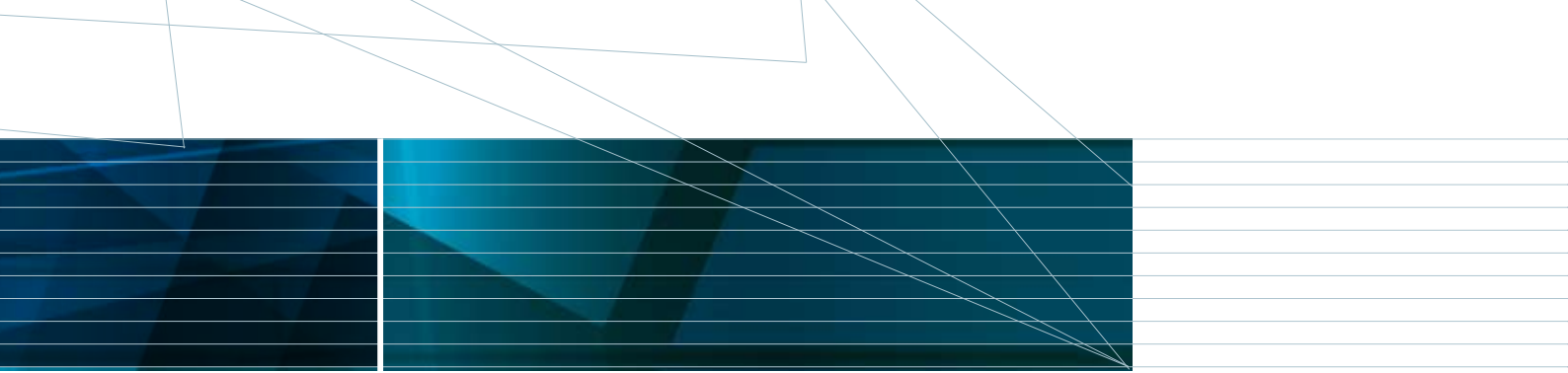
The total revenue from all sources which the Commission has determined should be included in the model is summed and divided by the total AAV (as modified by the Valuer-General’s adjustment factors) to arrive at a state average revenue per dollar of AAV. This is multiplied by each council’s adjusted AAV to arrive at the council’s standardised revenue.

The final standardised revenue measure used in the base grant assessments is the relevant three-year averaged standardised revenue for each council. The standardised revenue of each council is shown in Appendix 7, while adjusted rateable AAV and rate revenues are shown in Appendices 5 and 6, respectively.

Calculation of standardised expenditure

Roads

The Commission uses a modified version of the Mulholland asset preservation model to assess standardised road expenditure, based on each council’s road assets. No adjustments were made to the model for the purpose of the current year’s assessments.



The fundamental basis of the Mulholland asset preservation model is that, in statistical terms, a kilometre of road has an 'expected life', assuming it is appropriately constructed and maintained. At the end of this period, it will require re-construction followed by a new cycle of maintenance and rehabilitation in order to preserve it at an acceptable standard. The "expected life", or durability, of a kilometre of road maintenance work will clearly differ depending upon both the type of maintenance activity (sealing, re-grading) and the type of road (urban sealed, urban unsealed, rural sealed, rural unsealed) involved. Similar arguments hold with respect to both road rehabilitation and road re-construction work.

Performance standards specify, for each road type, the length of road requiring re-construction, re-grading or re-sealing each year in order to preserve the existing road asset. For example, if the seal on a 9 kilometre stretch of road has an expected life of 30 years, then, on average, 300 metres will need to be sealed each year to maintain the road at the current standard. In this case, the performance standard is approximately 0.03, or 3 per cent. Average costs per kilometre for each road type and activity combination have been derived from published unit price estimates for the same undertakings. For any given council, specific cost relativities may increase or decrease the average cost of undertaking a given activity.

The model recognises *climate, drainage, material, soil, terrain*, and *traffic* cost adjustors in road rehabilitation and re-construction, and *climate, material, terrain* and *traffic* cost adjustors in road maintenance. The need for different sub-base depths (re-construction only) is incorporated within the workings of the model.

The model adopted by the Commission also recognises *remoteness* and *urbanisation* allowances for all activities. Urbanisation recognises the additional costs incurred by councils required to undertake roadworks in heavily urbanised environments and is incorporated in the model by augmenting the length of urban sealed roads used in the calculations. Remoteness seeks to recognise additional costs faced by councils due to being more distant from the major regional cities.

The model also makes an allowance for additional bridge-related costs, by converting bridge areas to equivalent road lengths (which involves multiplication by ten to recognise the greater cost per equivalent area) and adding these lengths to the road lengths used in the model. The Commission undertook a comprehensive audit of all councils' bridge deck area estimates in 2003-04, in order to ensure that these estimates fully comply with the definition of bridges issued by the Commission for this purpose.

In assessing "road" expenditure needs for a given council, performance standards are applied to each category of road (urban sealed, urban unsealed, rural sealed, rural unsealed) to determine the length of road to be maintained, rehabilitated and reconstructed in that year in order to preserve the existing road structure. The relevant cost adjustors and costs per kilometre are then applied to each of these figures and the whole is summed to yield standardised "road" expenditure for that council.

The method by which standardised expenditure for roads is calculated is illustrated in Appendix 12 by a simple example.

All other functions

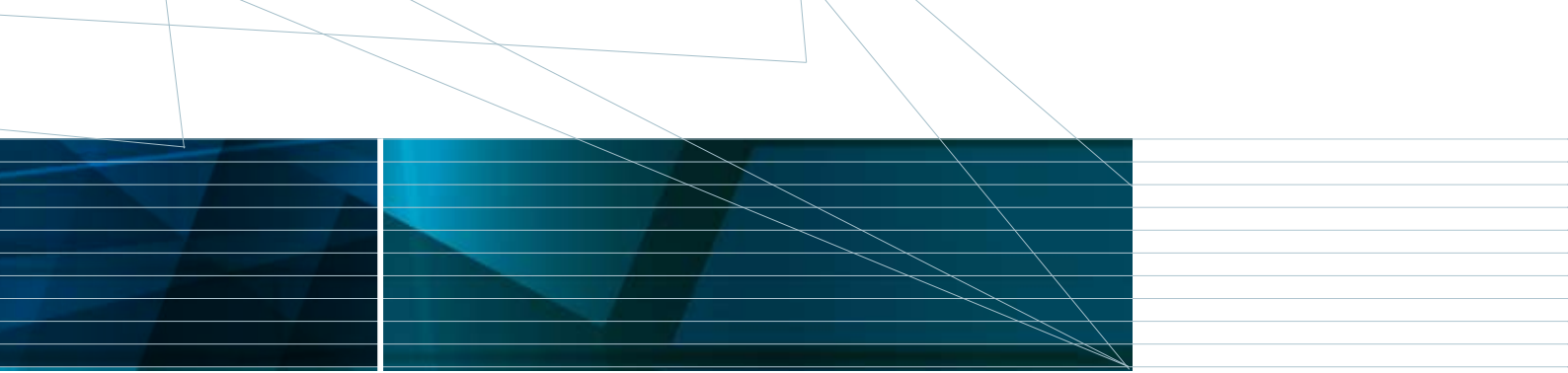
In general, the cost of providing council services varies depending upon the number of residents. Therefore, to determine the standard expenditure that is "required" to provide a service, the Commission multiplies the State average expenditure per person by the number of residents in each municipality.

Many councils face a range of unavoidable cost and demand pressures in providing services. This means that they cannot provide a service at the standard level of expenditure. This is recognised by the Commission through the application of council-specific cost adjustors, which represent these unavoidable cost pressures, to standard expenditure to determine the standardised expenditure for each council. This method of estimating standardised expenditure is applied to all expenditure categories except the road category.

An explanation of the types of expenditure that comprise each expenditure function follows:

TABLE 3: Description of Expenditure Functions

Expenditure function	Explanation of expenditure function
General Administration	Legislative, executive, financial and fiscal affairs relating to general purposes only (that is, not solely related to any one of the purposes listed below).
Health, Housing and Welfare	Services for the aged, community health services, health inspections, family and child welfare, and housing services.
Waste Management and the Environment	Household and other garbage services, urban storm water drainage, street cleaning, flood mitigation and other protection of the environment.
Planning and Community Amenities	Planning and building services, street lighting, public conveniences, shopping malls, cemeteries and crematoria.
Recreation and Culture	Public halls and civic centres, swimming pools, parks and playing grounds, sports assistance and promotion, libraries and other cultural services.
Water	Provision of water services.
Sewerage	Provision of sewerage services.
Roads	Re-construction and maintenance of roads and bridges.
Law, Order and Public safety	Fire protection, support of the State Emergency Service, animal control and other public order and control.
Other	Expenditure on items not elsewhere classified. Includes saleyards and markets, tourism and area promotion, aerodrome operations, communications, and natural disaster relief.



Application of council-specific cost adjustors

Cost adjustors are used to reflect the inherent relative cost advantages or disadvantages councils face in providing services. A range of adjustors have been developed to account for differences between councils in the demand for a service as well as variations in the per unit cost of supplying that service.

An adjustor is calculated for each municipality by comparing its demand or supply disadvantage with the State average. Councils which demonstrate the average level of advantage/disadvantage for each expenditure category are assigned a cost adjustor of 1.00. All other councils are compared to the average councils to determine their relative cost adjustors, which are always less than one if the council is assessed to enjoy a cost advantage, and greater than one if the council is assessed to suffer a cost disadvantage.


The following cost adjustors have been recognised by the Commission and a method adopted to quantify them:

- Absentee Population
- Climate
- Dispersion
- Equivalent Tenements (Water)
- Equivalent Tenements (Sewerage)
- Isolation
- Population Decline
- Regional Responsibility
- Scale (Administration)
- Scale (Other)
- Daytripper Tourism
- Unemployment
- Worker Influx

The application of cost adjustors to each expenditure category is detailed below. Changes made to the application of cost adjustors, following the Commission's consideration of council submissions and issues raised at the 2005 Hearings, are shown in the right hand column. These changes were advised to councils by Information Paper dated 18 July 2005.

TABLE 4: Allocation of Cost Adjustors to Expenditure Standards

Expenditure Category	Cost Adjustors	
General Administration	Absentee Population Isolation	Population Decline Scale-Administration
Education, Health, Housing & Welfare	Population Decline	Unemployment
Law, Order & Public Safety	Dispersion Population Decline	Daytripper Tourism Unemployment
Planning & Community Amenities	Absentee Population Climate Dispersion Isolation	Population Decline Scale-Other Daytripper Tourism Worker Influx
Waste Management & Environment	Absentee Population Climate Dispersion	Population Decline Scale-Other Daytripper Tourism Worker Influx
Recreation & Culture	Absentee Population Climate Dispersion Isolation	Population Decline Regional Responsibility Scale-Other Daytripper Tourism Worker Influx
Sewerage	Absentee Population Climate Dispersion Equiv. Tenements (Sewerage)	Isolation Population Decline Scale-Other
Water	Absentee Population Climate Dispersion Equiv. Tenements (Water)	Isolation Population Decline Scale-Other
Other	No cost adjustors are applied to 'Other' Expenditure	



An outline of the approach developed by the Commission to quantify each of the above-mentioned cost adjustors is provided below. Details of calculations made in the determination of each cost adjustor are included in the electronic copy of the Commission's revised equalisation model, which is available to councils on compact disk or by e-mail.

(i) Absentee Population

Allowance is made by the Commission for the additional population which is not captured in the Census statistics but which nevertheless must be serviced. Specific reference is made here to those municipalities which have a significant number of holiday residences.

The calculation of this cost adjustor is based on the proportion of unoccupied dwellings in each municipality at the time of the 2001 Census.

The Commission has continued to make an adjustment to raw data determining the absentee population cost adjustor, in the 2005-06 assessments, in order to recognise the situation faced by the West Coast Council where mine workers reside outside the municipality between shifts. It was accepted that the existing statistics do not adequately reflect this phenomenon, and an additional 800 dwellings are added to the unoccupied dwelling data used for West Coast, to compensate for this.

(ii) Climate

The Climate 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. The calculation of the Climate cost adjustor is based on the total annual rainfall in each municipality's administrative centre, as indicated by Bureau of Meteorology data. Cost adjustors greater than one result only for those centres recording greater than one thousand millimetres precipitation per annum.

(iii) Dispersion

The dispersion cost adjustor relates to the additional costs incurred in servicing a widely scattered population within a municipality. The Commission recognises that associated costs arise from the need to both duplicate services and incur greater travelling and communication costs than would otherwise be the case.

The cost adjustor is determined according to:

- the number of population centres in each municipality;
- the population-weighted distance between those centres and the municipality's administrative centre; and
- the dwelling-weighted distance between those centres and the municipality's administrative centre.

(iv) Equivalent tenements

The use of population to estimate standard water and sewerage expenditure does not recognise expenditures incurred in providing water and sewerage services to non-residential establishments. Therefore, a cost adjustor

has been developed to recognise the cost of providing these services to commercial properties. This has been done by dividing the total value of serviced commercial properties by the modal residential assessed annual value in each water and sewerage district to determine the number of residential “equivalent tenements”.

(v) *Isolation*

This cost adjustor recognises the increased costs which arise from geographical isolation. Such costs are associated with attracting staff to remote areas, communicating with relevant bodies, travelling and the supply of necessary construction and maintenance materials.

The cost adjustor is calculated according to a weighted sum of distances between each municipality’s main centre, the relevant regional centres and Hobart, being the main focus for administrative and political activities within the State. The weighting of distances from each municipality’s administrative centre to regional centres for the purposes of calculating this cost adjustor are:

Southern Councils:	<i>Hobart (100%)</i>
Northern Councils:	<i>Hobart (10%), Launceston (90%)</i>
North-western Councils:	
- closer to Devonport than to Burnie:	<i>Hobart (10%), Launceston (20%), Devonport (70%).</i>
- closer to Burnie than to Devonport:	<i>Hobart (10%), Launceston (20%), Burnie (70%).</i>

For the purposes of calculating this cost adjustor, the air travel component of the kilometre distances from King Island to Burnie and from Flinders Island to Launceston are inflated by 100 per cent in order to reflect the additional expense of travelling by air.

(vi) *Population Decline*

The Commission recognises that a local governing body faces certain disadvantages as a result of fluctuations in population levels. Managing such fluctuations typically require planning horizons of several years or more. Some councils are faced with excess capacity in certain service areas when subject to rapid population decline. This is believed to confront councils with added expenditure burdens.

The cost adjustors for population decline are determined by comparing the average annual rate of population decline for a particular municipality over a five year period, against the average rate of population decline for all councils experiencing a decline over that 5 year period.

(vii) *Regional Responsibility*

A cost adjustor is applied to the relevant expenditures of those municipalities which provide particular services not only for its own residents but also for the residents of surrounding municipalities. Formerly, this cost adjustor applied to General Administration, Planning and Community Amenities, and Recreation and Culture, but it now has application only to the latter expenditure category. The extent of cost adjustment is based on Commission judgement.

(viii) *Scale*

The scale cost adjustor accounts for the diseconomies of scale that smaller councils face in providing some services. Diseconomies occur where the cost per person of a certain activity is greater for councils with a small population than those with larger ones. For example, each council requires a general manager whether the municipal population is 1,000 or 100,000. The cost per person of the general manager is therefore much greater for smaller councils than for larger ones.

Different expenditure categories show varying degrees of diseconomy, so two scale cost adjustors have been developed – Scale Admin, which relates only to General Administration expenditure, and Scale Other, which is applied to some non-General Administration expenditure. The application of these to the different expenditure categories is detailed in Table 4.

(ix) *Daytripper Tourism*

The Commission recognises that councils generally incur additional costs as a result of tourist influx through increased use of council resources and infrastructure. In particular, significant numbers of daytrippers who make use of council facilities are recognised as increasing council costs. Data on the number of daytrippers visiting each municipality are sourced from Tourism Research Australia (formerly the Bureau of Tourism Research), and form the basis for the calculation of this cost adjustor. The Commission no longer uses estimates of overnight stays or bed numbers as part of the calculation of this cost adjustor.

(x) *Unemployment*

A cost adjustor reflecting the level of unemployment within a municipality has been calculated by the Commission using data on unemployment rates and labour force numbers from the Commonwealth Department of Employment and Workplace Relations. This cost adjustor has been calculated to capture the additional costs which councils incur by virtue of having a higher than average proportion of unemployed working-age residents. For example, additional expenditure might be incurred in the provision of welfare programs as a result of the need to cater for unemployed residents.

(xi) *Worker Influx*

This cost adjustor reflects the additional costs imposed on those municipalities which have significant daily net influxes of non-resident workers.

Determination of this cost adjustor involves estimating, from 2001 Census data provided by the ABS, both the number of residents working outside the municipality and the number of non-residents working within the municipality. The difference, or the net worker inflow, is then used to derive a cost adjustor in relation to actual total population.

Allocation of Expenditure Allowances

Expenditure allowances are included in the measure of a council's expenditure requirement where the cost of providing a service is not adequately captured in standardised expenditure. Calculated standardised

expenditure may fail to adequately reflect the relative cost of providing a service if (a) the service is not provided by all councils, or (b) if there is inadequate data on which to base the calculation of a cost adjustor to reflect cost differences between councils in providing the service.

For 2005-06, expenditure allowances totalling \$210,000 were allocated to councils, representing less than 0.05 per cent of the total expenditure requirement across all councils. The quantum of allowances is based on established cost benchmarks or on information sourced directly from affected councils. For 2005-06, expenditure allowances were included in councils' expenditure requirements, as follows:

TABLE 5: Expenditure Allowances

Allowance Description	Allowance Amount	Recipient Councils
Provision of services in support of General Practitioners	\$20,000 per GP	Central Highlands (x2) Glamorgan Spring Bay (x2) Huon Valley (x1) Tasman (x1)
Provision of Airport Services	\$35,000 per airport	Flinders King Island
Provision of Services to Cape Barren Island	\$20,000	Flinders

Allowances allocated in previous years in respect of communication costs associated with location, have been discontinued given that these costs are recognised via the expenditure reallocation associated with the dispersion cost adjustor.

An allowance in respect of the cost of maintaining and operating airport facilities has been introduced following the deletion of the Scale-Low cost adjustor, which was previously applied to Flinders and King Island councils specifically in recognition of these costs.

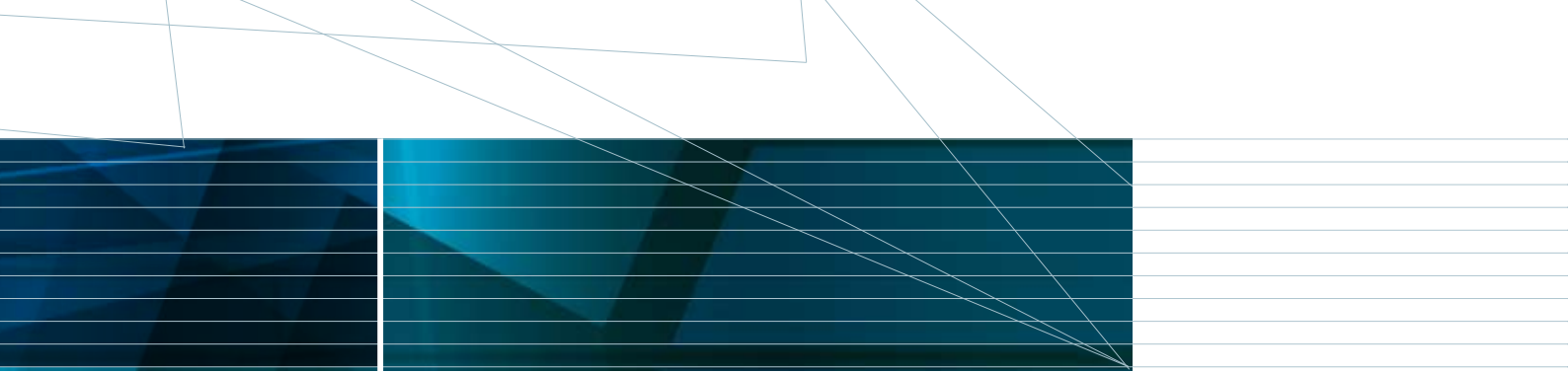
IDENTIFIED LOCAL ROAD FUND DISTRIBUTION

The national principle governing the distribution of road grants (Section 12 payments under the Commonwealth Act) is shown in the box below:

National principle for the distribution of road grants

Identified Road Component

The identified road component of the financial assistance grants should be allocated to local governing bodies as far as practicable on the basis of the relative needs of each local governing body for roads expenditure and to preserve its road assets. In assessing road needs, relevant considerations include length, type and usage of roads in each local governing area.



To accord with this principle, while ensuring that the grant distribution reflects the particular needs of Tasmanian councils, the road grants are distributed in the following manner:

Road preservation component - 66.5% of funds

based on the relative road expenditure needs of each council as determined using the Mulholland asset preservation model (as explained on page 13);

Bridge expenditure component - 28.5% of funds

based on relative bridge deck areas (including all concrete and wooden bridges, and box culverts over 3 metres total span);

Special needs component - 5% of funds

allocated to councils with an above average proportion of rural unsealed roads, based on rural unsealed road lengths.

7 - Outcomes of the 2005-06 Assessments

Total Entitlements (Base + ILRF)

For 2005-06, the increase in the estimated total FAGs pool (base grant plus ILRF) over actual FAGs payments made in respect of 2004-05 was 3.8 per cent. All but four councils received grant increases on this basis for 2005-06. The largest increase was 7.5 per cent (Tasman) and the largest reduction was 4.2 per cent (Devonport). The other three councils to receive a reduction in estimated total grant entitlements were Clarence (-3.6 per cent), Kingborough (-2.9 per cent), and Launceston (-0.4 per cent).

Base grants

For 2005-06, the increase in the estimated base grant pool over actual base grant payments made in respect of 2004-05 was 3.6 per cent. The largest increase in estimated base grant entitlements was for Break O'Day (12.4 per cent). Declines in estimated base grant allocations were experienced by Burnie (1.6 per cent), Clarence (8.1 per cent), Devonport (10.2 per cent), Kingborough (9.1 per cent), and Launceston (6.1 per cent).

Increases and declines in base grant entitlements reflect, principally, the impact of phasing-in of the revised methodology for the determination of base grants. Generally, councils with increases in base grant allocations in 2005-06 will experience further increases as the new methodology is phased-in. Similarly, councils with decreases in base grant allocations in 2005-06 will experience further declines as the new methodology is phased in. The Commission has decided to phase the new methodology in over four years, so that it will be fully implemented for the 2008-09 grant distribution.

Discussion paper DP04-02 (January 2005) provided an indication of the relative impact of the revised methodology and changes in underlying data on base grant outcomes for 2005-06. From the data presented in that discussion paper, it is apparent that recent significant increases in property valuations have impacted adversely on entitlements for some councils in addition to the impact of the revised methodology.

In particular, and against a statewide average increase in AAV of 32 percent over the four years to 2004, valuations increased significantly above the state average for the following councils: Central Highlands (+70 per cent), Glamorgan Spring Bay (+40 per cent), Kingborough (+53 per cent), and Sorell (+45 per cent). The impact of valuation increases which are above the state average is to expand councils' revenue raising capacity relative to the state average, thereby diminishing the requirement for relative needs base grant allocations in comparison with remaining councils.

Identified Local Road Fund (ILRF) Grants.

For 2005-06, the overall increase in estimated ILRF entitlements over actual payments made in respect of 2004-05 was 4.0 per cent across all councils. All councils received an increase in their ILRF allocation, in line with the overall increase given that there were no changes to the Modified Mulholland Model (MMM) except for updates to input data on councils' roads lengths. The largest increase in the estimated 2005-06 ILRF allocation was for Burnie (5.9 per cent).

The increases in ILRF allocations to the councils of Burnie and Launceston, were sufficient to result in an increase in total entitlements (Base and ILRF) for those councils, despite their reductions in base grant entitlements.



8 - Issues for Future Assessments

The Commission has been progressing investigations towards a review of Water and Sewerage assessments in the equalisation model, and a review of data inputs and cost adjustors for the MMM. This work has been progressed concurrently with the CGC-related reforms, but is not directly related to the 2001 CGC Review.

Discussion papers relating to these investigations were distributed to councils in 2004, and were the subject of discussions at the 2004 and 2005 council Hearings.

In order to ensure completion of the reforms relating to the CGC review of the operation of *The Local Government (Financial Assistance) Act 1995* (see section 4 of this Report), the Commission decided to delay further work on these investigations until finalisation of the equalisation model review.

Review of Data and Cost Adjustors in the Modified Mulholland Model.

During the 2004 and 2005 council Hearings, a number of councils raised concerns with the appropriateness of the Commission's definition of bridges, as applied to estimates of each council's eligible bridge deck area, an important data input to the MMM. The Commission has acknowledged these concerns and has undertaken to further investigate whether the definition should be amended.

To this end, the Commission has received advice from the Tasmanian Branch of the Institute of Public Works Engineers Australia (IPWEA), in relation to the definition of an eligible bridge for the purpose of estimating bridge deck areas. Two meetings were held with a steering committee comprised of IPWEA members, and a report from that group, providing preliminary recommendations relating to bridge deck areas and MMM cost adjustors, was received by the Commission in October 2004.

The Commission has continued to make contributions to the development of a Geographic Information System (GIS) database of local roads by the Department of Primary Industry Water and Environment (DPIWE) over 2004-05. This will be a map-based database incorporating data on road lengths by type, the slope of those roads, the rainfall on those roads and the terrain over which those roads are built. DPIWE has produced preliminary results for all councils, and the Commission is working with DPIWE to reconcile the draft GIS outputs with data collected from councils by the Commission.

The Commission expects to issue a further Discussion paper on these elements of the MMM review prior to the 2006 council Hearings.

Review of Water and Sewerage Assessments

Following the release to councils of an Information Brief *Review of Water and Sewerage Assessment in 2004*, and on the basis of comments received from councils at their Hearings in 2004 and 2005, the Commission has decided to further its investigations into the adoption of a property-based approach to these assessments, in place of the current population-based approach.

To this end, the Commission has decided to seek details of individual large water and sewerage customers from councils, and expects to issue a further discussion paper on a proposed new water and sewerage assessment methodology prior to the 2006 Hearings.

9 - The Distribution of Heavy Vehicle Motor Tax Revenues to Councils

The *State Grants Commission Act 1976* requires the Commission to recommend the distribution amongst councils of State motor taxes collected on the registration of heavy vehicles (known as “NRTC funds”). This function of the Commission is separate from its responsibility to recommend the distribution of Financial Assistance Grant funds. The distribution of NRTC funds is not governed by the *Local Government (Financial Assistance) Act 1995*, and NRTC funds are not a component of the Financial Assistance Grants pool.

Since 1996-97, the State Government has distributed \$1.5 million per annum of heavy vehicle motor taxes to councils. The distribution regime that existed prior to 2000-01 was regarded as an interim measure and was based primarily on past road toll collections. The State Government requested that the Commission investigate an alternative method of distributing the local government share of these funds.

For the 2000-01 distribution, the Commission commenced a transitional arrangement, and began phasing in a new distribution based on the estimated volumes of heavy vehicle traffic utilising local roads.

Specifically, the new approach determined councils' shares of total *vehicle kilometres (V-K)* relating to heavy freight vehicles of AUSTRROADS Class 4 and above. Councils were asked to nominate a maximum of ten roads that are most important in terms of heavy vehicle traffic. For each of these, the length (or relevant portion thereof) was multiplied by the estimated average daily number of vehicles using that road, with the data being supplied by the individual councils. Statistics on traffic volumes were not available and so a data collection exercise was undertaken specifically for this task.

The distribution of NRTC funds indicated by the *V-K* method differed substantially from that derived from the previous toll-based method. To avoid excessive inter-year volatility in payments to councils, the Commission concluded that the new system should be phased-in over five years. The phase-in commenced in 2000-01, with the Commission intending that the proportion of councils' grants determined by the new *V-K* approach should increase by 20 per cent each year until it would account for 100 per cent of the payments in 2004-05.

The Commission was particularly conscious of the budgetary impact of the *V-K* approach on those smaller rural councils which previously were able to offset the impact of heavy vehicle usage of roads by the imposition of tolls. It was with such councils in mind that the Commission recommended the five-year phase-in of the *V-K* approach to minimise the disruption caused to council finances by reduced payments. Councils in this category include Break O'Day, Central Highlands, Kentish and Northern Midlands. These councils have relatively limited financial flexibility and lost significant amounts in the first two years of the phasing in of the *V-K*-based methodology.

In its 2002-03 and 2003-04 Annual Reports, the Commission indicated that the phase-out of the toll-based distribution had been halted. In its 2004-05 Annual Report, the Commission indicated that the phase-out of the toll-based method would recommence alongside the phasing-in of a new approach, based on a measure known as *tonne-kilometres*.



The Major Freight Demanders Survey and the Tonne-Kilometre measure (T-K).

The V-K system was devised as an interim solution for the distribution of NRTC funds. The Commission had for some time anticipated that a more comprehensive and robust long-term solution for the distribution of the funds would be provided by the *Major Freight Demanders Survey* (MFDS) which was being conducted by the Department of Infrastructure, Energy and Resources (DIER).

The MFDS survey provides a measure of *tonne-kilometres (T-K)* – being the product of the tonnage carried over local roads and the distance over which it is carried, as identified by the 120 largest freight demanders in Tasmania. Specifically, the MFDS expands upon a similar study conducted in 1997, and includes local government roads and a wider range of industries and vehicle types than was the case in the original study.

In April 2004, the Commission received the first draft of MFDS tonnage estimates from DIER. The new MFDS data had been circulated to all councils for comment and checking prior to being forwarded to the Commission. DIER provided measured kilometre distances associated with the tonnages identified in the first draft of the MFDS, as an interim measure pending DIER being able to determine associated distances from its GIS system as part of future surveys.

In accordance with the Commission's earlier decision to phase-in the V-K-based approach, the payment of grants for 2004-05 reflected a distribution in which 40 per cent of the recommended payments was based on the previous toll-based approach, and distribution of the remaining 60 per cent was based on the new T-K approach enabled by the MFDS. The new distribution reflected the resumption of the phasing out of the old toll-based approach, and replacement of V-K data with the more representative T-K data from the MFDS.

Similarly, for 2005-06, the payment of grants reflects the next step in phasing-in the new T-K approach, with 20 per cent of the distribution based on the previous toll-based approach, and the remaining 80 per cent based on the T-K approach.

Drivers of Significant Inter-Year Variation

The amount distributed to councils is the sum of the reimbursement of payments of motor tax to the State plus the balance of the NRTC pool net of this reimbursement. Some councils have experienced substantial inter-year variation in their recommended payments. This is caused partly by variation in the magnitude of the reimbursement of the motor tax paid to the State by these councils.

The net pool of NRTC funds available for distribution in 2005-06 is \$1,073,926, a reduction of 14 per cent on the 2004-05 net pool of \$1,245,798. The decline in net NRTC pool funds available for distribution is due to the reimbursement in respect of 2004-05 motor tax payments being \$171,873 greater than the reimbursements in respect of 2003-04 payments.

Variations in motor tax payments typically arise when a council, over two financial years, makes motor tax payments at the beginning the first year which relate to registrations in the previous year (late payment), and payments at the end of the second year which relate to registrations in the subsequent year (early payments), or vice versa.

A further significant component of the overall variation in recommended NRTC payments to councils is due to

the phasing-out of the earlier toll-based distribution, which was recommenced for the 2004-05 distribution and continued for the 2005-06 distribution.

An additional cause of variation on the recommended 2004-05 NRTC distribution, was the substitution of the *T-K* for the *V-K* measure. This variation did not impact on the recommended 2005-06 NRTC distribution, as the substitution caused a one-off impact on the 2004-05 recommended distribution.

The change in council shares of the net NRTC pool for 2005-06 is therefore wholly attributable to the progression of the phase-in of the *T-K* measure. The largest increases in share of the net NRTC pool for 2005-06 relate to Dorset (9.3 per cent of net pool in 2004-05 to 10.4 per cent of the net pool in 2005-06), Circular Head (8.5 per cent to 9.5 per cent) and Central Coast (3.7 per cent to 4.5 per cent). The largest reductions in share of the net NRTC pool for 2005-06 relate to Northern Midlands (8.2 per cent of net pool in 2004-05 to 6.5 per cent of the net pool in 2005-06), Central Highlands (9.6 per cent to 8.1 per cent) and Southern Midlands (2.3 per cent to 1.5 per cent).

Treatment of Flinders And King Island Councils

The Commission has completely excluded Flinders and King Island Councils when calculating both the tonne-kilometre and motor tax reimbursement elements of the new distribution. The basis for this approach lies in the *Roads and Jetties Act 1935*, under which these councils alone receive full reimbursement from the State Government of all motor tax paid in respect of vehicles registered to addresses within their boundaries. In light of this long-standing arrangement, the Commission considers that it would be inequitable for Flinders and King Island to also receive a share of the local government 'NRTC funds'.

It should be noted that, as with the Financial Assistance Grants, the Commission has no role in determining the quantum of funds available for distribution, but only the distribution of a given amount. In 2005-06, it is understood that this amount will again be \$1.5 million.

Change in Components of Recommended 2005-06 NRTC distribution.

The 2004-05 and 2005-06 NRTC distributions and the variations in components of the distribution are shown at Table 6.

TABLE 6: Comparison of Recommended 2004-05 and 2005-06 NRTC Distributions

<i>Council</i>	<i>2004-05 NRTC Distribution</i> \$	<i>Change in Reimburse-ment of Motor Tax</i> \$	<i>Change in payments from NRTC Net Pool</i> \$	<i>2005-06 NRTC Distribution</i> \$
Break O'Day	91 958	+ 3 853	- 12 290	83 521
Brighton	4 666	+ 3 263	- 906	7 023
Burnie	73 904	+ 12 364	- 13 491	72 777
Central Coast	61 500	+ 7 273	+ 1 681	70 454
Central Highlands	132 787	+ 4 777	- 32 792	104 771
Circular Head	113 607	+ 2 691	- 3 848	112 450
Clarence	10 360	+ 9 876	+ 3	20 238
Derwent Valley	38 424	- 649	+ 1 625	39 400
Devonport	39 915	+ 8 391	+ 3 643	51 949
Dorset	125 245	+ 1 999	- 3 066	124 178
Flinders	1 060	+ 0	- 603	457
George Town	24 113	+ 6 813	+ 665	31 591
Glamorgan Spring Bay	11 180	+ 4 497	- 2 844	12 833
Glenorchy	28 942	+ 1 473	+ 1 051	31 466
Hobart	57 135	+ 16 140	+ 706	73 980
Huon Valley	78 052	+ 9 005	- 14 163	72 894
Kentish	32 482	+ 1 008	- 5 719	27 770
King Island	1 011	+ 0	- 575	436
Kingborough	13 298	+ 10 698	- 222	23 774
Latrobe	18 459	+ 257	+ 462	19 177
Launceston	218 801	+ 16 270	- 32 975	202 095
Meander Valley	61 430	+ 11 032	- 10 323	62 139
Northern Midlands	105 642	+ 6 241	- 32 096	79 787
Sorell	28 349	+ 3 155	- 4 062	27 441
Southern Midlands	39 060	+ 4 041	- 12 670	30 432
Tasman	5 721	+ 1 619	+ 243	7 584
Waratah-Wynyard	28 554	+ 7 346	+ 122	36 023
West Coast	7 143	+ 7 539	- 446	14 235
West Tamar	47 203	+ 10 902	+ 1 019	59 123
Total	1 500 000	+ 171 872	- 171 872	1 500 000

10 - General Observations

Application of Grants

As in the past, the grants for 2005-06 are of a general nature and may be used for recurrent or capital expenditure purposes or to support revenue requirements. They may be applied in whatever manner a council sees fit, subject only to the provisions of the Tasmanian *Local Government Act 1993*.

National Conference of Local Government Grants Commissions

The South Australian State Grants Commission hosted the Annual Conference of Local Government Grants Commissions (LGGC) in Adelaide, from 19 to 21 October 2004. As is the normal practice, the Conference included reports by each Commission on its activities during the year. The agenda for the conference featured speakers and discussions on a diverse range of topics, including:

- Prof Brian Howe – “Making Local Government more Sustainable.”
- Mr Jim Hancock – Deputy Director, Projects, South Australian Centre for Economic Studies. “Principles of Horizontal Fiscal Equalisation - an historical perspective”.
- Mr Peter Buckskin – Chief Executive, Aboriginal Affairs and Reconciliation. “Challenges of appropriately recognising the needs of Aboriginal and Torres Islander people within our communities”.

The Conference was opened by the Hon Rory McEwen MP – South Australian Minister for State/Local Government Relations.

11 - Recommendations

In accordance with Section 3(2) of the *State Grants Commission Act 1976*, the Commission has proposed the payment of grants as indicated in Table 7. The Commission's recommendations of financial assistance for councils for 2005-06 were conveyed to the Treasurer on 11 August 2005, and his acceptance thereof was advised to the Chairman by letter dated 15 August 2005.

TABLE 7: Recommended Financial Assistance Grants for 2005-06

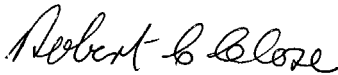
Council	<i>Base Grant Components</i>			<i>Per Capita Total Base Grant</i>	<i>Identified Local Roads Component</i>	<i>Total Grant</i>
	<i>Per Capita (30%)</i>	<i>Relative Needs (70%)</i>	<i>Total Base Grant</i>			
	\$	\$	\$			
Break O'Day	100 646	787 857	888 503	147.20	1 145 619	2 034 122
Brighton	224 035	756 253	980 288	72.96	341 151	1 321 438
Burnie	319 128	652 992	972 120	50.79	816 733	1 788 853
Central Coast	351 476	1 328 866	1 680 342	79.72	1 241 442	2 921 784
Central Highlands	38 267	580 913	619 180	269.80	943 207	1 562 387
Circular Head	135 144	821 938	957 083	118.09	1 220 672	2 177 755
Clarence	837 996	504 859	1 342 855	26.72	905 938	2 248 793
Derwent Valley	155 520	554 073	709 593	76.08	571 499	1 281 092
Devonport	416 505	367 779	784 284	31.40	699 893	1 484 177
Dorset	118 904	790 491	909 395	127.53	1 317 305	2 226 699
Flinders	14 623	476 911	491 534	560.47	445 947	937 481
George Town	112 501	614 943	727 444	107.82	485 045	1 212 488
Glamorgan Spring Bay	69 782	477 344	547 125	130.73	556 016	1 103 141
Glenorchy	749 089	4 689	753 778	16.78	934 490	1 688 268
Hobart	809 249	0	809 249	16.67	1 259 450	2 068 699
Huon Valley	239 225	898 971	1 138 196	79.33	1 170 057	2 308 253
Kentish	94 643	739 536	834 179	146.97	840 698	1 674 877
King Island	27 212	424 069	451 281	276.52	508 525	959 806
Kingborough	516 250	439 394	955 644	30.87	918 553	1 874 197
Latrobe	145 232	446 252	591 484	67.91	452 257	1 043 741
Launceston	1 068 100	481 314	1 549 414	24.19	1 961 371	3 510 784
Meander Valley	310 324	996 760	1 307 084	70.23	1 445 615	2 752 698
Northern Midlands	202 175	1 126 270	1 328 445	109.56	1 649 220	2 977 665
Sorell	188 485	537 551	726 036	64.23	634 454	1 360 489
Southern Midlands	96 043	764 045	860 088	149.32	1 375 104	2 235 192
Tasman	37 050	295 638	332 688	149.72	323 766	656 455
Waratah-Wynyard	224 868	963 490	1 188 358	88.12	967 891	2 156 249
West Coast	84 822	839 854	924 676	181.77	467 221	1 391 897
West Tamar	351 059	1 083 102	1 434 160	68.12	734 663	2 168 823
Total	8 038 351	18 756 153	26 794 504	55.58	26 333 800	53 128 304

12 - Conclusion

Attached to this Report are appendices that contain information used for the grant assessments. Also appended are details of the hearings conducted by the Commission during 2005 and statistical tables relating to local government activities in Tasmania, which are presented for the benefit of interested persons reading this Report.

The Commission wishes to express its appreciation to all local governing bodies throughout the State for their co-operation and assistance in 2004-05.

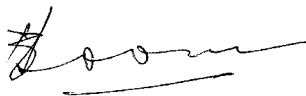
The Commission is appreciative of the support given by the Secretary of the Department of Treasury and Finance, Mr D W Challen, and the staff of the Economic and Financial Policy Division. In particular, the Commission wishes to acknowledge the work of its Secretary (Mr J Threlfall) in terms of the revised distribution model and other reforms introduced this year.



R C Close
CHAIRMAN



G P Appleyard
MEMBER



B A Southorn
MEMBER



G H K Denny
MEMBER



Jeremy Threlfall
SECRETARY
October 2005

APPENDIX 1

TOTAL GRANTS PROVIDED IN 2004-05

Council	Base Grant Components						Total Grant Provided 2004-05**
	Per Capita (30%)*	Relative Needs (70%)*	Total Base Grant 2004-05	Road Grant 2004-05	Base Grant adjustment	Road Grant adjustment	
	\$	\$	\$	\$	\$	\$	
Break O'Day	96 021	690 183	786 204	1 101 725	+ 4 580	+ 5 343	1 897 852
Brighton	211 367	701 597	912 964	327 775	+ 5 318	+ 1 590	1 247 646
Burnie	307 728	674 325	982 053	767 445	+ 5 720	+ 3 722	1 758 939
Central Coast	340 118	1 243 596	1 583 714	1 190 156	+ 9 225	+ 5 772	2 788 867
Central Highlands	37 856	527 167	565 022	904 603	+ 3 291	+ 4 387	1 477 304
Circular Head	130 756	758 995	889 751	1 171 083	+ 5 183	+ 5 679	2 071 696
Clarence	806 318	646 061	1 452 379	867 438	+ 8 460	+ 4 207	2 332 484
Derwent Valley	152 037	523 100	675 136	548 324	+ 3 933	+ 2 659	1 230 053
Devonport	397 281	470 642	867 923	672 949	+ 5 056	+ 3 264	1 549 191
Dorset	117 302	729 491	846 793	1 263 649	+ 4 933	+ 6 128	2 121 503
Flinders	14 149	445 359	459 508	427 652	+ 2 677	+ 2 074	891 911
George Town	108 020	549 110	657 130	465 894	+ 3 828	+ 2 259	1 129 111
Glamorgan Spring Bay	65 831	462 870	528 701	533 688	+ 3 080	+ 2 588	1 068 057
Glenorchy	720 872	6 001	726 873	889 704	+ 4 234	+ 4 315	1 625 125
Hobart	777 340	0	777 340	1 209 378	+ 4 528	+ 5 865	1 997 110
Huon Valley	227 699	798 014	1 025 713	1 122 050	+ 5 975	+ 5 442	2 159 180
Kentish	89 472	671 264	760 737	806 668	+ 4 431	+ 3 912	1 575 748
King Island	27 118	389 902	417 020	489 121	+ 2 429	+ 2 372	910 943
Kingborough	490 424	554 969	1 045 393	875 196	+ 6 089	+ 4 244	1 930 923
Latrobe	137 742	443 225	580 966	431 598	+ 3 384	+ 2 093	1 018 042
Launceston	1 024 234	615 931	1 640 164	1 865 329	+ 9 554	+ 9 046	3 524 093
Meander Valley	295 535	970 628	1 266 163	1 387 959	+ 7 375	+ 6 731	2 668 228
Northern Midlands	194 614	1 056 460	1 251 074	1 582 691	+ 7 287	+ 7 675	2 848 728
Sorell	180 384	522 339	702 722	605 343	+ 4 093	+ 2 936	1 315 095
Southern Midlands	92 852	683 883	776 735	1 318 504	+ 4 524	+ 6 394	2 106 158
Tasman	35 559	261 917	297 477	309 707	+ 1 733	+ 1 502	610 418
Waratah-Wynyard	218 078	867 670	1 085 748	916 702	+ 6 324	+ 4 446	2 013 221
West Coast	83 910	764 384	848 294	448 421	+ 4 941	+ 2 175	1 303 831
West Tamar	334 312	972 409	1 306 721	705 273	+ 7 612	+ 3 420	2 023 026
Total	7 714 926	18 001 493	25 716 419	25 206 027	149 797	122 240	51 194 483

* Base Grant split retrospective to enable comparison on a two-pool basis, as adopted for 2005-06.

** The final grant entitlement for 2004-05 was \$51,194,483 based on actual inflation for the year, whereas the estimated entitlement was \$50,922,446. Consequently, the 2004-05 recommended grants have been scaled up by the amounts shown in the adjustments columns to reflect 'actual' final grant entitlements. The underpayment of \$272,037 is to be added in equal quarterly instalments over the 2005-06 financial year as specified in the Commonwealth Local Government (Financial Assistance) Act 1995.

APPENDIX 2

INDICATIVE TOTAL BASE GRANT SHARES FROM 2005-06 TO 2008-09 UNDER THE FOUR YEAR PHASE-IN ARRANGEMENTS*

<i>Council</i>	<i>Recommended Grant Share 2005-06 %</i>	<i>Indicative Grant Share 2006-07 %</i>	<i>Indicative Grant Share 2007-08 %</i>	<i>Indicative Grant Share 2008-09 %</i>
Break O'Day	3.3	3.6	3.8	4.1
Brighton	3.7	3.8	3.8	3.9
Burnie	3.6	3.4	3.3	3.1
Central Coast	6.3	6.4	6.5	6.6
Central Highlands	2.3	2.4	2.5	2.7
Circular Head	3.6	3.7	3.8	3.9
Clarence	5.0	4.4	3.8	3.1
Derwent Valley	2.6	2.7	2.7	2.7
Devonport	2.9	2.5	2.0	1.6
Dorset	3.4	3.5	3.6	3.7
Flinders	1.8	1.9	1.9	2.0
George Town	2.7	2.9	3.0	3.2
Glamorgan Spring Bay	2.0	2.0	2.0	2.0
Glenorchy	2.8	2.8	2.8	2.8
Hobart	3.0	3.0	3.0	3.0
Huon Valley	4.2	4.5	4.8	5.0
Kentish	3.1	3.3	3.4	3.6
King Island	1.7	1.8	1.8	1.9
Kingborough	3.6	3.0	2.5	2.0
Latrobe	2.2	2.1	2.1	2.0
Launceston	5.8	5.2	4.6	4.0
Meander Valley	4.9	4.8	4.8	4.7
Northern Midlands	5.0	5.1	5.1	5.2
Sorell	2.7	2.7	2.7	2.6
Southern Midlands	3.2	3.4	3.6	3.8
Tasman	1.2	1.3	1.4	1.5
Waratah-Wynyard	4.4	4.7	4.9	5.1
West Coast	3.5	3.6	3.8	3.9
West Tamar	5.4	5.6	5.9	6.1
Total	100.0	100.0	100.0	100.0

* these estimates have been made using the council relativities calculated during the 2005-06 assessments. It is important to note that these relativities **will change** following the 2005-06 assessments, and hence the indicative grant shares shown above will vary. For example, changes in cost adjustors, revenue capacity or the methodology would affect these indicative grant shares. These estimates have only been provided to indicate the likely trend in grants, based on the current situation, and should provide some assistance to councils for budgeting purposes.

APPENDIX 3

POPULATION OF LOCAL GOVERNMENT AREA

<i>Council</i>	<i>Estimated Residential Population at 30 June</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
Break O'Day	5 849	5 938	6 036
Brighton	12 966	13 071	13 436
Burnie	18 827	19 030	19 139
Central Coast	20 913	21 033	21 079
Central Highlands	2 306	2 341	2 295
Circular Head	7 999	8 086	8 105
Clarence	49 647	49 863	50 257
Derwent Valley	9 317	9 402	9 327
Devonport	24 201	24 568	24 979
Dorset	7 322	7 254	7 131
Flinders	868	875	877
George Town	6 482	6 680	6 747
Glamorgan Spring Bay	3 987	4 071	4 185
Glenorchy	44 124	44 579	44 925
Hobart	47 478	48 071	48 533
Huon Valley	13 979	14 081	14 347
Kentish	5 500	5 533	5 676
King Island	1 689	1 677	1 632
Kingborough	29 712	30 328	30 961
Latrobe	8 347	8 518	8 710
Launceston	62 582	63 339	64 057
Meander Valley	18 164	18 276	18 611
Northern Midlands	11 957	12 035	12 125
Sorell	11 075	11 155	11 304
Southern Midlands	5 736	5 742	5 760
Tasman	2 249	2 199	2 222
Waratah-Wynyard	13 564	13 486	13 486
West Coast	5 352	5 189	5 087
West Tamar	20 420	20 674	21 054
Total	472 612	477 094	482 083

Source: Australian Bureau of Statistics (ABS) Regional Population Growth, Cat. No. 3218.0.

APPENDIX 4

LENGTH OF LOCAL GOVERNMENT ROADS AS AT 1 JANUARY 2005

<i>Council</i>	<i>Urban Sealed km</i>	<i>Urban Unsealed km</i>	<i>Rural Sealed km</i>	<i>Rural Unsealed km</i>	<i>Total Roads km</i>	<i>Bridge Deck Areas m2</i>
Break O'Day	85	33	117	308	543	7 959
Brighton	61	0	61	32	154	1 201
Burnie	127	0	166	58	351	2 032
Central Coast	127	1	400	136	664	5 508
Central Highlands	16	2	79	655	752	3 846
Circular Head	51	1	229	486	767	6 046
Clarence	245	4	128	60	437	592
Derwent Valley	32	4	65	229	330	4 009
Devonport	158	0	68	14	240	1 047
Dorset	46	9	206	478	739	8 470
Flinders	6	3	67	309	385	1 213
George Town	38	3	111	134	285	2 186
Glamorgan Spring Bay	71	16	76	182	345	2 004
Glenorchy	244	1	37	16	298	2 022
Hobart	288	8	0	0	296	6 926
Huon Valley	24	10	134	589	757	7 613
Kentish	18	2	220	245	485	5 065
King Island	11	6	36	383	436	973
Kingborough	115	0	131	272	518	3 376
Latrobe	49	1	164	73	287	1 882
Launceston	352	0	132	237	721	6 528
Meander Valley	100	24	445	246	815	8 609
Northern Midlands	99	13	465	403	980	9 274
Sorell	33	39	89	174	335	4 208
Southern Midlands	30	13	132	628	803	9 119
Tasman	6	2	54	145	207	1 837
Waratah-Wynyard	68	4	195	260	527	4 966
West Coast	67	17	15	76	175	2 703
West Tamar	77	5	200	165	447	3 186
Total	2 644	221	4 222	6 992	14 080	124 402

Source: State Grants Commission Local Road Lengths, updated in 2005 to reflect additions, deletions and changes in road status. These figures reflect the road and bridge definitions introduced for the 2000-01 assessments.

APPENDIX 5

MUNICIPAL PROPERTY VALUATIONS:

DATA AVERAGED FOR 1 JULY 2003 AND 1 JULY 2004

<i>Council</i>	<i>Adjusted Rateable AAV \$</i>	<i>Year of last Revaluation (as at 1/7/2004)</i>	<i>AAV Adjustment *</i>
Break O'Day	26 551 441	2001	1.18
Brighton	38 129 127	2000	1.15
Burnie	80 037 657	2003	1.14
Central Coast	71 670 418	2000	1.18
Central Highlands	17 219 510	2004	1.03
Circular Head	39 188 007	2000	1.17
Clarence	216 354 138	2001	1.20
Derwent Valley	33 097 592	1998	1.13
Devonport	111 109 285	2004	1.09
Dorset	31 982 056	1998	1.20
Flinders	4 039 693	1999	1.15
George Town	25 407 085	2000	1.15
Glamorgan Spring Bay	27 379 711	1999	1.20
Glenorchy	200 259 674	1999	1.14
Hobart	413 473 902	2002	1.25
Huon Valley	51 927 730	2003	1.18
Kentish	20 498 989	2004	1.07
King Island	11 222 300	1998	1.13
Kingborough	134 115 539	2003	1.16
Latrobe	37 960 589	2003	1.16
Launceston	310 484 286	1997	1.20
Meander Valley	79 304 147	1999	1.25
Northern Midlands	53 737 860	2000	1.25
Sorell	46 767 371	2004	1.09
Southern Midlands	22 228 638	2002	1.13
Tasman	12 166 972	1999	1.15
Waratah-Wynyard	48 468 871	1998	1.18
West Coast	20 089 413	2004	1.06
West Tamar	72 545 605	2001	1.19
Total	2257 417 606		

Source: Raw data sourced from the Office of the Valuer-General, Tasmania

* This is the ratio of the average adjusted AAV to the average unadjusted AAV, and incorporates Valuer-General's 'gross-up' adjustments to account for taxation elements excluded under the new definition of AAV embodied in the Valuation of Land Act 2001.

APPENDIX 6

REVENUE ASSESSMENTS LOCAL GOVERNMENT 2003-04

Council	General Rates and Special Rates	Rates and Charges-Water and Sewerage	Other Revenue *	Total Assessed Revenue
	\$	\$	\$	\$
Break O'Day	2 144 147	1 474 498	884 934	4 503 579
Brighton	3 121 864	3 432 596	1 856 270	8 410 730
Burnie	10 073 118	6 198 867	6 682 299	22 954 284
Central Coast	7 099 651	4 464 334	3 634 560	15 198 545
Central Highlands	1 173 778	291 746	2 394 834	3 860 358
Circular Head	3 801 462	2 560 220	3 555 525	9 917 207
Clarence	16 801 699	12 221 754	8 228 017	37 251 470
Derwent Valley	2 944 889	2 236 634	1 289 011	6 470 534
Devonport	12 056 643	8 738 977	4 758 115	25 553 735
Dorset	2 375 906	1 380 639	1 486 899	5 243 444
Flinders	503 129	84 691	849 316	1 437 136
George Town	3 155 823	1 412 121	1 435 042	6 002 986
Glamorgan Spring Bay	2 370 000	1 855 491	1 597 509	5 823 000
Glenorchy	12 238 170	19 851 451	6 865 646	38 955 267
Hobart	30 615 687	15 666 371	14 551 356	60 833 414
Huon Valley	4 698 113	2 586 785	3 569 169	10 854 066
Kentish	1 784 339	730 764	770 363	3 285 466
King Island	975 184	424 185	1 293 531	2 692 900
Kingborough	9 174 618	7 785 412	4 417 780	21 377 810
Latrobe	2 752 506	2 516 590	1 441 288	6 710 384
Launceston	25 626 014	21 348 488	12 391 389	59 365 891
Meander Valley	5 378 759	2 887 602	2 031 909	10 298 270
Northern Midlands	3 833 619	2 166 802	1 868 968	7 869 389
Sorell	4 305 291	979 598	2 852 092	8 136 981
Southern Midlands	1 960 844	768 308	547 486	3 276 638
Tasman	1 243 000	0	1 108 000	2 351 000
Waratah-Wynyard	4 562 128	3 374 218	3 153 843	11 090 189
West Coast	2 439 090	1 814 194	1 439 765	5 693 049
West Tamar	5 058 478	4 506 356	2 387 162	11 951 996
Total	184 267 949	133 759 692	99 342 077	417 369 718

* Other Revenue is: Garbage Charges, User Fees (net of Water and Parking), Interest Received, Fines, Profit of the Sale of Assets, and Current Revenue NEC.
Source: Tasmanian Local Government Division – Consolidated Data Collection 2003-04.

APPENDIX 7

STANDARDISED REVENUE AND SPECIFIC PURPOSE PAYMENTS

2005-06 ASSESSMENTS*

<i>Council</i>	<i>Standardised \$</i>	<i>Specific Purpose Payments** Treated by Inclusions</i>
Break O'Day	4 909 046	1 539 638
Brighton	7 049 623	482 132
Burnie	14 798 013	1 151 116
Central Coast	13 251 009	1 710 452
Central Highlands	3 183 683	1 433 401
Circular Head	7 245 397	1 601 253
Clarence	40 001 312	1 265 371
Derwent Valley	6 119 352	784 232
Devonport	20 542 788	960 851
Dorset	5 913 103	1 833 494
Flinders	746 891	586 867
George Town	4 697 468	654 932
Glamorgan Spring Bay	5 062 184	738 796
Glenorchy	37 025 636	1 274 514
Hobart	76 446 416	1 740 585
Huon Valley	9 600 821	1 719 913
Kentish	3 790 020	1 128 032
King Island	2 074 870	656 720
Kingborough	24 796 371	1 202 951
Latrobe	7 018 462	599 123
Launceston	57 404 859	2 696 962
Meander Valley	14 662 395	1 976 635
Northern Midlands	9 935 492	2 282 175
Sorell	8 646 732	877 235
Southern Midlands	4 109 811	2 024 068
Tasman	2 249 529	363 585
Waratah-Wynyard	8 961 319	1 305 585
West Coast	3 714 294	619 019
West Tamar	13 412 821	957 022
Total	417 369 718	36 166 659

* These are the values for the latest year only. The grant calculations use an average of the latest three years' values. Note that the scope of revenue assessment has expanded since the 2004-05 assessments.

** This amount now includes \$10 million funds allocated pursuant to the Roads to Recovery Program and reflects the Commission's decision to assume that councils will receive these funds in four annual instalments over the life of the program. This amount does not include the Per Capita Grant for 2003-04, which is now also classed as Other Grant Support and treated by inclusion.

APPENDIX 8

STANDARD EXPENDITURE IN THE 2005-06 ASSESSMENTS

Council	General	Education	Waste	Recreation	Community	Law Order and
	Administration	Health Housing and Welfare	Management and the Environment	and Culture	and Regional Development	Public Safety
	\$	\$	\$	\$	\$	\$
Break O'Day	793 650	213 618	520 820	745 881	385 329	54 014
Brighton	1 766 648	475 508	1 159 335	1 660 314	857 733	120 235
Burnie	2 516 514	677 341	1 651 422	2 365 046	1 221 803	171 269
Central Coast	2 771 597	745 999	1 818 816	2 604 776	1 345 650	188 630
Central Hlands	301 761	81 221	198 026	283 598	146 509	20 537
Circular Head	1 065 695	286 841	699 346	1 001 552	517 410	72 529
Clarence	6 608 100	1 778 627	4 336 460	6 210 361	3 208 327	449 735
Derwent Valley	1 226 371	330 088	804 787	1 152 557	595 421	83 464
Devonport	3 284 393	884 022	2 155 330	3 086 707	1 594 620	223 529
Dorset	937 628	252 371	615 303	881 192	455 232	63 813
Flinders	115 313	31 038	75 673	108 373	55 986	7 848
George Town	887 137	238 781	582 170	833 741	430 718	60 377
Glamorgan SB	550 270	148 110	361 106	517 149	267 164	37 450
Glenorchy	5 907 015	1 589 924	3 876 385	5 551 475	2 867 940	402 020
Hobart	6 381 418	1 717 613	4 187 703	5 997 323	3 098 269	434 307
Huon Valley	1 886 432	507 749	1 237 941	1 772 888	915 890	128 387
Kentish	746 315	200 877	489 758	701 395	362 347	50 793
King Island	214 585	57 757	140 818	201 670	104 184	14 604
Kingborough	4 070 943	1 095 729	2 671 491	3 825 915	1 976 501	277 061
Latrobe	1 145 244	308 252	751 548	1 076 313	556 033	77 943
Launceston	8 422 609	2 267 017	5 527 203	7 915 656	4 089 297	573 227
Meander Valley	2 447 089	658 655	1 605 863	2 299 800	1 188 097	166 544
Northern Mlands	1 594 270	429 111	1 046 214	1 498 311	774 041	108 503
Sorell	1 486 319	400 056	975 373	1 396 859	721 629	101 156
Southern Mlands	757 360	203 850	497 006	711 775	367 709	51 544
Tasman	292 162	78 638	191 727	274 577	141 849	19 884
Waratah-Wynyard	1 773 222	477 278	1 163 649	1 666 493	860 925	120 682
West Coast	668 870	180 032	438 935	628 611	324 746	45 522
West Tamar	2 768 309	745 114	1 816 659	2 601 686	1 344 054	188 406
Total	63 387 240	17 061 218	41 596 865	59 571 994	30 775 411	4 314 014

STANDARD EXPENDITURE IN THE 2005-06 ASSESSMENTS continued

Council	Sewerage \$	Water \$	Other Non-roads \$	Total Non-roads \$	Roads "Standard" \$	Total including roads \$
Break O'Day	704 869	819 022	397 397	4 634 601	3 822 785	8 457 386
Brighton	1 569 023	1 823 125	884 597	10 316 517	1 739 355	12 055 872
Burnie	2 235 005	2 596 962	1 260 071	14 695 432	4 143 855	18 839 287
Central Coast	2 461 553	2 860 200	1 387 796	16 185 015	5 790 138	21 975 153
Central Highlands	268 004	311 407	151 098	1 762 162	3 545 459	5 307 621
Circular Head	946 482	1 099 764	533 616	6 223 234	4 643 725	10 866 959
Clarence	5 868 887	6 819 349	3 308 813	38 588 658	5 936 159	44 524 817
Derwent Valley	1 089 184	1 265 576	614 070	7 161 518	2 002 587	9 164 105
Devonport	2 916 985	3 389 389	1 644 564	19 179 539	3 868 972	23 048 511
Dorset	832 740	967 602	469 490	5 475 371	4 414 119	9 889 490
Flinders	102 414	119 000	57 740	673 384	1 882 757	2 556 140
George Town	787 898	915 497	444 208	5 180 526	2 026 871	7 207 396
Glamorgan SB	488 714	567 861	275 531	3 213 354	2 598 472	5 811 826
Glenorchy	5 246 229	6 095 852	2 957 766	34 494 607	5 350 613	39 845 220
Hobart	5 667 562	6 585 420	3 195 309	37 264 925	5 936 134	43 201 058
Huon Valley	1 675 407	1 946 738	944 576	11 016 007	3 874 749	14 890 756
Kentish	662 829	770 174	373 696	4 358 183	2 989 760	7 347 943
King Island	190 581	221 445	107 447	1 253 093	2 098 519	3 351 612
Kingborough	3 615 548	4 201 084	2 038 406	23 772 677	4 280 696	28 053 374
Latrobe	1 017 132	1 181 856	573 448	6 687 769	2 398 467	9 086 236
Launceston	7 480 416	8 691 864	4 217 375	49 184 664	9 071 031	58 255 695
Meander Valley	2 173 346	2 525 318	1 225 308	14 290 019	6 146 733	20 436 752
Northern Midlands	1 415 927	1 645 236	798 284	9 309 897	6 987 497	16 297 394
Sorell	1 320 053	1 533 834	744 231	8 679 511	2 177 189	10 856 700
Southern Midlands	672 638	781 572	379 226	4 422 681	4 238 850	8 661 531
Tasman	259 480	301 502	146 292	1 706 111	1 094 895	2 801 006
Waratah-Wynyard	1 574 861	1 829 909	887 889	10 354 909	3 792 645	14 147 553
West Coast	594 047	690 253	334 917	3 905 934	1 704 322	5 610 256
West Tamar	2 458 634	2 856 807	1 386 150	16 165 820	3 513 540	19 679 360
Total	56 296 448	65 413 616	31 739 310	370 156 115	112 070 895	482 227 010

* "Standard" Expenditure for Roads is not calculated in the Equalisation Model. This figure is the MMM outcomes modified by removal of cost adjusters and normalised to the total for all actual roads expenditure. This measure is included here to enable a complete comparison of Standard expenditure outcomes.

APPENDIX 9

STANDARDISED EXPENDITURE - 2005-06 ASSESSMENTS

Council	General Administration \$	Education, Health Housing and Welfare \$	Waste Management and the Environment \$	Recreation and Culture \$	Community and Regional Development \$	Law Order and Public Safety \$
Break O'Day	1 372 107	242 401	723 939	1 007 619	567 076	66 155
Brighton	1 916 151	539 073	1 060 040	1 300 399	775 374	129 121
Burnie	2 638 099	751 238	1 605 466	2 486 305	1 205 031	183 266
Central Coast	2 745 415	762 333	1 689 025	2 152 659	1 274 579	187 310
Central Hlands	728 495	90 442	388 490	527 984	290 453	29 099
Circular Head	1 584 664	280 525	871 839	1 193 586	679 098	73 801
Clarence	4 927 614	1 684 227	3 778 880	5 313 633	2 735 186	420 268
Derwent Valley	1 592 736	364 522	871 325	1 107 943	644 274	91 441
Devonport	3 058 814	940 297	1 923 286	2 779 802	1 431 158	224 378
Dorset	1 404 393	250 035	769 503	1 017 589	580 668	67 066
Flinders	373 565	29 987	129 972	195 201	107 603	7 605
George Town	1 326 470	252 571	687 292	899 933	516 925	64 661
Glamorgan SB	1 046 241	142 919	592 137	800 666	445 893	45 587
Glenorchy	4 517 336	1 667 324	3 167 467	4 461 948	2 296 247	383 975
Hobart	4 860 859	1 603 569	3 907 839	6 957 863	2 817 587	385 682
Huon Valley	2 192 367	493 545	1 463 828	1 881 181	1 082 435	140 207
Kentish	1 116 394	213 841	588 961	769 192	441 127	56 955
King Island	571 452	53 622	207 332	330 182	183 156	13 596
Kingborough	3 605 229	974 889	2 565 956	3 384 369	1 864 688	249 676
Latrobe	1 522 343	317 204	803 641	1 031 076	599 808	78 941
Launceston	6 036 222	2 259 038	5 015 688	8 585 171	3 662 968	562 066
Meander Valley	2 511 230	636 706	1 698 496	2 177 094	1 268 176	175 658
Northern Mlands	1 887 692	400 273	1 145 130	1 461 014	848 243	106 922
Sorell	1 876 727	408 894	1 087 893	1 377 386	798 711	104 057
Southern Mlands	1 127 523	198 658	629 759	835 859	476 216	58 830
Tasman	683 579	75 068	343 672	469 215	259 530	23 845
Waratah-Wynyard	2 126 899	494 793	1 254 887	1 638 691	950 524	127 171
West Coast	1 224 584	208 698	689 784	965 471	537 986	59 284
West Tamar	2 812 038	724 527	1 935 336	2 462 961	1 434 691	197 390
Total	63 387 240	17 061 218	41 596 865	59 571 994	30 775 411	4 314 014

* These are the values for the latest year only. The grant calculations use an average of the most recent three years' values.

STANDARDISED EXPENDITURE 2005-06 ASSESSMENTS continued

<i>Council</i>	<i>Sewerage</i> \$	<i>Water</i> \$	<i>Other Non-roads</i> \$	<i>Total Non-roads</i> \$	<i>Roads</i> \$	<i>Total including roads</i> \$
Break O'Day	971 873	1 124 517	397 397	6 473 083	3 815 522	10 288 605
Brighton	1 360 934	1 573 822	884 597	9 539 510	1 708 326	11 247 836
Burnie	2 173 959	2 519 852	1 260 071	14 823 287	4 405 192	19 228 479
Central Coast	2 216 794	2 583 072	1 387 796	14 998 984	5 801 850	20 800 834
Central Highlands	485 566	562 367	151 098	3 253 992	3 515 676	6 769 668
Circular Head	1 169 888	1 355 494	533 616	7 742 511	4 724 582	12 467 092
Clarence	5 060 915	5 952 714	3 308 813	33 182 250	5 492 971	38 675 221
Derwent Valley	1 091 924	1 261 790	614 070	7 640 025	1 764 493	9 404 519
Devonport	2 558 000	2 975 702	1 644 564	17 536 001	4 027 774	21 563 775
Dorset	989 017	1 145 183	469 490	6 692 943	4 453 909	11 146 852
Flinders	191 238	221 731	57 740	1 314 644	1 885 529	3 200 172
George Town	875 018	1 012 556	444 208	6 079 634	2 257 486	8 337 120
Glamorgan Spring Bay	743 350	863 210	275 531	4 955 532	2 482 941	7 438 473
Glenorchy	4 525 060	5 194 476	2 957 766	29 171 600	5 147 306	34 318 906
Hobart	6 011 502	7 031 138	3 195 309	36 771 348	5 396 247	42 167 596
Huon Valley	1 815 716	2 112 020	944 576	12 125 875	3 651 627	15 777 502
Kentish	749 490	865 466	373 696	5 175 123	3 059 469	8 234 592
King Island	318 951	369 341	107 447	2 155 080	2 309 752	4 464 832
Kingborough	3 296 261	3 820 684	2 038 406	21 800 158	4 124 372	25 924 530
Latrobe	1 035 049	1 198 170	573 448	7 159 681	2 156 714	9 316 396
Launceston	7 293 737	8 516 103	4 217 375	46 148 369	9 969 993	56 118 362
Meander Valley	2 226 087	2 581 741	1 225 308	14 500 496	5 947 691	20 448 187
Northern Midlands	1 427 635	1 653 793	798 284	9 728 985	6 992 456	16 721 440
Sorell	1 377 896	1 592 996	744 231	9 368 790	2 187 548	11 556 338
Southern Midlands	816 555	944 194	379 226	5 466 821	4 361 499	9 828 320
Tasman	401 221	464 395	146 292	2 866 818	1 141 892	4 008 710
Waratah-Wynyard	1 652 601	1 911 448	887 889	11 044 904	3 876 672	14 921 576
West Coast	952 133	1 102 675	334 917	6 075 533	1 953 742	8 029 275
West Tamar	2 508 077	2 902 967	1 386 150	16 364 137	3 457 666	19 821 803
Total	56 296 448	65 413 616	31 739 310	370 156 115	112 070 895	482 227 010

APPENDIX 10

COST ADJUSTORS 2005-06 ASSESSMENTS

<i>Council</i>	<i>Absentee Population</i>	<i>Climate</i>	<i>Dispersion</i>	<i>Equivalent Tenements - Sewerage</i>	<i>Equivalent Tenements - Water</i>	<i>Isolation</i>	<i>Population Decline</i>
Break O'Day	1.20	1.00	1.07	0.92	0.92	1.08	0.99
Brighton	0.96	1.00	0.97	0.93	0.92	0.99	0.99
Burnie	0.99	1.00	0.96	0.99	0.99	1.01	1.01
Central Coast	0.97	1.00	0.99	0.93	0.93	1.02	0.99
Central Highlands	1.34	1.00	1.21	0.92	0.91	1.02	1.08
Circular Head	1.05	1.03	1.03	0.93	0.93	1.07	1.04
Clarence	0.97	1.00	1.01	0.96	0.97	0.98	0.99
Derwent Valley	0.99	1.00	0.98	0.92	0.92	1.00	1.05
Devonport	0.97	1.00	0.94	0.98	0.98	1.01	0.99
Dorset	1.07	1.00	1.05	0.92	0.92	1.02	1.03
Flinders	1.20	1.00	1.03	0.92	0.91	1.20	1.08
George Town	1.07	1.00	1.00	0.92	0.92	1.02	1.00
Glamorgan Spring Bay	1.24	1.00	1.18	0.92	0.92	1.03	0.99
Glenorchy	0.96	1.00	0.94	1.03	1.02	0.98	0.99
Hobart	0.98	1.00	0.94	1.22	1.23	0.98	0.99
Huon Valley	1.05	1.00	1.09	0.93	0.93	1.00	0.99
Kentish	1.00	1.03	1.04	0.92	0.91	1.01	0.99
King Island	1.09	1.00	0.99	0.92	0.91	1.29	1.09
Kingborough	1.00	1.00	1.03	0.93	0.93	0.98	0.99
Latrobe	1.02	1.00	0.99	0.92	0.92	1.01	0.99
Launceston	0.98	1.00	0.96	1.11	1.12	0.99	0.99
Meander Valley	0.98	1.00	1.10	0.94	0.93	1.01	0.99
Northern Midlands	1.01	1.00	1.03	0.93	0.92	1.00	0.99
Sorell	1.08	1.00	1.01	0.92	0.92	0.99	0.99
Southern Midlands	1.00	1.00	1.16	0.92	0.91	1.03	0.99
Tasman	1.29	1.00	1.04	0.92	0.91	1.04	1.01
Waratah-Wynyard	1.01	1.00	1.02	0.93	0.92	1.03	1.02
West Coast	1.12	1.07	1.15	0.94	0.93	1.09	1.11
West Tamar	1.01	1.00	1.09	0.92	0.92	1.00	0.99

COST ADJUSTORS 2005-06 ASSESSMENTS continued

<i>Council</i>	<i>Regional Responsibility</i>	<i>Scale - Admin</i>	<i>Scale - Other</i>	<i>Daytripper Tourism</i>	<i>Unemployment</i>	<i>Worker Influx</i>
Break O'Day	0.88	1.45	1.11	1.02	1.14	1.00
Brighton	0.88	1.15	1.04	0.97	1.14	0.99
Burnie	1.06	1.03	1.01	1.00	1.10	1.00
Central Coast	0.88	1.00	1.00	0.98	1.03	0.99
Central Highlands	0.88	1.97	1.24	1.09	1.03	1.00
Circular Head	0.88	1.32	1.08	1.01	0.93	1.00
Clarence	1.00	0.80	0.95	0.98	0.95	0.97
Derwent Valley	0.88	1.27	1.07	1.01	1.06	0.99
Devonport	1.00	0.96	0.99	1.00	1.07	1.00
Dorset	0.88	1.37	1.09	1.01	0.96	1.00
Flinders	0.88	2.75	1.44	0.98	0.88	1.00
George Town	0.88	1.41	1.10	1.02	1.06	1.00
Glamorgan Spring Bay	0.88	1.64	1.16	1.07	0.97	1.00
Glenorchy	1.00	0.83	0.96	0.97	1.06	1.00
Hobart	1.25	0.81	0.95	1.02	0.94	1.05
Huon Valley	0.88	1.12	1.03	1.03	0.98	0.99
Kentish	0.88	1.48	1.12	1.01	1.07	0.99
King Island	0.88	2.20	1.30	1.01	0.84	1.00
Kingborough	0.94	0.91	0.98	0.98	0.90	0.98
Latrobe	0.88	1.30	1.08	0.99	1.04	0.99
Launceston	1.19	0.76	0.94	1.02	1.00	1.02
Meander Valley	0.88	1.04	1.01	0.99	0.97	0.99
Northern Midlands	0.88	1.18	1.04	1.02	0.94	0.99
Sorell	0.88	1.20	1.05	1.00	1.03	0.99
Southern Midlands	0.88	1.47	1.12	1.01	0.98	0.99
Tasman	0.88	2.00	1.25	1.21	0.94	1.00
Waratah-Wynyard	0.88	1.14	1.03	0.99	1.01	0.99
West Coast	0.88	1.52	1.13	0.99	1.05	1.00
West Tamar	0.88	1.01	1.00	0.98	0.98	0.98

APPENDIX 11

MULHOLLAND MODEL COST ADJUSTORS

Council	Urban Sealed Roads						Urban Unsealed	
	Climate	Drainage	Material	Soil	Terrain	Traffic	Climate	Traffic
Break O'Day	0.98	0.99	1.01	0.93	1.05	0.99	0.98	0.99
Brighton	0.94	1.01	1.05	1.01	1.06	0.98	0.94	0.96
Burnie	1.00	0.99	1.00	0.97	1.09	1.02	1.00	0.96
Central Coast	1.00	0.99	1.00	0.94	1.05	1.01	1.00	0.97
Central Highlands	0.95	1.00	1.06	1.05	1.02	0.96	0.95	0.96
Circular Head	1.00	0.99	1.00	0.76	1.04	0.99	1.00	0.96
Clarence	0.94	1.00	0.96	1.01	1.09	0.98	0.94	0.96
Derwent Valley	0.95	1.00	1.02	0.94	1.01	0.97	0.95	0.96
Devonport	1.00	0.98	1.00	1.05	1.05	1.02	1.00	0.96
Dorset	0.99	0.99	1.04	0.97	1.07	0.99	0.99	0.96
Flinders	0.96	1.01	0.99	0.73	1.02	0.99	0.96	1.00
George Town	1.00	0.99	1.10	1.15	1.03	0.98	1.00	0.96
Glamorgan Spring Bay	0.96	0.99	1.03	0.95	1.07	0.97	0.96	0.96
Glenorchy	0.94	1.00	0.92	1.00	1.11	1.03	0.94	0.99
Hobart	0.94	0.99	0.91	1.01	1.11	0.98	1.01	0.96
Huon Valley	0.98	1.03	0.97	0.99	1.01	0.96	0.99	0.96
Kentish	1.00	1.00	1.00	1.00	1.03	1.00	1.00	0.96
King Island	1.04	0.98	1.00	0.94	1.07	0.99	1.04	0.97
Kingborough	1.00	1.00	0.90	1.08	1.07	0.98	1.00	1.00
Latrobe	1.00	1.00	1.00	0.85	1.01	1.01	1.00	0.97
Launceston	0.97	1.00	1.00	1.12	1.10	0.99	0.97	0.99
Meander Valley	1.00	0.99	0.98	0.84	1.05	0.98	1.00	0.96
Northern Midlands	0.95	1.02	1.02	1.04	1.01	0.99	0.95	0.96
Sorell	0.95	0.99	1.02	1.07	1.06	1.00	0.95	0.97
Southern Midlands	0.95	1.01	1.03	1.06	1.07	0.98	0.95	0.97
Tasman	0.95	0.99	1.07	1.02	1.10	0.96	0.95	0.96
Waratah-Wynyard	1.01	1.02	1.00	0.93	1.03	1.01	1.00	0.96
West Coast	1.07	0.99	1.00	1.06	1.04	0.98	1.07	0.97
West Tamar	1.00	0.98	1.01	0.98	1.08	0.98	1.00	0.98

MULHOLLAND MODEL COST ADJUSTORS continued

Council	<i>Rural Sealed roads</i>						<i>Rural Unsealed</i>		
	Climate	Drainage	Material	Soil	Terrain	Traffic	Climate	Traffic	Remote-
Break O'Day	0.98	0.99	1.01	1.03	1.04	0.98	0.98	0.98	1.08
Brighton	0.94	1.00	1.05	1.07	1.05	0.98	0.94	0.98	1.00
Burnie	1.02	0.99	1.00	1.06	1.08	1.04	1.01	1.00	1.00
Central Coast	1.01	0.99	1.00	0.99	1.12	1.00	1.01	0.98	1.00
Central Highlands	0.98	1.00	1.06	1.02	1.12	0.97	1.00	0.97	1.03
Circular Head	1.04	0.99	1.00	0.99	1.12	1.01	1.04	0.99	1.04
Clarence	0.94	1.00	0.95	0.96	1.09	0.98	0.94	0.96	1.00
Derwent Valley	0.95	1.00	1.01	1.00	1.05	0.96	0.95	0.96	1.00
Devonport	1.00	0.99	1.00	1.04	1.07	1.01	1.00	0.99	1.00
Dorset	1.00	0.99	1.02	1.02	1.10	1.01	1.00	0.99	1.00
Flinders	0.96	0.99	0.99	1.00	1.05	1.00	0.96	0.99	1.11
George Town	1.00	0.97	1.10	1.12	1.08	0.98	1.00	0.97	1.00
Glamorgan Spring Bay	0.96	0.99	1.03	1.02	1.06	0.96	0.96	0.96	1.04
Glenorchy	0.95	0.99	0.95	1.00	1.16	1.01	0.95	0.99	1.00
Hobart	1.00	1.00	1.00	1.00	1.09	1.00	1.00	1.00	1.00
Huon Valley	1.01	1.00	0.97	1.01	1.06	0.97	1.01	0.97	1.00
Kentish	1.03	0.99	1.00	0.95	1.15	1.01	1.01	0.98	1.00
King Island	1.03	1.02	1.00	1.04	1.00	0.99	1.03	0.97	1.14
Kingborough	1.01	0.99	0.90	1.03	1.14	0.98	1.00	0.96	1.00
Latrobe	1.00	1.00	1.00	0.92	1.05	1.01	1.00	0.98	1.00
Launceston	0.99	1.00	1.04	1.04	1.10	1.00	0.99	0.99	1.00
Meander Valley	1.01	1.00	0.99	1.02	1.09	0.99	1.01	0.97	1.00
Northern Midlands	0.95	1.02	1.03	1.07	1.05	1.01	0.95	0.98	1.00
Sorell	0.95	1.00	1.04	1.12	1.07	1.00	0.95	0.98	1.00
Southern Midlands	0.95	1.00	1.07	1.04	1.13	1.03	0.95	1.00	1.04
Tasman	1.00	1.00	1.07	1.04	1.10	0.97	0.98	0.97	1.05
Waratah-Wynyard	1.03	1.00	1.00	1.00	1.12	1.01	1.03	1.00	1.00
West Coast	1.07	1.00	1.00	1.00	1.09	0.97	1.07	0.99	1.07
West Tamar	1.00	0.99	1.01	1.02	1.05	0.98	1.00	0.97	1.00

APPENDIX 12

EXAMPLE OF THE APPLICATION OF THE MULHOLLAND MODEL FOR ASSESSMENT OF ROAD EXPENDITURE NEEDS

Consider a municipality which has a local road network of 100km of sealed urban, 200km of sealed rural and 300km of unsealed rural roads; its cost adjustors combine to give 1.15 for reconstruction and rehabilitation, and 1.06 for maintenance.

The **indicative average** costs per km of the activities are:

Activity	Road type			
	<i>Sealed urban (\$)</i>	<i>Sealed rural (\$)</i>	<i>Unsealed urban (\$)</i>	<i>Unsealed rural (\$)</i>
Reconstruction	338,000	125,300	n/a	n/a
Rehabilitation	315,000	72,000	n/a	n/a
Maintenance*	21,000	15,000	480	480

The **estimated useful lives** of the activities are:

Activity	Road type			
	<i>Sealed urban (years)</i>	<i>Sealed rural (years)</i>	<i>Unsealed urban (years)</i>	<i>Unsealed rural (years)</i>
Reconstruction	55	50	n/a	n/a
Rehabilitation	30	25	n/a	n/a
Maintenance*	15	20	0.57	0.40

The **performance standards** (proportion requiring work each year, annualised over entire useful life) applied for the activities are:

Activity	Road type			
	<i>Sealed urban (%)</i>	<i>Sealed rural (%)</i>	<i>Unsealed urban (%)</i>	<i>Unsealed rural (%)</i>
Reconstruction	1.82	2	n/a	n/a
Rehabilitation	3.33	4	n/a	n/a
Maintenance*	6.67	5	176	250

* In this illustration, the specific activity for sealed roads is re-sealing, and the activity used for unsealed roads is routine grading. Additional maintenance activities are recognised in the actual model used by the Commission.

Annual reconstruction¹ costs are:

- length of sealed road requiring reconstruction in any year is $(100 \times 0.0182) + 200 \times 0.02 = 1.82 \text{ km} + 4 \text{ km} = 5.82 \text{ km}$;
- **standard expenditure** for reconstruction of sealed roads is $(1.82 \times 338000) + (4 \times 125,300) = \$1,116,360$; and
- **standardised expenditure** is found by applying combined cost adjustor - $\$1,116,360 \times 1.15 = \$1,283,814$.
- **total annual reconstruction cost = \$1,283,814**

(Note: reconstruction is not applied to unsealed roads)

Annual rehabilitation² costs are:

- length of sealed road requiring rehabilitation in any year is $(100 \times 0.033) + (200 \times 0.04) = 3.33\text{km} + 8\text{km} = 11.33\text{km}$;
- **standard expenditure** for rehabilitation of sealed roads is $(3.33 \times 315,000) + (8 \times 72,000) = \$1,624,950$; and
- **standardised expenditure** is found by applying combined cost adjustor - $1.15 \times \$1,624,950 = \$1,868,692$.
- **total annual rehabilitation cost = \$1,868,692**

(Note: rehabilitation not applied to unsealed roads)

Annual maintenance³ costs are:

- length of sealed roads requiring maintenance (re-sealing) in any year is $(100 \times 0.067) + (200 \times 0.05) = 6.7\text{km} + 10\text{km} = 16.7\text{km}$
- **standard expenditure** for sealed road maintenance is $(6.7 \times 21,000) + (10 \times 15,000) = \$290,700$;
- **standardised expenditure** is found by applying combined cost adjustor - $\$290,700 \times 1.06 = \$308,142$;
- length of unsealed road requiring maintenance (routine grading) is $300 \times 2.5 = 750\text{km}$;
- **standard expenditure** for unsealed road maintenance is $750 \times 480 = \$360,000$; and
- **standardised expenditure** is found by applying combined cost adjustor - $\$360,000 \times 1.06 = \$381,600$.
- **total annual maintenance cost = (308,142 + 381,600) = \$689,742**

Total standardised road expenditure for council:

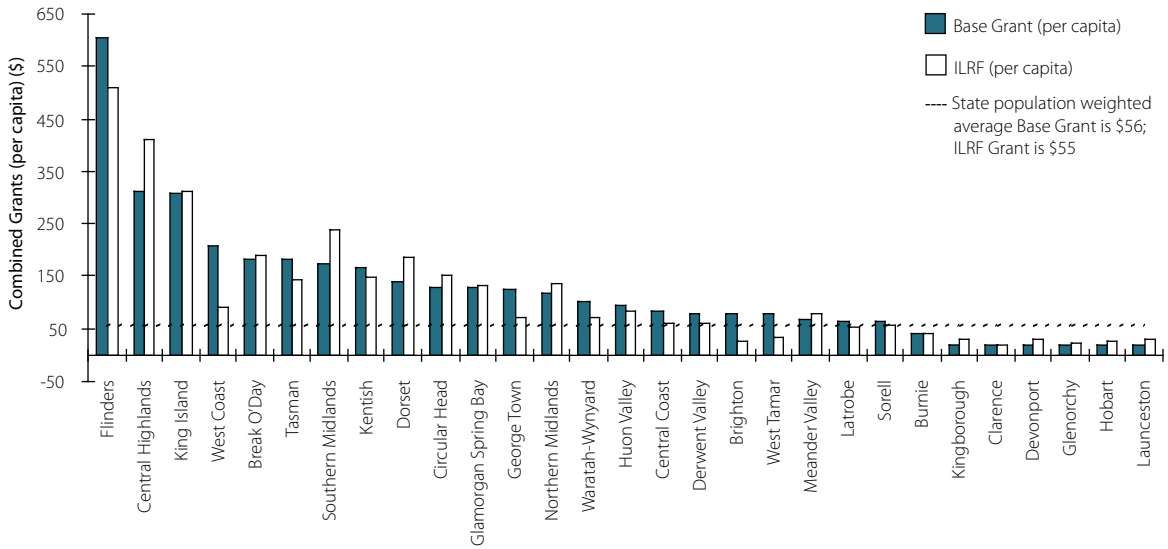
$$\begin{aligned} &= \$1,283,814 \text{ (reconstruction)} \\ &+ \$1,868,692 \text{ (rehabilitation)} \\ &+ \$689,742 \text{ (maintenance)} \\ &= \mathbf{\$3,842,248} \end{aligned}$$

¹ **Reconstruction** is defined as the complete replacement of a road, including the base layers, in order to reinstate it to the approximate original specifications.

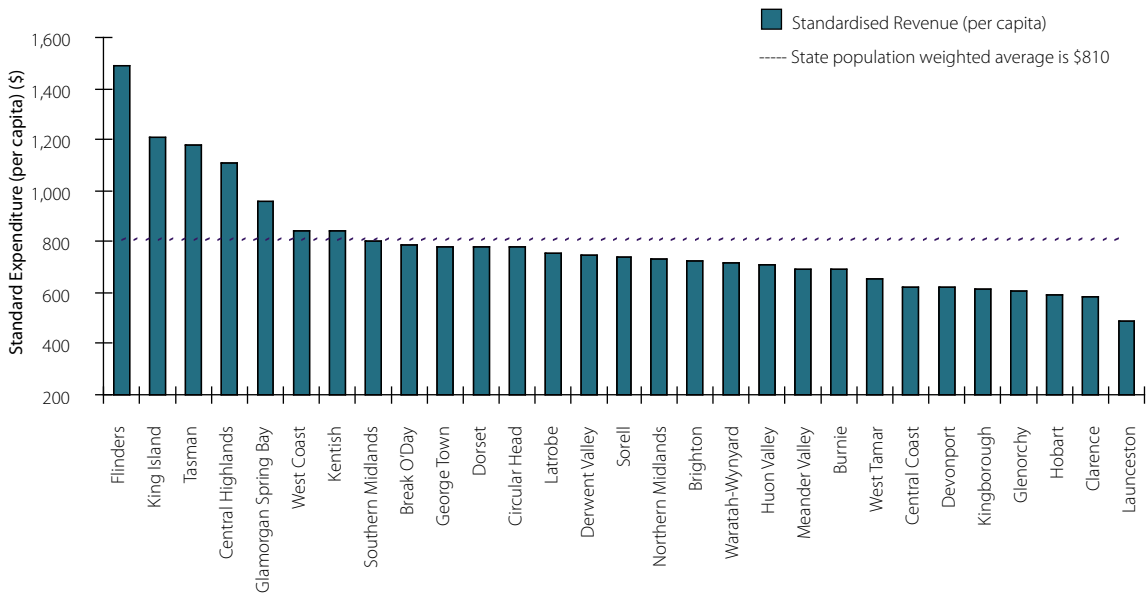
² **Rehabilitation** is defined as the complete replacement of the pavement of a road, where the foundations are strengthened and a new surface is overlaid.

³ **Maintenance** encompasses (for sealed roads) resealing and thin asphalt overlaying, and (for unsealed roads) routine grading and re-sheeting. For both types of surface, recognition is given to auxiliary minor repairs to the surface and maintenance of associated roadside structures.

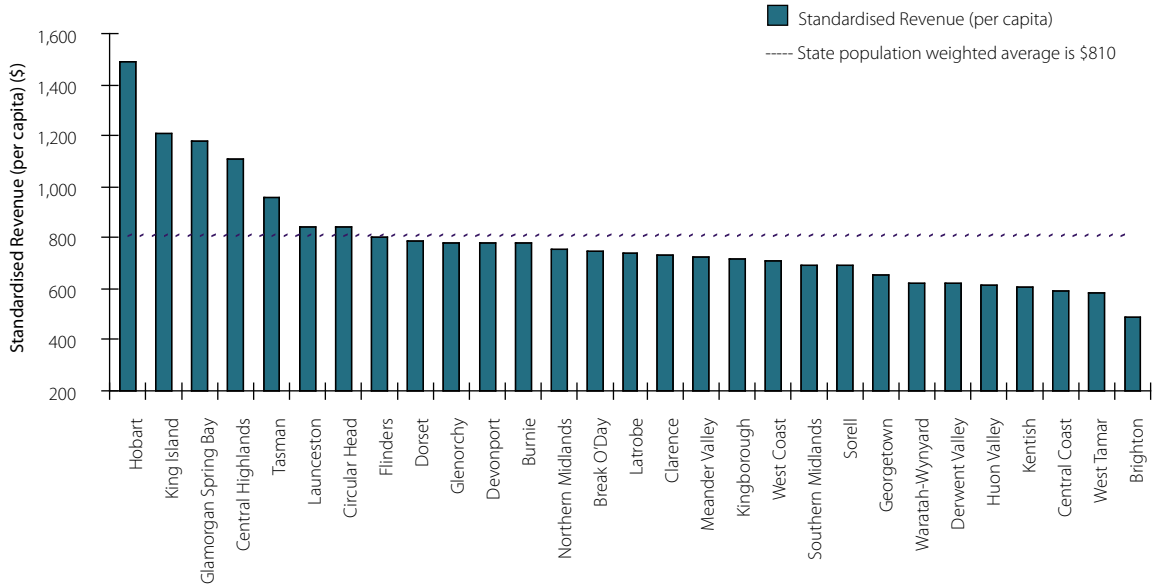
Appendix 13 - Base and ILRF Grants (per capita) 2005-06



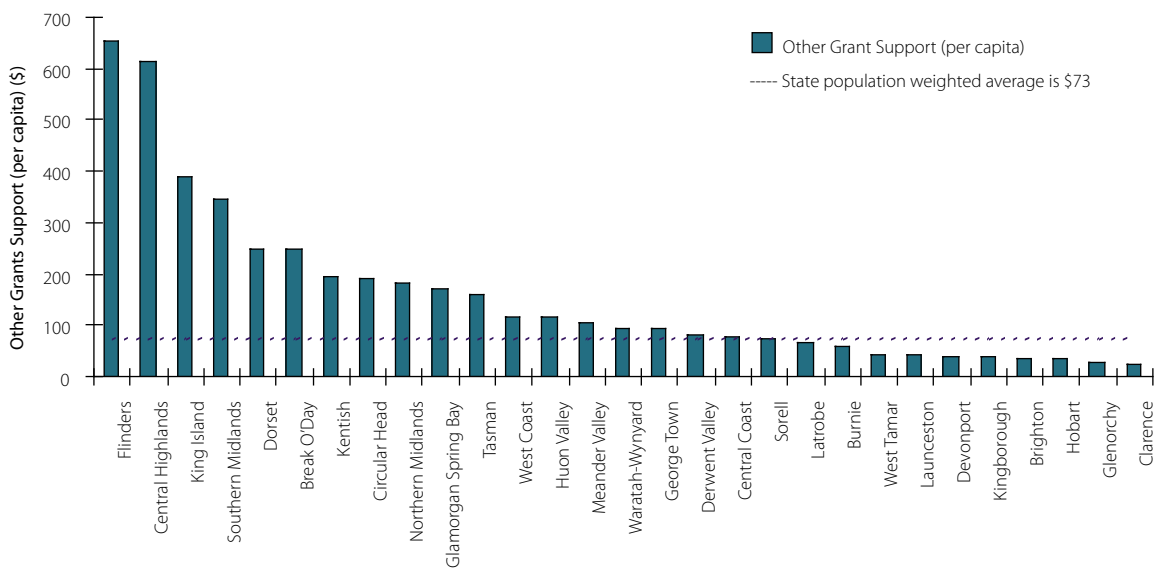
Appendix 14 - Standardised Expenditure (per capita) in the 2005-06 Assessments



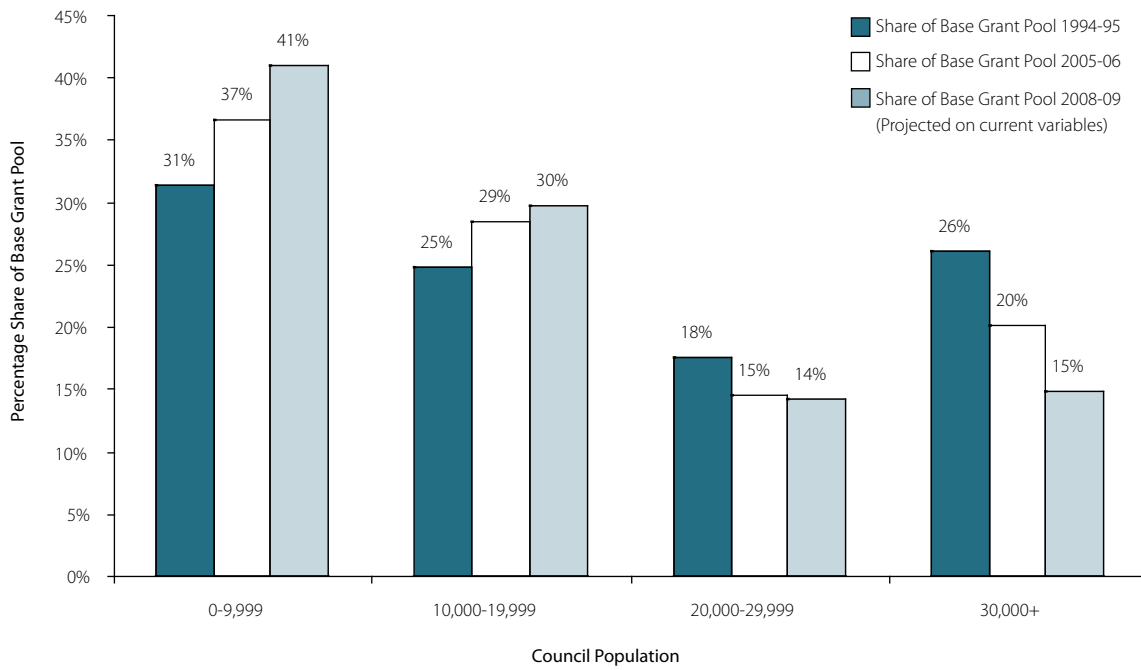
Appendix 15 - Standardised Revenue (per capita) in the 2005-06 Assessments



Appendix 16 - Specific Purpose Payments (per capita) in the 2005-06 Assessments



**Appendix 17 - Share of Base Grant Pool by Population
1994-95, 2005-06 and Projected 2008-09**



APPENDIX 18

REPRESENTATION AT COMMISSION HEARINGS IN 2005

Round 1 – North-west Councils

Tuesday 5 April 2005

In attendance: **West Coast Council**
Cr Darryl Gerrity (Mayor)
Mr David Metcalf (GM)

In attendance: **Waratah Wynyard Council**
Cr Roger Chalk (Mayor)
Mr Paul West (GM)
Mr John Stretton (Corporate Services Manager)

In attendance: **Burnie City Council**
Mr Andrew Beswick (Deputy GM)
Mr Steve Gray (Director Executive Services)

Wednesday 6 April 2005

In attendance: **Central Coast Council**
Ms Katherine Schaefer (GM)
Ms Sandra Ayton (Corporate Services Manager)
Mr Bevin Eberhardt (Engineering Services)

In attendance: **King Island Council**
Cr David Brewster (Mayor)
Mr Andrew Wardlaw (GM)
Mr Chris Barrett (Acting Director Corporate Services)

In attendance: **Devonport City Council**
Mr David Sales (GM)
Mr Noel Hammond (Manager Engineering Services)

Thursday 7 April 2005

In attendance: **Kentish Council**
Cr Ian Braid (Mayor)
Mr Tony Bickford (Manager Corporate Services and Finance)

In attendance:

Latrobe Council

Mr Grant Atkins (GM)
Ms Jan Febey (Manager Corporate Services)
Mr Stephen Onions (Development Manager)
Ms Cathy Stubbs (Accountant)

Round 2 – Northern Councils

Tuesday 19 April 2005

In attendance:

Dorset Council

Cr Peter Partridge (Mayor)
Mr Greg Preece (GM)
Mr John Martin (Corporate Services Manager)

In attendance:

Meander Valley Council

Cr Mark Shelton (Mayor)
Mr Paul Ranson (GM)
Malcolm Salter (Corporate Services Manager)

Wednesday 20 April 2005

In attendance:

West Tamar Council

Cr Barry Easterher (Mayor)
Mr Ian Pearce (GM)

In attendance:

Flinders Council

Mr John Vucic (GM)
Ms Valerie Brander (Manager Financial Services)

In attendance:

Break O’Day Council

Cr Steven Salter (Mayor)
Cr Margaret Osbourne (Councillor)
Mr Brian Inches (GM)
Ms Marissa Southwell (Corporate Services Manager)
Mr Mat Osbourne (General Public)

Wednesday 21 April 2005

In attendance:

Northern Midlands Council

Cr Kim Polley (Mayor)
Mr Gerald Monson (GM)
Ms Marie Bricknell (Manager Corporate Services)



In attendance:

Central Highlands Council
Cr Diedre Flint (Mayor)
Mr Trevor Berriman (GM)
Ms Christine Bell (Finance Officer)

In attendance:

Launceston City Council
Mr Chris Brooks (GM)
Mr Michael Tidey (Manager Corporate Services)
Mr Rod Fraser (Manager Finance)

Round 3 – Southern Councils

Tuesday 26 April 2005

In attendance:

Tasman Council
Cr Peter Wilson (Mayor)
Mr David Laugher (GM)
Mr David Doyle (Corporate Services Manager)

In attendance:

Huon Valley Council
Mr Geoff Cockerill (GM)
Mr Mike Norman (Manager Corporate Services)

Wednesday 27 April 2005

In attendance:

Glamorgan Spring Bay Council
Cr Cheryl Arnol (Mayor)
Mr Danny Green (GM)
Mr Jimmy Walters (Manager Business Services)

In attendance:

Brighton Council
Mr Geoff Dodge (GM)
Mr Greg Davoren (Manager Corporate Services)

In attendance:

Clarence Council
Mr Andrew Paul (GM)
Mr Frank Barta (Manager Corporate Services)

In attendance:

Hobart City Council
Cr Eva Ruzicka (Deputy Lord Mayor)
Mr David Spinks (Manager Finance)

Friday 29 April 2005

In attendance:

Derwent Valley Council

Cr Nick Cracknell (Mayor)
Cr Ian Brown
Cr Hilary Craw
Mr Stephen Mackey (GM)
Mr Robert McCrossin (Deputy GM)
Mr John Bradley (Accountant)
Mr Ken Wall (Works Manager)
Mr Matt Hill (Youth Worker)

Kingborough Council

In attendance:

Mr Greg Alomes (GM)
Mr Rob Palethorpe (Manager Corporate Services)
Mr Wayne Thorpe (Accountant Corporate Services)
Mr Ross Kelly (Consultant)

The following Councils did not attend a hearing in 2005:

Circular Head Council
Georgetown Council
Glenorchy City Council
Sorell Council
Southern Midlands Council

