



Tasmania

State Grants Commission

ANNUAL REPORT FOR 2004-05

Please address any enquiries to:

The Secretary
State Grants Commission
GPO Box 147
HOBART TASMANIA 7001

Telephone: 03 6233 3583
Facsimile: 03 6233 5690
E-mail: jeremy.threlfall@treasury.tas.gov.au

This report is available on the internet at:

www.treasury.tas.gov.au/sgc

ISSN 1327-4406

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 twenty ninth Annual Report of the Commission, and relates to grants for payment in the 2004-05 financial year.

Yours sincerely

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 and identified local road funds 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 CGC was appointed to undertake the required review and its final report was publicly released on 4 July 2001. Section 6 of this Report provides a summary of the progress by the Commission in response to the findings of this Review.

3 - LEVEL OF ASSISTANCE FOR 2004-05

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 – 2004-05

	National pool of funds	Tasmanian grant entitlement	Proportion of national pool	Change from 2003-04 entitlement
	\$	\$	%	%
Base grant	1,071,934,365	25,716,419	2.4	2.6
Road grant	475,648,823	25,206,027	5.3	2.6
Total grant	1,547,583,188	50,922,446	3.3	2.6

Since the reforms of Commonwealth-State financial arrangements arising from the introduction of *A New Tax System (ANTS)* 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 did not increase by the full 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 1.19% over 2003, compared with an Australian figure of 1.27%.

The Commonwealth has determined that there will be a negative adjustment of \$212,250 to the 2003-04 estimated grant entitlement of \$49,622,704 as the estimate of inflation and population growth of 3.67 per cent used to determine last year's pool was higher than the actual level of 3.16 per cent. Therefore, the "final" 2003-04 grant entitlement for Tasmania has been calculated by the Commonwealth as \$49,410,454 (which is \$49,622,704 minus \$212,250). Details are provided in Appendix 4.

This adjustment will be subtracted from the 2004-05 quarterly payments, based on the distribution of the 2003-04 grants. This will mean that the cash actually paid to councils in 2004-05 will be the estimated 2004-05 entitlement of \$50,922,446 less the adjustment to the 2003-04 grants of \$212,250, which is a total of \$50,710,196.

4 - 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:

Hobart	15-16 April 2004 - for southern and eastern councils;
Burnie and Devonport	22-23 April 2004 - for north-western councils;
Launceston	5-6 May 2004 – for northern councils.

In addition to these hearings, the Commission visited ten municipalities throughout the State, including a one-hour hearing conducted at Derwent Valley Council, and considered written submissions from a majority of councils.

The Commission made few changes to its base grant equalisation method during 2003-04. This reflects the fact that the primary focus of the Commission's work programme has been upon its response to the conclusions presented in the CGC Review of the Local Government (Financial Assistance) Act 1995. This matter is addressed in detail in Section 6 of this Report.

In addition to the work undertaken in response to the CGC Report, the Commission has continued its work on a review of the cost adjusters applied in the Modified Mulholland Model (MMM) that is used to distribute the ILRF grants.

It is anticipated that further work concerning this issue and the assessment of councils' water and sewerage expenditure needs will be undertaken in the 2004-05 financial year.

Details of the Commission's conclusions in relation to methodological issues are reported in Section 6.

5 - 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.

The Commission's equalisation model is based on the 'balanced budget' approach. That is, each council's grant entitlement is derived from the difference between:

- the expenditure ‘required’ to provide a common range of services, given that council’s unique cost conditions (standardised expenditure); and
- 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 (SPP) received that are treated by the ‘inclusion’ approach, as defined later in this section.

The difference between standardised expenditure and standardised revenue is the ‘standardised deficit’. This becomes the net standardised deficit after adjustment for SPPs and any special allowances. It should be noted that the total net standardised deficit substantially exceeds the total of grant funds available. Accordingly, the final step in determining grant entitlements is to proportionately adjust the individual net standardised deficits to account for the shortfall.

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. Further information on the Commission’s treatment of particular SPPs is given in Section 5.

A full explanation of the operation of the model is provided below, and a mathematical representation of the Commission’s distribution model is set out in Appendix 1.

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

A council's revenue capacity, or standardised revenue, is determined by multiplying the rateable assessed annual value (AAV) of properties in the municipality by the average rate in the dollar charged across the State. 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 have been applied, for the first time, 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 additional factors were provided by the Valuer-General in respect of the valuations prepared for Southern Midlands and Hobart City Councils over 2002. The Valuer-General will supply such 'grossing' adjustment factors to the Commission each year until all councils have been revalued according to the new definition.

Total rate revenue raised by all councils is divided by the adjusted rateable AAV for all councils to yield a State average rate in the dollar. Standardised revenue for each council is then the product of its adjusted rateable AAV and the State average rate levied per dollar of AAV. The final standardised revenue for each council used in the base grant assessments is the relevant three-year averaged standardised revenue. The standardised revenue of each council is shown in Appendix 9, while adjusted rateable AAV and rate revenues are shown in Appendices 7 and 8, 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. Only minor 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 km stretch of road has an expected life of 30 years, then, on average, 300 m 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 now also recognises a *remoteness* cost adjustor (the application of which was extended for the 2001-02 assessments), and an *urbanisation* cost adjustor for all activities. This latter allowance 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.

The model also makes an allowance for additional bridge-related maintenance, 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 3 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 is set out in the following table.

Table 2: Description of expenditure functions

Expenditure function	Explanation of expenditure function
General Administration	Legislative, executive, financial and fiscal affairs relating to general purposes only ie 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; 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 unavoidable relative cost disadvantages councils face in providing services. A range of adjustors has 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. The councils which demonstrate the least relative disadvantage for each expenditure category are assigned a minimum factor of 1.00. All other councils are compared to those councils on the minimum to determine their relative cost adjustors.

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

- Scale*
- Isolation
- Population Growth
- Worker Influx
- Unemployment
- Tourism
- Climate
- Dispersion
- Regional Responsibility
- Population Decline
- Absentee Population
- Age Profile
- Day-trippers
- Equivalent Tenements.

* Three *Scale* cost adjustors have been developed – see page 10.

Table 3 below indicates the cost adjustors that are applied to each expenditure category.

Table 3 Application of cost adjustors to expenditure standards

Expenditure Category	Cost Adjustors	
General Administration	Scale (high) Dispersion Isolation Regional Responsibility Worker Influx	Absentee Population Population Decline Population Growth Tourism
Health, Welfare and Housing	Scale (medium) Dispersion Isolation Unemployment	Absentee Population Population Decline Population Growth Age Profile
Waste Management and the Environment	Scale (medium) Dispersion Tourism Worker Influx	Absentee Population Climate Day-tripper Population Growth
Planning and Community Amenities	Scale (medium) Dispersion Isolation Regional Responsibility Population Growth Tourism	Absentee Population Age Profile Climate Day-tripper Population Decline
Recreation and Culture	Scale (medium) Dispersion Isolation Regional Responsibility Population Growth Tourism	Absentee Population Age Profile Climate Day-tripper Population Decline Unemployment
Water	Dispersion Population Growth Tourism Climate	Absentee Population Population Decline Worker Influx Equivalent tenements
Sewerage	Dispersion Population Growth Tourism Climate	Absentee Population Population Decline Worker Influx Equivalent tenements
Law, Order and Public Safety	Scale (medium) Dispersion Isolation Unemployment	Age Profile Population Decline Population Growth
Other	Scale (low)*	

* Both Flinders and King Island councils receive the Scale (high) cost adjustor for expenditure classified to *Other*.

An outline of the approach developed by the Commission to quantify each of the above-mentioned cost adjustors is provided below. The *climate* cost adjustor is not specifically dealt with as the Commission continues to use broad judgement in its determination of this adjustor.

(i) *Scale*

The scale cost adjustor accounts for the diseconomies of small scale that 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 three scale categories have been developed - high, medium and low. The application of these to the different expenditure categories is detailed in Table 3.

(ii) *Population 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:

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

(iii) *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.

This cost adjustor is calculated according to a weighted sum of distances between each municipalities' main centre and the relevant regional centre (Launceston or Hobart, as the case may be) and Hobart, being the main focus for administrative and political activities within the State.

(iv) *Regional Responsibility*

A cost adjustor is applied to the relevant expenditures of those municipalities which provide particular services for the residents of surrounding municipalities. This cost adjustor applies where it is estimated that there is no counter-balancing use of services in surrounding municipalities by residents of the regional centre, or any offsetting cash contribution for the use of those facilities.

The Commission recognises that certain towns and cities throughout the State act as regional focal points for the provision of some services. The expenditure categories to which this disability is applied are General Administration, Planning and Community Amenities and Recreation and Culture.

The sparsity of local government level data related to the consumption of council services by non-residents requires the Commission to exercise broad judgement in its assessment of regional responsibility.

(v) *Population Growth / 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. As a consequence, councils are often faced with excess or inadequate capacity in certain service areas depending on whether they are faced with rapid population decline or growth. Both circumstances are believed to confront councils with added expenditure burdens.

The cost adjustors for population change are determined by comparing the average annual rate of population growth/decline for a particular municipality over a five year period, against the average rate of population growth/decline for either growing or declining councils in the State as a whole.

The Commission has determined that it should provide additional assistance to those councils experiencing sustained population decline. Accordingly, commencing with the 2001-02 assessments, the threshold at which the population decline cost adjustor is applied to councils was reduced from an average of 2 per cent per annum over five years, to an average of 1 per cent per annum over the same period.

The threshold for the application of the population growth cost adjustor remains unchanged at an average rate of growth of 2 per cent per annum over five years.

(vi) *Worker Influx*

This cost adjustor reflects the additional costs imposed on those municipalities which have significant daily net influxes of non-resident workers. It is felt that this effect is likely to have an impact which is in excess of the more general effect of regional responsibility.

Consideration is given for potential worker influx for the major population centres in the State. Municipalities outside these main centres are unlikely to have sufficient commercial or industrial development relative to their surrounding regions to cause any net influx of non-resident workers which impose a significant cost on the municipality.

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. Factors have been established for Hobart, Launceston, Devonport, George Town and Burnie.

Given concerns regarding the formula which it previously adopted for the calculation of the worker influx cost adjustor, the Commission adopted a revised formula for the calculation of the 2003-04 grants. This formula is based on net worker influx (influx minus outflow), data provided by the ABS, divided by 2001 census population for each municipality.

(vii) *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 the absentee population cost adjustor, in the 2003-04 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 unoccupied dwelling statistics do not adequately reflect this phenomenon.

(viii) Age Profile

A cost adjustor based on the proportions of residents aged 0-5 years, 15-25 and over 65 has been calculated by the Commission. This cost adjustor reflects the additional costs associated with having a higher than average proportion of the population in these groups. For example, additional costs may be incurred in the provision of health and welfare services for infants and retirees, or in the provision of sporting facilities for people under 25.

(ix) Unemployment

A cost adjustor reflecting the level of unemployment within a municipality has been calculated by the Commission using data on income support payments from Centrelink. This cost adjustor has been calculated to capture the costs to councils of having a higher than average proportion of unemployed working-age residents. For example, additional expenditure might be incurred in the provision of recreation/leisure facilities or welfare programs as a result of the need to cater for unemployed residents.

(x) Tourism

The Commission recognises that councils generally incur additional costs as a result of tourist influx through increased use of council resources and infrastructure. A cost adjustor that seeks to recognise these costs has been determined on the basis of the equivalent number of tourist beds in all establishments ranging from hotels to registered camping grounds in each municipality.

(xi) Day-tripper

Significant numbers of day-trippers who make use of council facilities are recognised as increasing council costs. Details of the number of tourist attractions and an index of visitor frequency have been combined with a factor representing the distance from major population centres and the population of those centres, to determine cost adjustors. Municipalities close to large population centres receive higher cost adjustors.

(xii) 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". Since the 2000-01 assessments, a factor is calculated for all councils, whereas previously it had only been applied to those councils with greater than one thousand equivalent tenements.

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 6);

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.

6 - ISSUES REVIEWED FOR THE ASSESSMENTS

The Commission received written submissions from councils concerning council-specific issues related to the Commission's methodology. The quality of these submissions was high and provided a basis for discussions at the Commission's hearings and visits in 2004. The Commission considered all the submissions presented by individual councils as part of its grant assessment procedure.

The Commission distributed discussion papers seeking comment from councils concerning:

- Other Revenue and Other Expenditure,
- Cost Adjustors in the MMM, and
- Review of Water and Sewerage Assessment.

A summary of issues canvassed in each of these Discussion Papers follows, along with a summary of other issues reviewed for methodological purposes:

(i) Discussion Paper 1 – Other Revenue and Other Expenditure

The purpose of this discussion paper was to establish a consensus view of how best to maximise the scope of equalisation in the Commission's model, and particularly, the extent to which the 'revenue in the dollar of AAV' approach might be expanded to include 'Other Revenue' items. The paper also sought councils' views on the inclusion or exclusion of 'Other Expenditure', in addition to depreciation.

Following councils' responses to the November 2001 discussion papers relating to assessment of non-rate revenue and depreciation expenditure, the Commission established a *default position*, to the effect that all non rate revenue should be included in the model on a 'revenue in the dollar of AAV' approach, and that all remaining minor expenditure items should be treated by being added to the existing 'Other Expenditure' category and assessed on an equal per capita basis.

The recent discussion paper sought to establish which revenue and expenditure items might be treated as exceptions to the default position, on the basis of 'inappropriateness' (where the function is not a normal function of Local Government or is not undertaken by the majority of Local Governments) or 'materiality' (where the revenue/expenditure category is of sufficient importance to warrant stand-alone treatment).

The paper proposed the following exceptions to the default treatment:

- Depreciation expense – include by immersion in the relevant expenditure categories and not on default basis because depreciation expense, now that it is fully incorporated into Councils' accounts, is of major significance.
- Government Levies (revenue and expense) – exclude from assessment because these are transfers to the state government on an "agency" basis by local government
- Capital Grants – exclude from assessment as they do not constitute revenue available to fund day-to-day operations.

- Sales of Goods and Services: Parking Revenue and Expenditure - exclude from assessment, as the capacity to raise revenue from this source is not available to the vast majority of councils. The remainder of Sales of Goods and Services to be assessed on the default basis.
- Other Revenue: Dividends – some councils receive dividends from joint ownership of undertakings such as water authorities. These dividends to be offset against relevant expenditure items and not the default approach.
- Private Sector Contributions – exclude from assessment and not the default approach on the basis of inappropriateness.

Following the discussions with councils during the hearings and visits, the Commission has taken the decision to proceed in line with the approach outlined in the paper.

(ii) Discussion Paper 2 - Cost Adjustors in the Modified Mulholland Model

This Discussion Paper aimed to elicit comments from councils in relation to the future specification of cost adjustors in the Modified Mulholland Model (MMM).

The paper outlined consultant and peer group advice received on this issue and ongoing efforts to obtain improved data inputs from the Department of Infrastructure, Energy and Resources (DIER) and the Department of Primary Industries, Water and Environment (DPIWE) for the calculation of cost adjustors used in the MMM.

The paper explained the constraints imposed by delays in the provision of the improved data and proposed the possible deletion of certain cost adjustors which the Commission had been previously advised were of marginal or no value in terms of the precision of the MMM.

The cost adjustors nominated for deletion in the paper were Drainage, Materials and Soils. The cost adjustors nominated for retention and updating were Climate, Terrain and Traffic. The paper proposed that the ‘adjustment factors’ for Remoteness and Urbanisation be retained unaltered.

(iii) Discussion Paper 3 – Review of Water and Sewerage Assessment

The purpose of this Discussion Paper was to keep councils abreast of Commission progress in updating its method for assessing water and sewerage expenditures, and to seek input from councils in relation to various options.

The Commission engaged a consultant to provide a review of the assessment of water and sewerage expenditures. The paper presented the following conclusions from that review:

- Expenditures per unit of urban population are more appropriate as a basis for equalising water and sewerage expenditures than per capita expenditures based on total population.
- The appropriateness of including the present factors for worker influx and equivalent tenements warrants further review (possible double-counting), and
- Of the information available, two measures may be of use as raw data for cost adjustors, being: (a) metres of reticulation per water connection (or ‘reticulation density’), and (b) the number of residential properties per capita.

Following receipt of the consultant's advice, the Commission considered two alternative approaches to the assessment of water and sewerage expenditure, these being (1) a per-capita approach, and (2) a per property approach. The Discussion Paper outlined the Commission's inclination to the view that a per-property approach would provide a better outcome.

The discussion paper outlined elements of these the two alternative approaches, and sought council views on the broad principles outlined in the brief.

(iv) Ongoing Review – Data for Modified Mulholland Model Cost Adjustors.

Following a pilot study commenced during 2003-04, DPIWE has been engaged to provide comprehensive road length data, by road type, and corresponding climate and slope data for these roads for each council. It is envisaged that this data will be used to revise the calculation of the slope cost adjustor for the 2005-06 determinations.

DIER completed the first stage of the Major Freight Demanders' Survey (MFDS) during 2003-04. The first stage data identifies major freight routes, and provides a tonnage estimate for all identified roads for each council.

DIER anticipate that by June 2005, the MFDS will incorporate GIS data for road lengths corresponding to the identified major freight routes. This will provide a comprehensive and consistent state-wide measure of 'tonne-kilometres' for all major freight routes for all councils. The Commission anticipates that it will be in a position to base new traffic cost adjustors in the MMM, and the distribution of NRTC funds, on this new data.

As an interim measure, the Commission is planning to estimate the road lengths that will, from next year, be provided from the GIS system as an integral part of future MFDS reports. These tonne-kilometre estimates will enable the Commission to undertake development work and consultation with councils over 2004-05 on the appropriate use of this new data.

The Institute of Public Works Engineers Australia - Tasmania (IPWEA) offered to provide advice to the Commission on the most appropriate use of the new data. The Commission anticipates that it will receive the advice of the IPWEA during 2004-05, and that the IPWEA will provide a 'peer group' review enabling council engineers to be properly informed and consulted prior to the adoption of any changes.

7 - 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”)¹. 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* (VK) relating to heavy freight vehicles of AUSTROADS 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 VK 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 VK 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 has been particularly conscious of the budgetary impact of the VK 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. Councils in this category include Break O’Day, Central Highlands, Kentish and Northern Midlands. These councils have relatively limited financial flexibility and have lost significant amounts in the first two years of the phasing in of the new VK-based methodology. It was with such councils in mind that the Commission recommended the five-year phase-in of the VK approach to minimise the disruption caused to council finances by reduced payments.

In its 2002-03 and 2003-04 Annual Reports, the Commission indicated it had concluded that the next scheduled step in the phase-in of the VK-based approach should be deferred. Following its most recent review, the Commission has again concluded that it will not proceed any further with the phase-in of the VK-based approach.

¹ After the National Road Transport Commission, which determines the nationally uniform taxation rates.

The Major Freight Demanders Survey

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

The MFDS survey will be undertaken annually and will provide a measure of *tonne-kilometres* – 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 will update and expand upon a similar study conducted in 1997, and will include 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 have advised that MFDS kilometre estimates will be provided by July 2005. The Commission plans to undertake its own estimates of kilometre distances associated with the tonnages identified in the first draft of the MFDS, as an interim measure until DIER provides associated distances from its GIS system as part of future surveys.

In line with the Commission's earlier decision to halt the phase in of the VK-based approach, the payment of grants for 2004-05 will reflect a distribution in which 40 per cent of the recommended payments are based on the previous toll-based approach, and distribution of the remaining 60 per cent will be based on the new *tonne-kilometre* approach enabled by the MFDS. The new distribution reflects the resumption of the phasing out of the old toll-based approach, and replacement of VK data with the more representative tonne-kilometre data from the MFDS.

As a result of replacing the *vehicle-kilometre* estimates with the more representative *tonne-kilometre* estimates in the phase-in process, as distinct from the commencement of a new phase-in process, the changes in the share of the net pool of NRTC funds is small, with the maximum change being four percentage points difference between the shares in the 2003-04 and the 2004-05 distributions.

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. Despite the stability of the distributed shares in the net pool, some councils (particularly Derwent Valley, Glenorchy, Dorset and Kentish) have experienced substantial inter-year variation in their recommended payments. This is caused partly by substantial inter-year variation in the magnitude of the motor tax paid to the State by these councils.

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 2004-05, it is understood that this amount will again be \$1.5 million.

8 - OUTCOMES OF THE 2004-05 ASSESSMENTS

Grant Recommendations – Total Entitlements (Base + ILRF)

All but three councils were allocated increases in Total Entitlements for 2004-05. Increases in Total Entitlements averaged 2.6 per cent across all councils for the year. The largest increase was 11.7 per cent (Tasman) and the largest reduction was 1.4 per cent (Southern Midlands).

Grant Recommendations - Base grants

The movements in base grants in 2004-05 for individual councils are generally less volatile than those observed in some previous years, evidenced by the absence of a requirement to apply caps or collars to grant outcomes in 2004-05. The practice of capping and collaring has been adopted by the Commission in previous years, most recently in 2002-03, and – prior to that – in 2000-01. The application of caps and collars is aimed at reducing volatility in base grant outcomes, by constraining increases to ten per cent and reductions to five per cent

For 2004-05, the overall increase in base grant entitlements was 2.6 per cent across all councils. The largest increase in base grant entitlements was for Devonport (6.7 per cent). Dorset and Kingborough experienced small declines in their base grant allocations. For Dorset, this was due to a reduction in the Council's population of 1.0 per cent, which reduces the council's assessed requirement for grant funds. For Kingborough, the decline was caused by a 10 per cent assessed annual valuation adjustment, as determined by the Valuer-General. The valuation adjustment has resulted in an assessment which reflects a greater than average increase in revenue raising capacity for Kingborough, thereby reducing the Council's assessed requirement for grant funds.

For Dorset, a small increase in ILRF entitlements was sufficient to more than offset the reduction in base grant for 2004-05. Despite an above average increase in ILRF entitlement for Kingborough, however, that Council experienced a small decrease in total entitlement.

Grant Recommendations - ILRF (Road) Grant

For 2004-05, the overall increase in ILRF entitlements is 2.6 per cent across all councils. The largest increase was for Tasman (20.3 percent). The 2004-05 ILRF entitlements for the councils of Brighton, Clarence, Hobart, Huon Valley and Southern Midlands have declined. These declines resulted from downward revision of bridge deck area estimates for these councils, following the comprehensive audit of these estimates undertaken in 2004. In the above cases, with the exception of Huon Valley and Southern Midlands, the declines in ILRF entitlements were more than made up for by increases in their base grant entitlements

9 - ISSUES FOR FUTURE ASSESSMENTS

Review of the Local Government (Financial Assistance) Act 1995

The Commonwealth announced in May 2002 that it has deferred its response to the CGC Review of the *Local Government (Financial Assistance) Act 1995*. Specifically, the Commonwealth will not finalise its response until it has considered the Final Report from the House of Representatives Standing Committee on Economics, Finance and Public Administration concerning the Committee's Inquiry into local

government responsibilities and funding, which was released in October 2003. As at July 2004, the Commonwealth had not finalised its consideration of this Report.

The (Tasmanian) Commission has decided to continue to progress its own consideration of the CGC Review on the basis that the Report contains many matters which the Commission has been keen to address for some time. These issues have been addressed in seven discussion papers circulated to councils over the past three years. The Commission's in-principle decisions in relation to the issues raised in those discussion papers have been communicated to councils.

Councils will be consulted further over the course of two seminars scheduled for the current financial year. These seminars are aimed at presenting detailed information to councils regarding the re-specification of cost adjusters to centre on one, the introduction of the Budget Result Term, and changes to individual cost adjusters and their application. A discussion paper summarising these issues is planned to be produced in time for the proposed seminars.

In addition, the progress of the Commission in addressing issues relating to the assessment of water and sewerage expenditures and the specification of cost adjusters for the MMM will be detailed in further discussion papers to be issued prior to the 2005 round of Hearings and Visits.

The Commission currently intends to introduce any changes to its equalisation method that may arise from its response to the issues raised in these discussion papers.

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

10 - GENERAL OBSERVATIONS

Application of Grants

As in the past, the grants for 2004-05 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 Victorian State Grants Commission hosted the Annual Conference of Local Government Grants Commissions (LGGC) in Ballarat, from 14 to 16 October 2003. As is the normal practice, the Conference included reports by each Commission on its activities during the year. The agenda for the conference included speakers and discussions on a diverse range of topics including:

- Mr Malcolm Nicholas – Acting Secretary Commonwealth Grants Commission “Revenue Raising Assessments” (current trends in best practice assessments).
- Ms Christine Kilmartin – Manager Research Victorian Department of Sustainability and Environment “Beyond Measuring Social Capital”
- Ms Ricky Nowak – Accredited Professional Speaker “Getting the Message Across ... Communicating with our Constituents”

The Conference was opened by the Hon Candy Broad, MLC – Victorian Minister for Local Government.

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 4.

The Commission’s recommendations of financial assistance for councils for 2004-05 were conveyed to the Treasurer on 1 August 2004, and his acceptance thereof was advised to the Chairman by letter dated 3 August 2004.

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 2004 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 2003-04.

The Commission also acknowledges 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.

R C Close
CHAIRMAN

G H K Denny
MEMBER

B A Southorn
MEMBER

G P Appleyard
MEMBER

Jeremy Threlfall
SECRETARY
18 October 2004

TABLE 4
RECOMMENDED GRANTS FOR 2004-05

<i>Council</i>	<i>Base Component</i>	<i>Total Per Capita Base Grant</i>	<i>Identified Local Road Component</i>	<i>Total Grant</i>
	\$	\$	\$	\$
Break O'Day	786 204	132	1 101 725	1 887 929
Brighton	912 964	70	327 775	1 240 739
Burnie	982 053	52	767 445	1 749 497
Central Coast	1 583 714	75	1 190 156	2 773 870
Central Highlands	565 022	241	904 603	1 469 626
Circular Head	889 751	110	1 171 083	2 060 834
Clarence	1 452 379	29	867 438	2 319 817
Derwent Valley	675 136	72	548 324	1 223 461
Devonport	867 923	35	672 949	1 540 872
Dorset	846 793	117	1 263 649	2 110 442
Flinders	459 508	525	427 652	887 160
George Town	657 130	98	465 894	1 123 024
Glamorgan/Spring Bay	528 701	130	533 688	1 062 389
Glenorchy	726 873	16	889 704	1 616 576
Hobart	777 340	16	1 209 378	1 986 717
Huon Valley	1 025 713	73	1 122 050	2 147 764
Kentish	760 737	137	806 668	1 567 405
King Island	417 020	249	489 121	906 142
Kingborough	1 045 393	34	875 196	1 920 589
Latrobe	580 966	68	431 598	1 012 565
Launceston	1 640 164	26	1 865 329	3 505 493
Meander	1 266 163	69	1 387 959	2 654 122
Northern Midlands	1 251 074	104	1 582 691	2 833 765
Sorell	702 722	63	605 343	1 308 066
Southern Midlands	776 735	135	1 318 504	2 095 239
Tasman	297 477	135	309 707	607 184
Waratah/Wynyard	1 085 748	81	916 702	2 002 450
West Coast	848 294	163	448 421	1 296 715
West Tamar	1 306 721	63	705 273	2 011 994
TOTAL	25 716 419	54 *	25 206 027	50 922 446

*State average per capita base grant

APPENDIX 1

MATHEMATICAL FORM OF THE EQUALISATION MODEL

The balanced budget distribution model is of the following general form:

$$G_i = \frac{E_i - R_i - SPP_i}{\sum_{i=1}^{29} (E_i - R_i - SPP_i)} \times G$$

- G_i is the equalisation grant for council i ;
 E_i is the 'expenditure need' of council i (or standardised expenditure);
 R_i is the standardised revenue for council i ;
 SPP_i is specific purpose payments treated by the 'inclusion' approach for council i ; and
 G is the total amount made available by the Commonwealth for distribution amongst all councils in Tasmania in any year.

For each council, E_i , R_i and SPP_i are calculated for the three most recent years for which data is available. The average of these three values is taken to determine the final values for use in the grant allocations.

The **standardised expenditure** component for council i , E_i , is the sum of the 'expenditure needs' of a common range of ' n ' municipal functions. That is:

$$E_i = e_i(1) + \dots + e_i(n)$$

$e_i(n)$ is the standardised expenditure of council i on function n and is given by:

$$e_i(n) = es_i(n) \times da_i(n)$$

$es_i(n)$ is the standard expenditure on function n for council i , and is given by:

$$es_i(n) = EX(n) / P \times p_i$$

- P is the total population of the State
 $EX(n)$ is the total State expenditure on function n , net of specific purpose payments treated by the 'deduction' approach
 p_i is the total population of council i

$da_i(n)$ is the cumulative disability allowance for function n for council i and is given by:

$$\left[\sum_{k=1}^j df(k_n) - (j-1) \right]$$

- $df(k_n)$ are disability factors applying to function n
 j is the total number of disability factors applying to function n

The **standardised revenue** for council i is the product of the total adjusted value of rateable property and a standard rate in the dollar. That is:

$$R_i = AAV_i \times r_s$$

AAV_i is the total adjusted value of the rate base in council i , net of fully unrateable properties and with allowance made for partially rateable properties (see Appendix 7);

r_s is the standard rate in the dollar calculated as the average rate in the dollar collected across all councils. This is found by dividing total rate revenue (Appendix 8) by total adjusted rateable AAV (Appendix 7); and

R_i is the standardised revenue.

APPENDIX 2

EXAMPLE OF THE APPLICATION OF COST ADJUSTORS

To demonstrate the application of cost adjustors, consider a local government authority with a standard expenditure of \$100,000 in a particular expenditure category and cost adjustor values of:

Isolation	1.03
Scale	1.05
Population Growth	1.02
Tourism	1.08

The cumulative cost adjustor is calculated as:

$$(1.03 + 1.05 + 1.02 + 1.08) - 3 = 1.18$$

Standardised expenditure is then calculated simply by multiplying the standard by the cumulative cost adjustor as follows:

$$\$100,000 \times 1.18 = \$118,000$$

The general method of calculating standardised expenditures and an explanation of how cost adjustors are determined is detailed in Section 5 of this Report.

APPENDIX 3

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:

<i>Activity</i>	<i>Road type</i>			
	<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:

<i>Activity</i>	<i>Road type</i>			
	<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:

<i>Activity</i>	<i>Road type</i>			
	<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)

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

Annual rehabilitation¹ 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 maintenance² 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:

= \$1,283,814 (reconstruction)
+ \$1,868,692 (rehabilitation)
+ \$689,742 (maintenance)
= \$ 3,842,248

¹ *Rehabilitation* is defined as the complete replacement of the pavement of a road, where the foundations are strengthened and a new surface is overlaid.

² *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 4

TOTAL GRANTS PROVIDED IN 2003-04 *

<i>Council</i>	1 <i>Recommended base grant 2003-04 \$</i>	2 <i>Recommended road grant 2003-04 \$</i>	3 <i>Base grant adjustment 2003-04 \$</i>	4 <i>Road grant adjustment 2003-04 \$</i>	5 <i>Total grant provided 2003-04 \$</i>
Break O'Day	761 912	1 060 202	- 2 779	- 5 216	1 814 119
Brighton	869 013	330 506	- 3 170	- 1 626	1 194 723
Burnie	960 748	741 178	- 3 504	- 3 646	1 694 775
Central Coast	1 533 672	1 159 346	- 5 594	- 5 703	2 681 721
Central Highlands	554 696	894 019	- 2 023	- 4 398	1 442 293
Circular Head	875 773	1 086 927	- 3 194	- 5 347	1 954 158
Clarence	1 386 854	869 199	- 5 059	- 4 276	2 246 718
Derwent Valley	664 515	546 762	- 2 424	- 2 690	1 206 164
Devonport	813 455	644 155	- 2 967	- 3 169	1 451 474
Dorset	849 185	1 242 295	- 3 097	- 6 111	2 082 271
Flinders	443 583	414 659	- 1 618	- 2 040	854 584
George Town	628 250	449 527	- 2 292	- 2 211	1 073 274
Glamorgan/Spring Bay	509 075	519 065	- 1 857	- 2 554	1 023 730
Glenorchy	699 341	857 555	- 2 551	- 4 219	1 550 126
Hobart	754 258	1 227 068	- 2 751	- 6 037	1 972 539
Huon Valley	993 184	1 172 721	- 3 623	- 5 769	2 156 513
Kentish	738 778	772 221	- 2 695	- 3 799	1 504 506
King Island	399 974	469 053	- 1 459	- 2 307	865 260
Kingborough	1 086 443	840 242	- 3 963	- 4 134	1 918 588
Latrobe	554 134	422 598	- 2 021	- 2 079	972 632
Launceston	1 603 958	1 730 690	- 5 850	- 8 514	3 320 283
Meander	1 258 001	1 358 567	- 4 589	- 6 683	2 605 296
Northern Midlands	1 238 236	1 544 924	- 4 516	- 7 600	2 771 043
Sorell	692 920	602 610	- 2 527	- 2 965	1 290 039
Southern Midlands	777 419	1 347 611	- 2 836	- 6 630	2 115 565
Tasman	286 231	257 523	- 1 044	- 1 267	541 443
Waratah/Wynyard	1 056 559	909 825	- 3 854	- 4 476	1 958 054
West Coast	815 297	435 782	- 2 974	- 2 144	1 245 961
West Tamar	1 248 239	662 173	- 4 553	- 3 258	1 902 601
TOTAL	25 053 704	24 569 000	- 91 384	- 120 866	49 410 454

* The final grant entitlement for 2003-04 was \$49,410,454 based on actual inflation for the year, whereas the recommended entitlement was \$49,622,704. Consequently, the 2003-04 recommended grants have been scaled down by the amounts shown in Columns 3 and 4 to reflect 'actual' final grant entitlements. The overpayment of \$212,250 is to be deducted in equal quarterly instalments over the 2003-04 financial year as specified in the Commonwealth Local Government (Financial Assistance) Act 1995.

APPENDIX 5

POPULATION OF LOCAL GOVERNMENT AREAS

<i>Council</i>	<i>Estimated Resident Population as at 30 June 2003</i>
Break O'Day	5 938
Brighton	13 071
Burnie	19 030
Central Coast	21 033
Central Highlands	2 341
Circular Head	8 086
Clarence	49 863
Derwent Valley	9 402
Devonport	24 568
Dorset	7 254
Flinders	875
George Town	6 680
Glamorgan/Spring Bay	4 071
Glenorchy	44 579
Hobart	48 071
Huon Valley	14 081
Kentish	5 533
King Island	1 677
Kingborough	30 328
Latrobe	8 518
Launceston	63 339
Meander	18 276
Northern Midlands	12 035
Sorell	11 155
Southern Midlands	5 742
Tasman	2 199
Waratah/Wynyard	13 486
West Coast	5 189
West Tamar	20 674
TOTAL	477 094

Source:

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

APPENDIX 6

LENGTH OF LOCAL GOVERNMENT ROADS AS AT 1 JANUARY 2004

<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	82	36	120	316	554	7 959
Brighton	61	0	61	32	154	1 201
Burnie	120	0	164	69	353	2 032
Central Coast	127	1	397	138	663	5 508
Central Highlands	16	2	79	655	752	3 846
Circular Head	51	1	229	486	767	6 046
Clarence	244	4	127	60	435	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	241	0	38	15	294	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	386	439	973
Kingborough	113	0	130	272	515	3 376
Latrobe	49	1	160	76	286	1 882
Launceston	350	0	123	234	707	6 528
Meander	100	24	445	246	815	8 609
Northern Midlands	99	13	464	403	979	9 274
Sorell	32	40	87	176	335	4 208
Southern Midlands	30	13	132	628	803	9 119
Tasman	6	2	52	147	207	1 837
Waratah/Wynyard	64	4	191	264	523	4 966
West Coast	67	17	15	76	175	2 703
West Tamar	77	5	198	168	448	3 186
TOTAL	2 621	225	4 195	7 026	14 066	124 402

Source:

State Grants Commission Local Road Lengths, updated in 2004 to reflect additions, deletions and changes in road status. These figures reflect the road and bridge definitions introduced for the 2000-01 assessments.

APPENDIX 7

MUNICIPAL PROPERTY VALUATIONS AS AT 1 JULY 2002

<i>Council</i>	<i>Adjusted Rateable AAV</i>	<i>Year of last Revaluation</i>	<i>AAV Adjustment Factor*</i>
	\$		
Break O'Day	22 286 732	2001	1.00
Brighton	32 851 883	2000	1.00
Burnie	78 121 368	1996	1.00
Central Coast	61 448 226	2000	1.00
Central Highlands	12 671 092	1996	1.00
Circular Head	33 425 620	2000	1.00
Clarence	177 560 164	2001	1.00
Derwent Valley	28 972 874	1998	1.00
Devonport	95 695 460	1997	1.00
Dorset	28 118 141	1998	1.05
Flinders	3 556 750	1999	1.00
George Town	22 219 739	2000	1.00
Glamorgan/Spring Bay	22 452 247	1999	1.00
Glenorchy	175 438 966	1999	1.00
Hobart	368 076 743	2002	1.11
Huon Valley	42 888 582	1994	1.05
Kentish	16 446 393	1995	1.00
King Island	9 966 411	1998	1.00
Kingborough	106 562 257	1997	1.10
Latrobe	31 259 640	1997	1.00
Launceston	273 197 299	1997	1.05
Meander	65 894 306	1999	1.05
Northern Midlands	44 889 285	2000	1.05
Sorell	38 403 492	1998	1.05
Southern Midlands	20 521 389	2002	1.05
Tasman	10 591 361	1999	1.00
Waratah/Wynyard	41 242 188	1998	1.00
West Coast	18 078 500	1997	1.00
West Tamar	60 606 755	2001	1.00
TOTAL	1943 443 864		

Source: Office of the Valuer-General, Tasmania

** incorporates Valuer-General's 'gross-up' adjustment to account for taxation elements excluded under the new definition of AVV embodied in the Valuation of Land Act 2001*

APPENDIX 8

RATE REVENUE RECEIVED BY LOCAL GOVERNMENT 2002-03

<i>Council</i>	<i>Ordinary Services</i>	<i>Water and Sewerage*</i>	<i>Total Rate Revenue</i>
	\$	\$	\$
Break O'Day	1 837 258	1 533 464	3 370 722
Brighton	2 969 791	3 250 406	6 220 197
Burnie	9 906 003	5 644 136	15 550 139
Central Coast	6 805 080	4 344 026	11 149 106
Central Highlands	1 075 837	282 323	1 358 160
Circular Head	3 687 309	2 437 797	6 125 106
Clarence	16 239 043	11 423 324	27 662 367
Derwent Valley	2 913 170	2 170 440	5 083 610
Devonport	11 339 661	8 282 107	19 621 768
Dorset	2 265 774	1 429 410	3 695 184
Flinders	502 715	85 070	587 785
George Town	2 994 979	1 375 935	4 370 914
Glamorgan/Spring Bay	2 085 000	1 592 991	3 677 991
Glenorchy	11 748 578	18 436 372	30 184 950
Hobart	29 208 535	14 965 704	44 174 239
Huon Valley	4 505 925	2 440 112	6 946 037
Kentish	1 580 096	637 847	2 217 943
King Island	933 733	401 450	1 335 183
Kingborough	8 661 037	7 530 346	16 191 383
Latrobe	2 605 757	2 464 262	5 070 019
Launceston	24 494 421	20 687 717	45 182 138
Meander Valley	5 050 884	2 897 098	7 947 982
Northern Midlands	3 738 633	1 885 835	5 624 468
Sorell	4 108 859	1 533 889	5 642 748
Southern Midlands	1 892 039	725 481	2 617 520
Tasman	1 243 000	0	1 243 000
Waratah/Wynyard	4 388 547	3 230 393	7 618 940
West Coast	2 248 401	1 735 656	3 984 057
West Tamar	4 815 600	4 321 649	9 137 249
TOTAL	175 845 665	127 745 239	303 590 904

*Source: Tasmanian Local Government Division
Consolidated Data Collection 2002-03*

* Includes all revenue from water sales.

APPENDIX 9

STANDARDISED REVENUE AND SPECIFIC PURPOSE PAYMENTS 2004-05 ASSESSMENTS*

<i>Council</i>	<i>Standardised Revenue</i>	<i>Specific Purpose Payments** Treated by Inclusion</i>
	\$	\$
Break O'Day	3 481 474	1 496 638
Brighton	5 131 886	484 258
Burnie	12 203 562	1 132 561
Central Coast	9 599 003	1 672 923
Central Highlands	1 979 387	1 414 104
Circular Head	5 221 511	1 543 067
Clarence	27 737 179	1 232 393
Derwent Valley	4 525 935	758 831
Devonport	14 948 861	961 644
Dorset	4 392 415	1 790 280
Flinders	555 610	574 916
George Town	3 471 009	623 368
Glamorgan/Spring Bay	3 507 329	723 080
Glenorchy	27 405 821	1 240 216
Hobart	57 498 317	1 702 186
Huon Valley	6 699 748	1 642 210
Kentish	2 569 138	1 106 554
King Island	1 556 881	630 774
Kingborough	16 646 394	1 143 995
Latrobe	4 883 157	572 737
Launceston	42 676 929	2 663 138
Meander Valley	10 293 537	1 918 017
Northern Midlands	7 012 283	2 181 536
Sorell	5 999 119	848 196
Southern Midlands	3 205 705	1 990 959
Tasman	1 654 507	350 096
Waratah/Wynyard	6 442 560	1 267 414
West Coast	2 824 094	601 416
West Tamar	9 467 554	931 733
TOTAL	303 590 904	35 199 239

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

** 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.

APPENDIX 10

STANDARD EXPENDITURE IN THE 2004-05 ASSESSMENTS

<i>Council</i>	<i>General Administration</i>	<i>Health Housing & Welfare</i>	<i>Waste Management & the Environment</i>	<i>Recreation & Culture</i>
	\$	\$	\$	\$
Break O'Day	787 688	196 032	434 141	581 397
Brighton	1 733 896	431 515	955 652	1 279 799
Burnie	2 524 369	628 241	1 391 329	1 863 252
Central Coast	2 790 072	694 366	1 537 773	2 059 369
Central Highlands	310 539	77 284	171 156	229 210
Circular Head	1 072 625	266 945	591 187	791 711
Clarence	6 614 432	1 646 136	3 645 603	4 882 152
Derwent Valley	1 247 195	310 390	687 403	920 562
Devonport	3 258 997	811 068	1 796 225	2 405 485
Dorset	962 258	239 478	530 357	710 249
Flinders	116 071	28 887	63 973	85 672
George Town	886 116	220 528	488 391	654 048
Glamorgan/Spring Bay	540 027	134 397	297 641	398 597
Glenorchy	5 913 498	1 471 695	3 259 277	4 364 788
Hobart	6 376 719	1 586 977	3 514 586	4 706 695
Huon Valley	1 867 874	464 859	1 029 496	1 378 689
Kentish	733 964	182 662	404 531	541 743
King Island	222 458	55 363	122 609	164 197
Kingborough	4 023 073	1 001 224	2 217 352	2 969 454
Latrobe	1 129 931	281 206	622 771	834 009
Launceston	8 402 051	2 091 022	4 630 865	6 201 605
Meander Valley	2 424 350	603 349	1 336 202	1 789 427
Northern Midlands	1 596 468	397 314	879 908	1 178 363
Sorell	1 479 734	368 262	815 569	1 092 201
Southern Midlands	761 688	189 562	419 811	562 207
Tasman	291 702	72 596	160 774	215 307
Waratah/Wynyard	1 788 946	445 216	985 994	1 320 432
West Coast	688 332	171 305	379 380	508 062
West Tamar	2 742 450	682 515	1 511 525	2 024 218
TOTAL	63 287 521	15 750 392	34 881 481	46 712 899

STANDARD EXPENDITURE IN THE 2004-05 ASSESSMENTS continued

<i>Council</i>	<i>Planning & Community Amenities</i>	<i>Law, Order and Public Safety</i>	<i>Sewerage</i>	<i>Water</i>	<i>Other</i>	<i>Total Non-roads Standard Expenditure</i>
	\$	\$	\$	\$	\$	\$
Break O'Day	301 699	50 271	401 528	662 457	276 701	3 691 915
Brighton	664 114	110 660	883 861	1 458 230	609 087	8 126 814
Burnie	966 879	161 109	1 286 809	2 123 030	886 767	11 831 785
Central Coast	1 068 648	178 066	1 422 252	2 346 489	980 103	13 077 138
Central Highlands	118 942	19 819	158 298	261 167	109 087	1 455 502
Circular Head	410 835	68 456	546 776	902 093	376 794	5 027 421
Clarence	2 533 448	422 142	3 371 737	5 562 829	2 323 534	31 002 013
Derwent Valley	477 698	79 598	635 764	1 048 908	438 118	5 845 636
Devonport	1 248 255	207 994	1 661 289	2 740 862	1 144 828	15 275 003
Dorset	368 562	61 413	490 516	809 273	338 024	4 510 130
Flinders	44 457	7 408	59 168	97 617	40 774	544 026
George Town	339 399	56 553	451 702	745 236	311 277	4 153 249
Glamorgan/Spring	206 840	34 465	275 281	454 170	189 702	2 531 119
Glenorchy	2 264 977	377 407	3 014 433	4 973 334	2 077 308	27 716 719
Hobart	2 442 400	406 971	3 250 562	5 362 910	2 240 029	29 887 848
Huon Valley	715 430	119 210	952 158	1 570 908	656 151	8 754 775
Kentish	281 122	46 843	374 142	617 274	257 829	3 440 109
King Island	85 205	14 198	113 399	187 090	78 145	1 042 664
Kingborough	1 540 910	256 758	2 050 780	3 383 461	1 413 235	18 856 247
Latrobe	432 784	72 114	575 987	950 287	396 925	5 296 014
Launceston	3 218 139	536 230	4 282 985	7 066 243	2 951 493	39 380 633
Meander Valley	928 570	154 725	1 235 824	2 038 912	851 632	11 362 990
Northern Midlands	611 476	101 889	813 807	1 342 652	560 811	7 482 687
Sorell	566 765	94 439	754 301	1 244 477	519 805	6 935 553
Southern Midlands	291 741	48 612	388 274	640 591	267 568	3 570 053
Tasman	111 727	18 617	148 696	245 325	102 470	1 367 215
Waratah/Wynyard	685 199	114 173	911 924	1 504 529	628 425	8 384 837
West Coast	263 644	43 930	350 880	578 897	241 799	3 226 229
West Tamar	1 050 408	175 027	1 397 976	2 306 438	963 374	12 853 932
TOTAL	24 240 273	4 039 095	32 261 110	53 225 690	22 231 795	296 630 257

Total Standard Expenditure for Roads was \$103,416,413

APPENDIX 11

STANDARDISED EXPENDITURE - 2004-05 ASSESSMENTS

<i>Council</i>	<i>General Administration</i>	<i>Health Housing & Welfare</i>	<i>Waste Management & the Environment</i>	<i>Recreation & Culture</i>	<i>Planning & Community Amenities</i>
	\$	\$	\$	\$	\$
Break O'Day	1 690 062	346 786	710 155	1 080 498	540 716
Brighton	2 384 860	562 388	1 143 941	1 667 943	802 318
Burnie	3 977 513	840 790	1 719 718	2 935 671	1 270 028
Central Coast	3 641 816	890 962	1 763 071	2 717 212	1 353 744
Central Highlands	922 664	170 635	378 124	541 715	273 034
Circular Head	2 056 549	433 024	861 531	1 345 607	687 535
Clarence	7 044 395	1 784 037	3 837 259	6 190 582	2 864 983
Derwent Valley	1 991 074	436 597	911 521	1 359 824	673 361
Devonport	4 455 139	989 039	2 013 264	3 312 145	1 538 779
Dorset	1 780 205	376 432	785 994	1 154 649	579 959
Flinders	633 100	99 913	203 125	301 219	153 766
George Town	1 673 527	340 378	731 241	1 031 068	512 996
Glamorgan/Spring Bay	1 400 563	259 116	604 266	865 107	439 105
Glenorchy	6 155 782	1 609 742	3 365 516	5 302 858	2 383 390
Hobart	9 802 380	1 723 221	4 796 402	5 784 158	2 974 736
Huon Valley	2 732 866	633 913	1 327 949	1 960 624	972 995
Kentish	1 489 236	295 641	624 575	935 319	465 613
King Island	739 009	133 255	245 515	404 524	209 916
Kingborough	4 310 477	1 088 464	2 387 597	3 408 279	1 743 768
Latrobe	1 953 580	412 007	854 644	1 277 254	647 281
Launceston	10 345 422	2 367 726	5 265 624	8 297 039	3 800 081
Meander	3 259 764	758 095	1 625 105	2 314 508	1 183 575
Northern Midlands	2 424 951	535 107	1 147 797	1 670 395	849 612
Sorell	2 274 843	510 740	1 076 999	1 549 722	772 929
Southern Midlands	1 514 194	310 855	641 584	941 201	471 538
Tasman	846 825	150 185	334 080	506 584	254 507
Waratah/Wynyard	2 747 960	616 961	1 222 478	1 874 553	956 270
West Coast	1 839 604	369 260	710 185	1 204 429	610 686
West Tamar	3 600 856	845 089	1 827 825	2 552 803	1 321 276
TOTAL	89 689 220	19 890 358	43 117 082	64 487 488	31 308 497

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

STANDARDISED EXPENDITURE 2004-05 ASSESSMENTS continued

<i>Council</i>	<i>Law, Order and Public Safety</i>	<i>Sewerage</i>	<i>Water</i>	<i>Other</i>	<i>Roads</i>	<i>Total</i>
	\$	\$	\$	\$	\$	\$
Break O'Day	85 380	498 249	821 996	272 749	4 508 316	10 554 907
Brighton	144 221	904 439	1 493 588	600 387	2 016 018	11 720 104
Burnie	214 064	1 529 105	2 521 361	874 101	5 063 246	20 945 595
Central Coast	227 549	1 518 076	2 518 660	966 104	6 829 086	22 426 280
Central Highlands	41 558	234 297	386 550	107 529	4 147 457	7 203 563
Circular Head	109 118	633 980	1 047 156	371 412	5 573 302	13 119 214
Clarence	456 016	3 613 584	6 020 009	2 290 346	6 453 717	40 554 927
Derwent Valley	111 249	676 461	1 116 139	431 860	2 084 986	9 793 071
Devonport	252 774	1 842 445	3 046 542	1 128 476	4 754 052	23 332 655
Dorset	94 510	558 355	922 210	333 196	5 256 119	11 841 629
Flinders	25 096	74 536	123 118	200 956	2 222 809	4 037 638
George Town	85 386	513 725	848 182	306 831	2 664 090	8 707 423
Glamorgan/Spring Bay	63 597	414 547	685 594	186 992	2 928 948	7 847 835
Glenorchy	412 150	3 307 906	5 415 931	2 047 637	6 008 663	36 009 574
Hobart	438 904	5 132 546	8 447 738	2 208 034	6 368 185	47 676 303
Huon Valley	159 408	1 079 553	1 788 791	646 779	4 309 335	15 612 213
Kentish	75 168	425 006	700 592	254 146	3 610 521	8 875 818
King Island	33 636	140 076	231 123	231 088	2 710 428	5 078 571
Kingborough	275 940	2 207 230	3 648 813	1 393 049	4 814 885	25 278 503
Latrobe	104 226	623 198	1 029 423	391 255	2 523 152	9 816 020
Launceston	604 080	5 437 690	8 966 044	2 909 336	11 616 849	59 609 890
Meander	193 307	1 386 926	2 292 785	839 467	7 018 951	20 872 484
Northern Midlands	135 514	905 362	1 496 037	552 801	8 244 895	17 962 471
Sorell	127 672	831 493	1 372 225	512 380	2 552 050	11 581 052
Southern Midlands	79 128	438 905	724 105	263 746	5 144 995	10 530 251
Tasman	36 688	195 507	322 555	101 006	1 337 060	4 084 998
Waratah/Wynyard	156 353	976 928	1 612 325	619 449	4 472 909	15 256 186
West Coast	92 594	586 434	967 362	238 345	2 304 159	8 923 058
West Tamar	213 871	1 572 453	2 597 563	949 614	4 077 206	19 558 555
TOTAL	5 049 155	38 259 013	63 164 516	22 229 071	131 616 388	508 810 788

APPENDIX 12

COST ADJUSTORS, 2004-05 ASSESSMENTS

<i>Council</i>	<i>Absentee Popul- ation</i>	<i>Unemp- loyment</i>	<i>Age Profile</i>	<i>Worker Influx</i>	<i>Climate</i>	<i>Day- tripper</i>	<i>Disper- sion</i>	<i>Isolation</i>	<i>Popul- ation Decline</i>
Break O'Day	1.07	1.07	1.01	1.00	1.00	1.03	1.10	1.13	1.00
Brighton	1.00	1.10	1.01	1.00	1.00	1.00	1.02	1.01	1.00
Burnie	1.01	1.08	1.02	1.09	1.00	1.04	1.01	1.12	1.00
Central Coast	1.01	1.05	1.02	1.00	1.00	1.02	1.03	1.10	1.00
Central Highlands	1.11	1.07	1.00	1.00	1.02	1.03	1.25	1.05	1.00
Circular Head	1.03	1.03	1.01	1.00	1.02	1.02	1.07	1.19	1.00
Clarence	1.00	1.04	1.02	1.00	1.00	1.08	1.03	1.00	1.00
Derwent Valley	1.01	1.07	1.01	1.00	1.00	1.06	1.04	1.02	1.00
Devonport	1.00	1.06	1.02	1.03	1.00	1.03	1.00	1.09	1.00
Dorset	1.03	1.05	1.02	1.00	1.00	1.03	1.08	1.06	1.00
Flinders	1.07	1.06	1.00	1.00	1.00	1.00	1.04	1.19	1.09
George Town	1.03	1.06	1.01	1.05	1.00	1.02	1.03	1.05	1.00
Glamorgan/Spring Bay	1.08	1.05	1.01	1.00	1.00	1.03	1.21	1.06	1.00
Glenorchy	1.00	1.06	1.02	1.00	1.00	1.02	1.00	1.00	1.00
Hobart	1.01	1.05	1.03	1.30	1.00	1.03	1.00	1.00	1.00
Huon Valley	1.03	1.06	1.01	1.00	1.00	1.05	1.09	1.02	1.00
Kentish	1.01	1.07	1.00	1.00	1.00	1.04	1.05	1.07	1.00
King Island	1.04	1.00	1.00	1.00	1.02	1.00	1.02	1.34	1.12
Kingborough	1.01	1.02	1.01	1.00	1.00	1.05	1.04	1.00	1.00
Latrobe	1.02	1.04	1.01	1.00	1.00	1.04	1.03	1.09	1.00
Launceston	1.01	1.08	1.03	1.08	1.00	1.03	1.02	1.01	1.00
Meander Valley	1.01	1.02	1.01	1.00	1.00	1.02	1.08	1.04	1.00
Northern Midlands	1.02	1.03	1.01	1.00	1.00	1.06	1.08	1.03	1.00
Sorell	1.03	1.06	1.01	1.00	1.00	1.03	1.06	1.01	1.00
Southern Midlands	1.01	1.06	1.00	1.00	1.00	1.03	1.11	1.06	1.00
Tasman	1.10	1.07	1.01	1.00	1.00	1.13	1.06	1.07	1.00
Waratah/Wynyard	1.02	1.02	1.01	1.00	1.00	1.02	1.03	1.14	1.00
West Coast	1.05	1.05	1.00	1.00	1.05	1.02	1.20	1.20	1.22
West Tamar	1.02	1.00	1.01	1.00	1.00	1.01	1.09	1.04	1.00

COST ADJUSTORS 2004-05 ASSESSMENTS continued

<i>Council</i>	<i>Popu- lation Growth</i>	<i>Tourism</i>	<i>Regional Responsibility</i>			<i>Scale</i>			<i>Equivalent Tenements</i>	
			<i>Gen. Admin</i>	<i>Planng & Comm Amenit</i>	<i>Recrea- tion & Culture</i>	<i>High</i>	<i>Medium</i>	<i>Low</i>	<i>Sewer- age</i>	<i>Water</i>
Break O'Day	1.00	1.06	1.00	1.00	1.00	1.78	1.39	1.00	1.00	1.00
Brighton	1.00	1.00	1.00	1.00	1.00	1.35	1.17	1.00	1.01	1.01
Burnie	1.00	1.01	1.14	1.01	1.19	1.18	1.09	1.00	1.06	1.06
Central Coast	1.00	1.02	1.00	1.00	1.00	1.14	1.07	1.00	1.01	1.01
Central Highlands	1.00	1.10	1.00	1.00	1.00	2.46	1.73	1.00	1.00	1.00
Circular Head	1.00	1.03	1.00	1.00	1.00	1.60	1.30	1.00	1.01	1.01
Clarence	1.00	1.01	1.03	1.00	1.10	1.00	1.00	1.00	1.04	1.05
Derwent Valley	1.00	1.01	1.00	1.00	1.00	1.51	1.26	1.00	1.00	1.01
Devonport	1.00	1.02	1.14	1.02	1.10	1.08	1.04	1.00	1.05	1.05
Dorset	1.00	1.02	1.00	1.00	1.00	1.66	1.33	1.00	1.00	1.00
Flinders	1.00	1.06	1.00	1.00	1.00	5.00	3.00	5.00	1.00	1.00
George Town	1.00	1.01	1.00	1.00	1.00	1.71	1.35	1.00	1.00	1.01
Glamorgan/Spring	1.00	1.21	1.00	1.00	1.00	2.03	1.51	1.00	1.00	1.01
Glenorchy	1.00	1.00	1.03	1.00	1.10	1.00	1.00	1.00	1.09	1.08
Hobart	1.00	1.03	1.20	1.12	1.08	1.00	1.00	1.00	1.24	1.24
Huon Valley	1.00	1.01	1.00	1.00	1.00	1.31	1.16	1.00	1.01	1.01
Kentish	1.00	1.07	1.00	1.00	1.00	1.82	1.41	1.00	1.00	1.00
King Island	1.00	1.04	1.00	1.00	1.00	2.77	1.88	3.00	1.00	1.00
Kingborough	1.00	1.01	1.00	1.00	1.00	1.01	1.00	1.00	1.01	1.01
Latrobe	1.00	1.03	1.00	1.00	1.00	1.57	1.28	1.00	1.01	1.01
Launceston	1.00	1.02	1.11	1.08	1.16	1.00	1.00	1.00	1.16	1.16
Meander Valley	1.00	1.02	1.00	1.00	1.00	1.20	1.10	1.00	1.01	1.02
Northern Midlands	1.00	1.01	1.00	1.00	1.00	1.39	1.19	1.00	1.01	1.01
Sorell	1.00	1.00	1.00	1.00	1.00	1.43	1.21	1.00	1.00	1.00
Southern Midlands	1.00	1.01	1.00	1.00	1.00	1.80	1.40	1.00	1.00	1.00
Tasman	1.00	1.16	1.00	1.00	1.00	2.52	1.76	1.00	1.00	1.00
Waratah/Wynyard	1.00	1.02	1.00	1.00	1.00	1.33	1.17	1.00	1.01	1.01
West Coast	1.00	1.14	1.00	1.00	1.00	1.86	1.43	1.00	1.01	1.01
West Tamar	1.00	1.02	1.00	1.00	1.00	1.15	1.07	1.00	1.00	1.00

APPENDIX 13

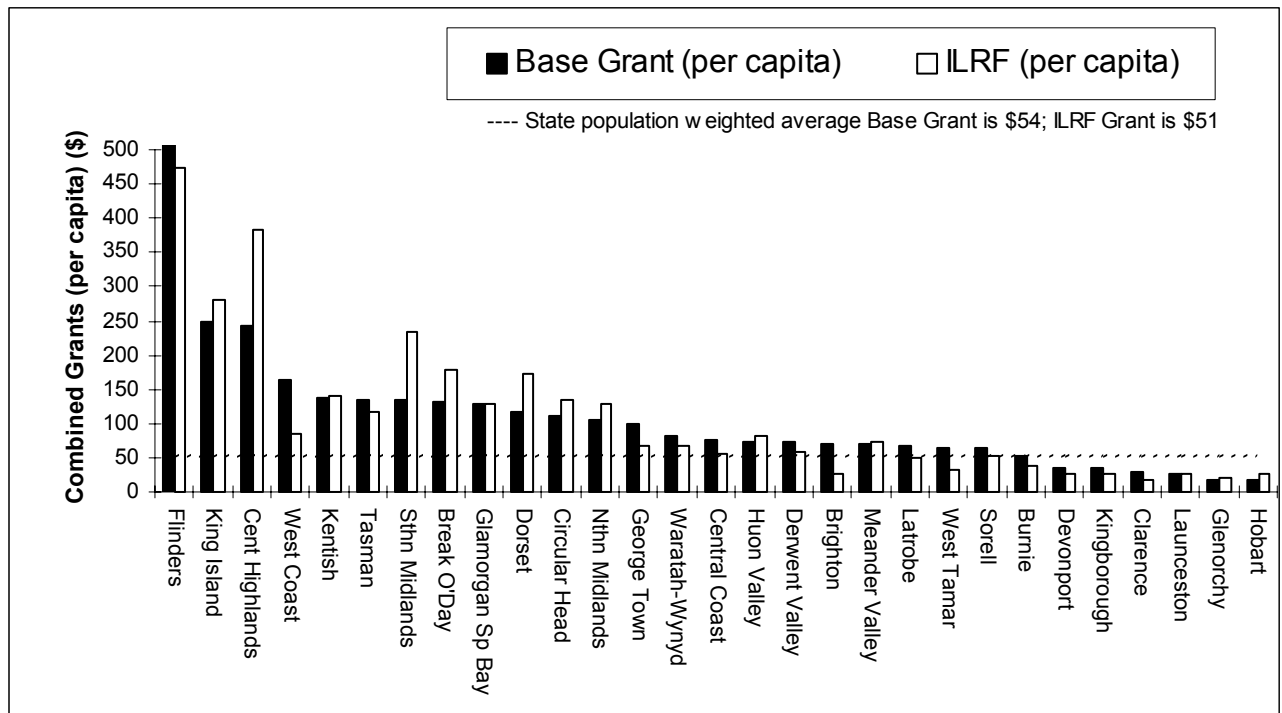
MULHOLLAND MODEL COST ADJUSTORS

<i>Municipality</i>	<i>Urban Sealed Roads</i>						<i>Urban Unsealed</i>	
	<i>Climate</i>	<i>Drainage</i>	<i>Material</i>	<i>Soil</i>	<i>Terrain</i>	<i>Traffic</i>	<i>Climate</i>	<i>Traffic</i>
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

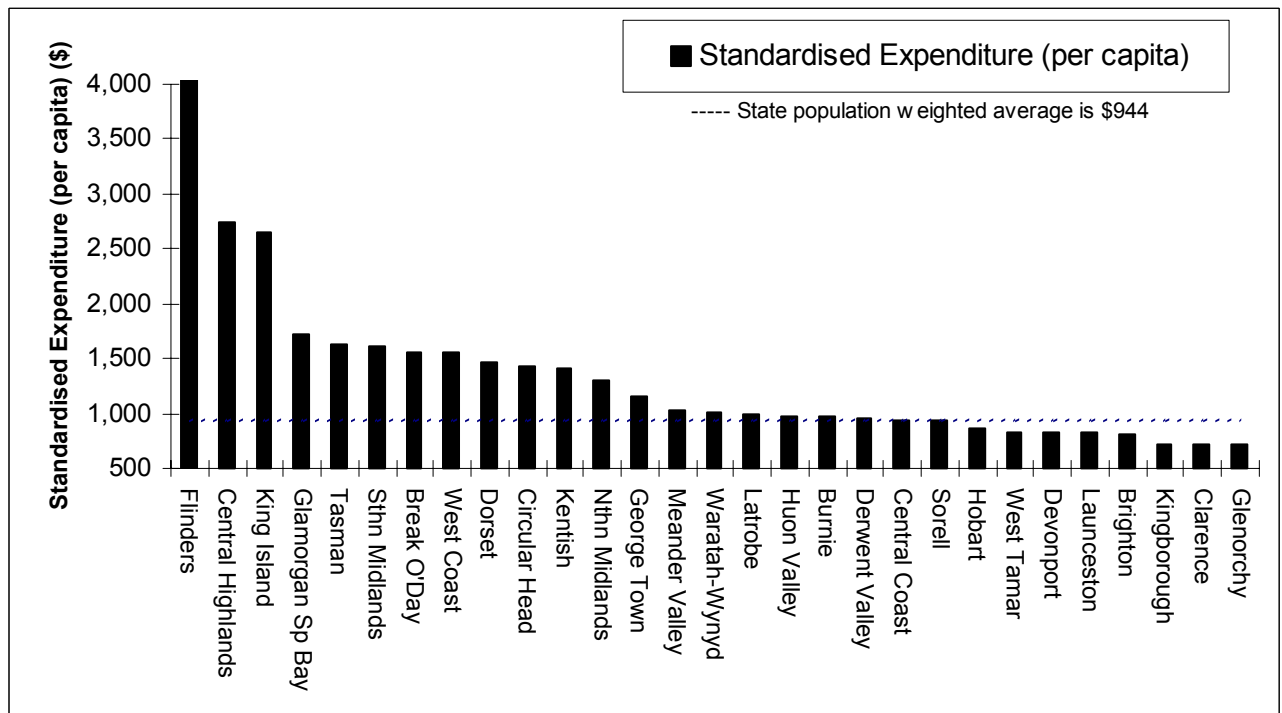
MULHOLLAND MODEL COST ADJUSTORS continued

<i>Municipality</i>	<i>Rural Sealed roads</i>					<i>Rural Unsealed</i>			
	<i>Climate</i>	<i>Drainage</i>	<i>Material</i>	<i>Soil</i>	<i>Terrain</i>	<i>Traffic</i>	<i>Climate</i>	<i>Traffic</i>	<i>Remoteness</i>
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

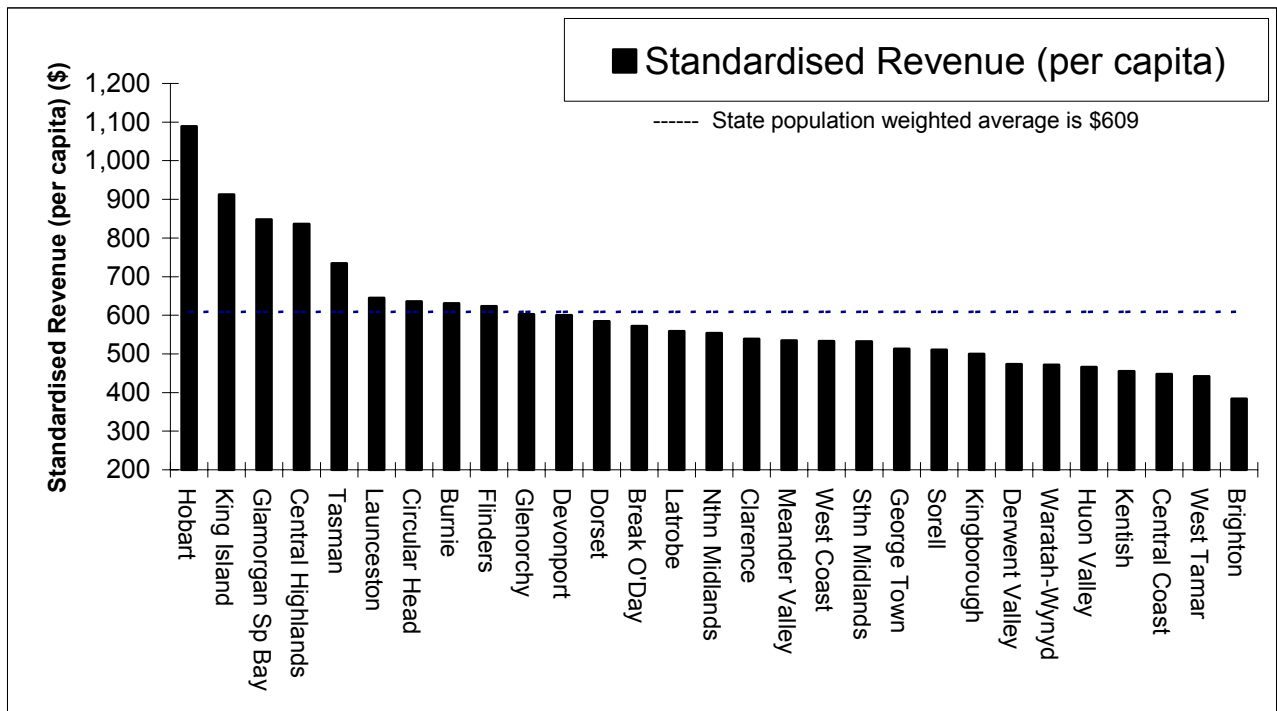
APPENDIX 14 – BASE AND ILRF GRANTS (PER CAPITA) 2004-05



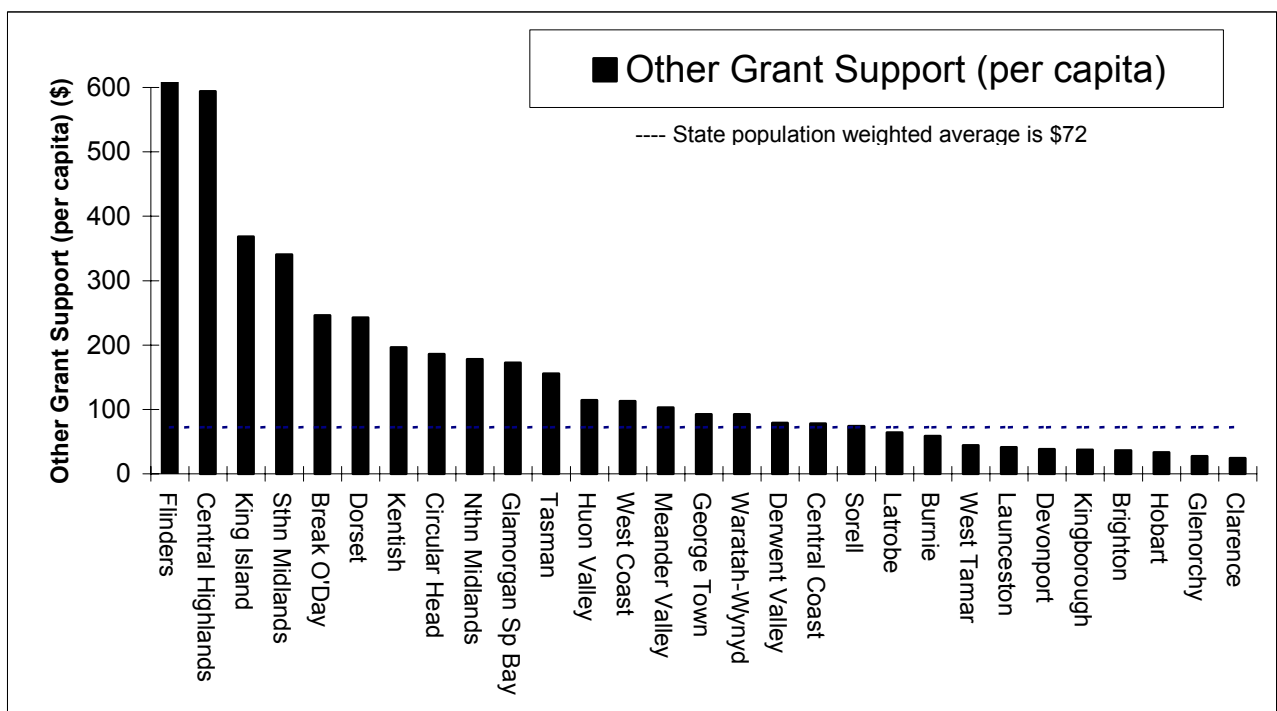
APPENDIX 15 – STANDARDISED EXPENDITURE (PER CAPITA) IN THE 2004-05 ASSESSMENTS



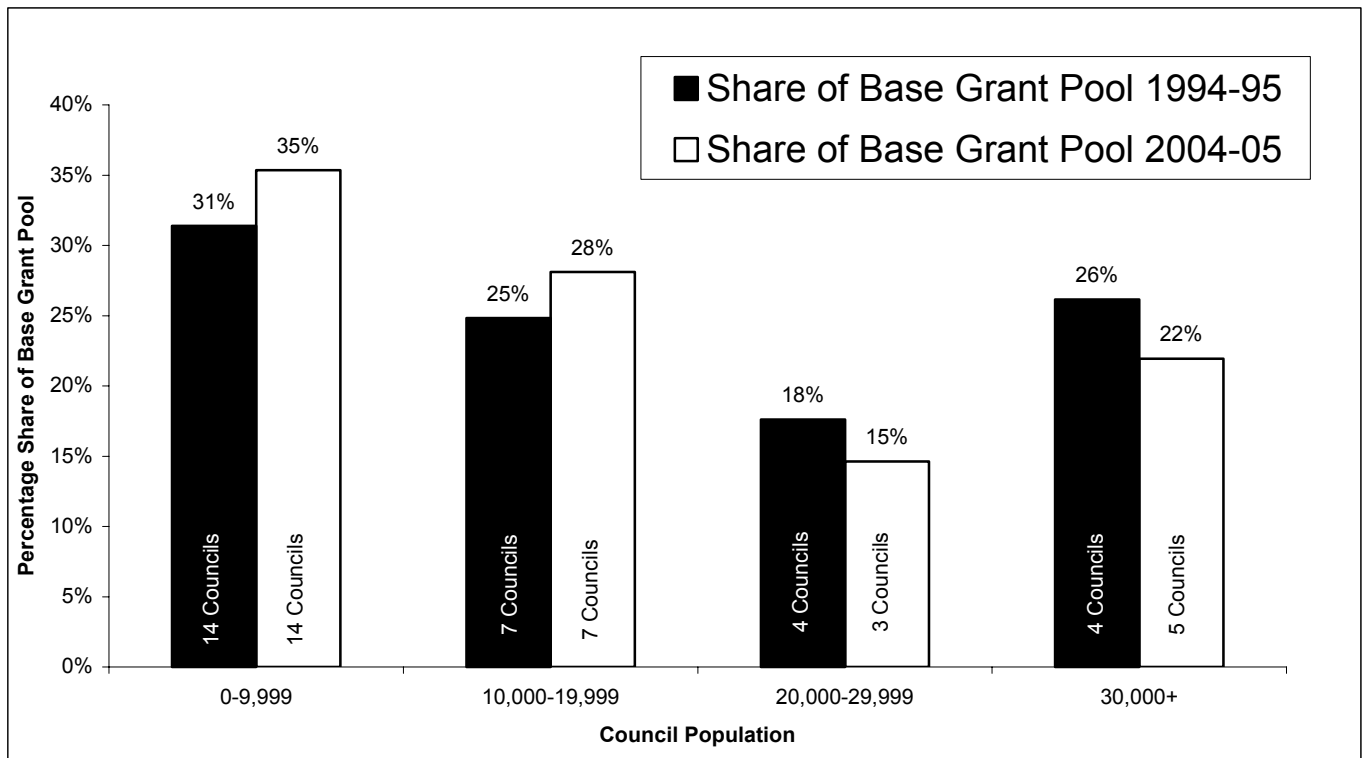
**APPENDIX 16 – STANDARDISED REVENUE (PER CAPITA)
IN THE 2004-05 ASSESSMENTS**



**APPENDIX 17 – SPECIFIC PURPOSE PAYMENTS (PER CAPITA)
IN THE 2004-05 ASSESSMENTS**



**APPENDIX 18 – SHARE OF BASE GRANT POOL BY POPULATION
1994-95 COMPARED TO 2004-05**



**APPENDIX 19
REPRESENTATION AT COMMISSION DISCUSSIONS IN 2004**

Round 1 – Southern and South-Eastern Councils

Wednesday 14 April 2004

In attendance: **Derwent Valley Council** (Hearing)
Mr John Bradley (Accountant)
Cr Judy Bromfield
Mr Ian Brown
Mr Richard Cassidy (Consultant Engineer)
Cr Nick Cracknell (Mayor)
Cr Hilary Craw
Mr Matt Hill (Youth Worker)
Mr Stephen Mackey (GM)
Mr Robert McCrossin (Deputy GM)
Mr Ken Wall (Works Manager)

In attendance: **Central Highlands Council** (Visit)
Mr Trevor Berriman (GM)
Cr Diedre Flint (Mayor)

In attendance: **Southern Midlands Council** (Visit)
Cr Colin Beven
Cr Tony Bisdee (Deputy Mayor)
Cr Colin Howlett (Mayor)
Mr Tim Kirkwood (GM)
Mr Jack Lyall (Works Co-ordinator)
Cr Helen Scott

Thursday 15 April 2004

In attendance: **Hobart City Council** (Hearing)
Mr Conrad Lennon (Assistant Financial Accountant)

In attendance: **Glamorgan Spring Bay Council** (Hearing)
Cr Cheryl Arnol (Mayor)
Mr Danny Green (GM)
Mr Jimmy Walters (Business Services Manager)

In attendance: **Sorell Council** (Hearing)
Mr Robert Farmer (Engineer)
Ms Brooke Povan (Corporate Manager)
Mr Jim Skillen (Accountant)
Mr Graeme Sundstrom (GM)
Cr Carmel Torenius (Mayor)

Huon Valley Council (Visit)

In attendance: Cr Robert Armstrong (Mayor)
Mr Geoff Cockerill (GM)
Cr Mike Norman
Cr Michael Wilson

Friday 16 April 2004

Kingborough Council (Visit)
In attendance: Cr Don Hazell (Mayor)
Mr Rick McClean (GM)
Mr Rob Palethorpe (Works)

Tasman Council (Hearing)
In attendance: Mr David Doyle (Corporate Services Manager)
Mr David Laugher (GM)

Clarence Council (Hearing)
In attendance: Cr Frank Barta (Corporate Treasurer)
Cr Doug Chipman
Mr Andrew Paul (GM)
John Stevens (Manager Assets)
Cr David Traynor

Round 2 – West and North-west Councils

Wednesday 21 April 2004

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

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

Thursday 22 April 2004

Burnie City Council (Hearing)
In attendance: Cr Alwyn Boyd (Mayor)
Mr Andrew Beswick (Deputy GM)
Mr Steve Gray

In attendance: **King Island Council** (Hearing)
Cr Greg Barrett (Deputy Mayor)
Cr David Brewster (Mayor)
Mr Andrew Wardlaw (GM)

In attendance: **Devonport City Council** (Hearing)
Cr Peter Hollister (Mayor)
Mr David Sales (GM)

In attendance: **Latrobe Council** (Hearing)
Mr Grant Atkins (GM)
Ms Jane Febey (Manager Corporate Services)
Mr Stephen Onions (Development Manager)

Friday 23 April 2004

In attendance: **Central Coast Council** (Visit)
Ms Sandra Ayton (Corporate Services Manager)
Cr Michael Downie (Mayor)
Mr Bevin Eberhardt (Engineering Services)
Mr Peter Marden (Community Services)
Ms Katherine Schaefer (GM)

In attendance: **Kentish Council** (Hearing)
Mr Tony Bickford (A/GM)
Cr Ian Braid (Mayor)

Round 3 – North and North-east Councils

Tuesday 4 May 2004

In attendance: **Flinders Council** (Visit)
Cr Kelly Blundstone
Ms Valerie Bronder (Finance & Administration)
Cr Lois Ireland
Mr Geoff Jaimeson (A/GM)
Cr Terence Klug (Mayor)
Mr Les Pitchford (Works & Services)

Wednesday 5 May 2004

In attendance: **Launceston City Council** (Visit)
Mr Ian Abernathy (Community)
Mr Geoff Brayford (Works)
Mr Chris Brooks (GM)
Mr Rod Fisher (Works)
Mr Michael Tidey (Manager Corporate Services)

Dorset Council (Hearing)

In attendance: Mr Guy Jetson (Corporate Services)
Mr David Lovell (Consultant)
Mr Greg Preece (GM)
Cr Tanya Ratray-Wagner (A/Mayor)
Ms Katrina Scallen (Community Development)
Mr Larry Smith (Works & Services)

Northern Midlands Council (Hearing)
In attendance: Ms Marie Bricknell (Corporate Services Manager)
Mr Harry Galea (Technical Services Manager)

Thursday 6 May 2004

George Town Council (Hearing)
In attendance: Mr Kim Barker (Corporate Services Manager)

Break O'Day Council (Hearing)
In attendance: Mr Brian Inches (GM)
Mr Steven Salter (Mayor)
Ms Marissa Southwell (Corporate Services Manager)

The following Councils did not attend their scheduled hearing:

Glenorchy City Council	Scheduled for Friday 16 April
Brighton Council	Scheduled for Friday 16 April
Circular Head Council	Scheduled for Thursday 22 April
West Tamar Council	Scheduled for Wednesday 5 May
Meander Valley Council	Scheduled for Wednesday 5 May