



# Greater Hobart Strategic Partnership

State Grants Commission  
Presentation  
26 February 2021

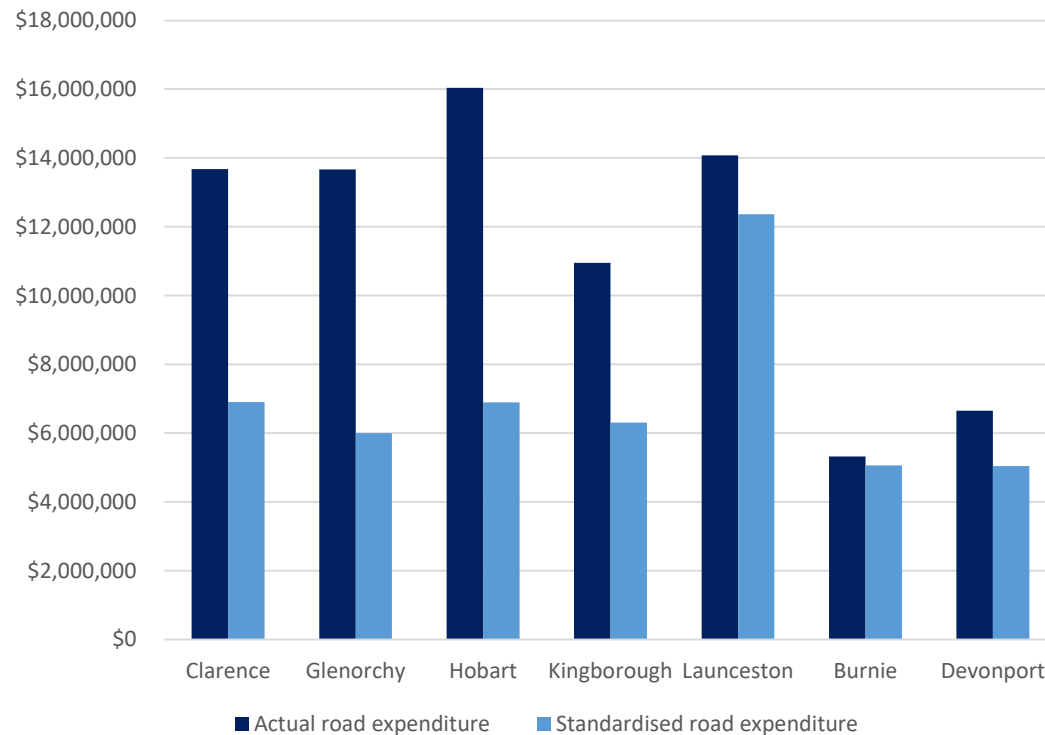
# Introduction

- The Greater Hobart Strategic Partnership (GHSP) has identified a range of deficiencies in the State Grants Commission's methodology that results in the current grant distribution to GHSP being considered inequitable
- These issues relate to
  - Base Grant
    - Road expenditure
    - Population growth impacts
    - Regional responsibility impacts.
    - COVID impacts on council revenue and expenditure
  - Road Grant
    - The Road Preservation Model
    - Regional arterial feeder roads

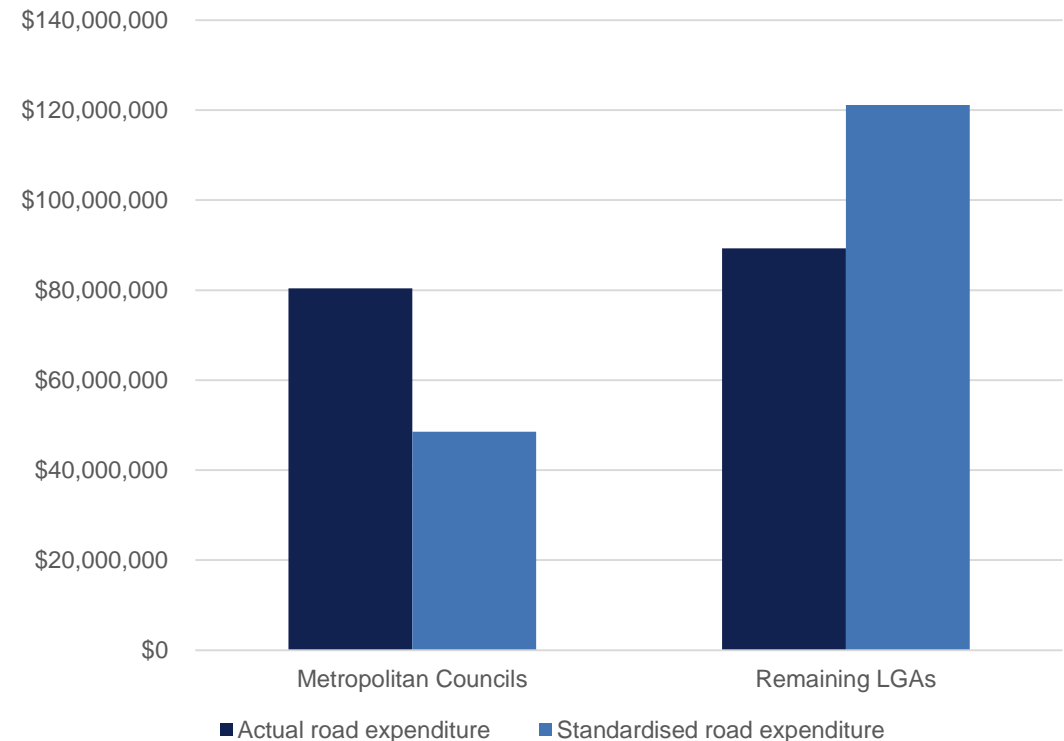


# Base Grant – Roads Expenditure

Actual Road Expenditure versus Standardised Road Expenditure (3 Yr Avg 2016-19)



Actual Road Expenditure versus Standardised Road Expenditure (3 Yr Avg 2016-19)



# Base Grant – Road Expenditure

- The Horizontal Fiscal Equalisation (HFE) principle refers to an allocation of funds that
  - ensures that each council in a state is able to function, by reasonable effort, at a standard not lower than the average standard of other councils in the state and
  - takes account of differences in the expenditure required to be incurred by local governing bodies in the performance of their functions and in their capacity to raise revenue
- GHSP considers that the current Base Grant approach to standardising road expenditure does not comply with HFE
  - as it does not account for differences in actual council expenditure and hence the real-world cost drivers that face GHSP councils (and others)
  - rather, by using the relativities of the Commission’s Roads Preservation Model (RPM) to determine standardised road expenditure, the SGC is imposing a static externally determined expenditure standard



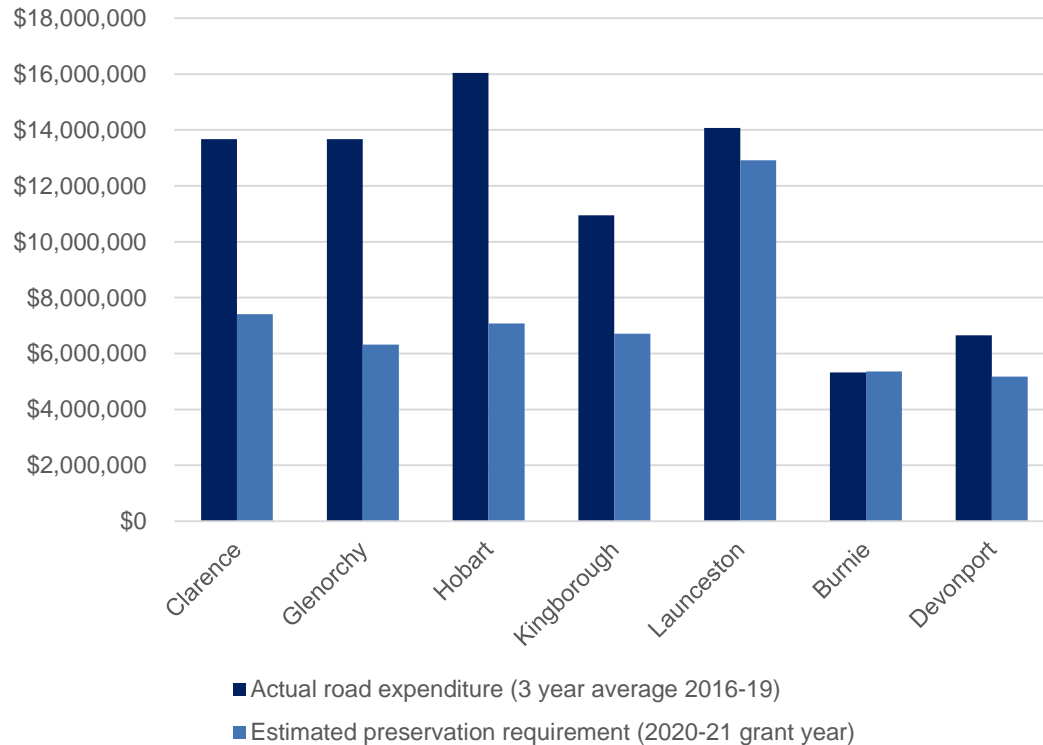
# Base Grant – Roads Expenditure

- A change to the SGC approach to standardising road expenditure is required
  - A new method is required that reflects the actual “average” experience of councils, rather than a static experience determined by the SGC

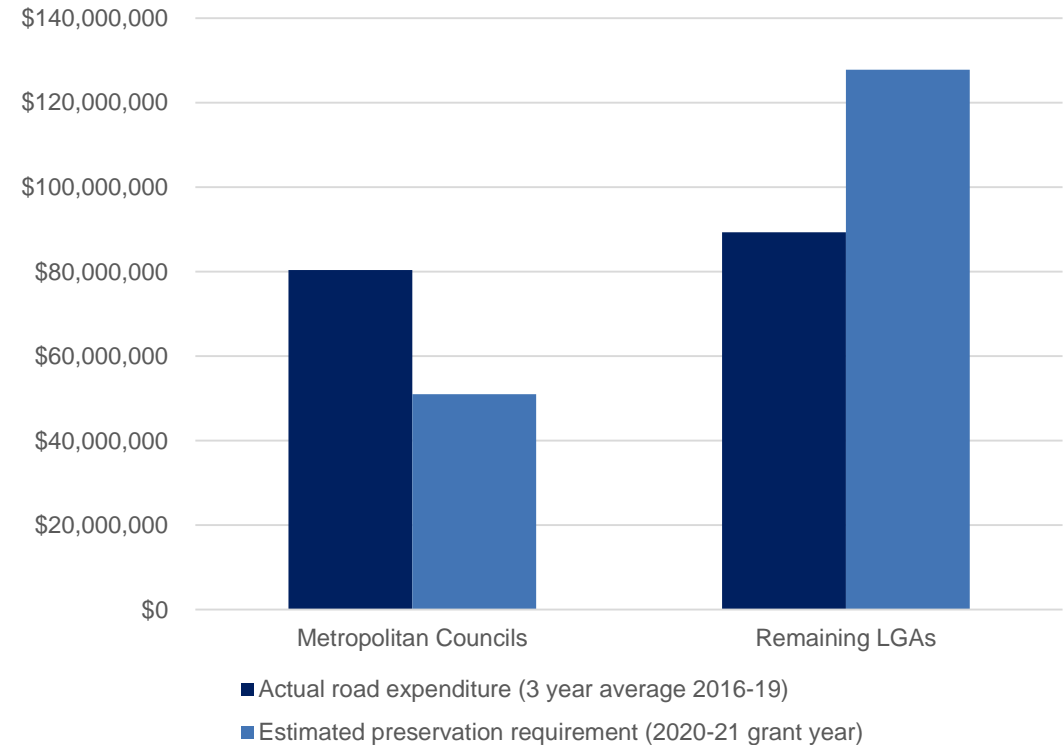


# Roads Grant - Roads Preservation Model

Actual Road Expenditure versus Estimated Preservation Requirement



Actual Road Expenditure versus Estimated Preservation Requirement



# Roads Grant - Roads Preservation Model

- GHSP submits that the SGC needs to review the RPM to
  - revisit the basis for estimation of activity costs and cost assumptions used
  - redevelop it to improve the way it models the different road asset maintenance costs
- GHSP suggests that the SGC investigate redevelopment of the RPM using the Local Government Road Hierarchy (LGRH) which
  - is a clear and consistent classification model that is used, or can be mapped to by all councils
  - reflects the different types of urban and rural roads and uses a criteria-based classification
  - uses criteria reflecting the purpose and function of roads, including consideration of traffic volumes



# Road Grant - Regional Arterial Feeder Roads

- GHSP welcomes SGC indicating that it will consider a cost adjustor for regional arterial feeder roads
  - The cost of preserving these important feeder roads are greater than the cost of preserving a basic urban sealed road
- If the SGC agrees to redevelop the RPM to use the LGRH, this would resolve this issue
  - The LGRH includes a category of arterial roads that broadly covers arterial feeder road concept





# Base Grant - Population Growth Disadvantage Cost Adjustor

- The SGC needs to implement a population growth disadvantage cost adjustor
  - SGC model has cost adjustor for population decline, but not for additional costs experienced as a result of rapid population growth
  - Clarence, Hobart and Kingborough are all experiencing population growth rate well above the state average and this is likely to continue into the future
- This cost adjustor would recognise that councils are incurring costs *now* for a forecast growing population
  - It is likely that the Western Australian method for estimating a population growth cost adjustor based on predicted population growth will better suit this situation – with the relevant Tasmanian data source being Treasury population projections



# Proposed Regional Service Industry Employment Cost Adjustor

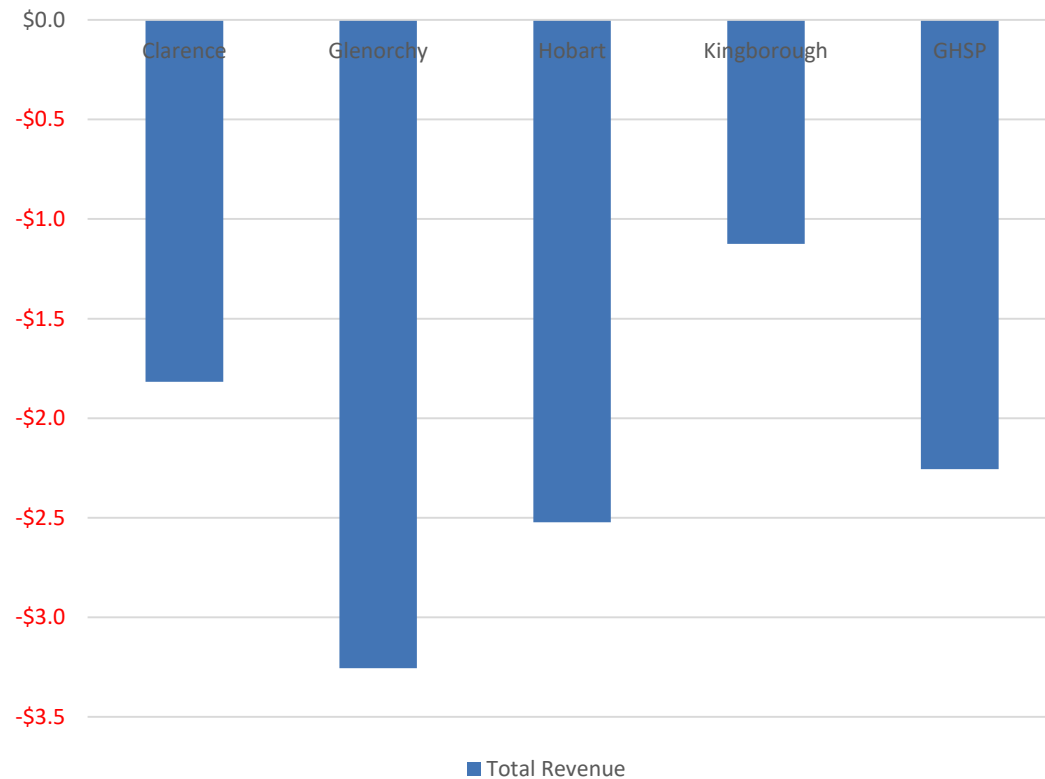
- SGC proposes to replace the current Regional Responsibility Cost Adjustor with a Regional Service Industry Employment Cost Adjustor (RSIE CA)
- GHSP
  - does not support the RSIE CA in its present form due to a range of perverse outcomes
  - suggests that SGC review its CA methodology to focus it on those councils that have genuine regional responsibilities

LGA	Current Rank	Current Ranged CA	Proposed Rank	Proposed Ranged CA	Winner / Losers	% Change
Break O'Day	7	0.901	12	0.951	0.05	6%
Brighton	7	0.901	28	0.866	-0.035	-4%
<b>Burnie</b>	<b>2</b>	<b>1.011</b>	<b>3</b>	<b>1.155</b>	<b>0.144</b>	<b>14%</b>
Central Coast	7	0.901	18	0.928	0.027	3%
Central Highlands	7	0.901	27	0.873	-0.028	-3%
Circular Head	7	0.901	14	0.944	0.043	5%
Clarence	2	1.011	11	0.966	-0.045	-4%
Derwent Valley	7	0.901	22	0.898	-0.003	0%
<b>Devonport</b>	<b>2</b>	<b>1.011</b>	<b>4</b>	<b>1.063</b>	<b>0.052</b>	<b>5%</b>
Dorset	7	0.901	15	0.936	0.035	4%
Flinders	7	0.901	5	1.006	0.105	12%
George Town	7	0.901	23	0.889	-0.012	-1%
Glamorgan-Spring Bay	7	0.901	7	0.979	0.078	9%
Glenorchy	2	1.011	6	1	-0.011	-1%
Hobart	2	1.011	1	1.166	0.155	15%
Huon Valley	7	0.901	21	0.902	0.001	0%
Kentish	7	0.901	24	0.884	-0.017	-2%
King Island	7	0.901	9	0.973	0.072	8%
Kingborough	7	0.901	17	0.93	0.029	3%
Latrobe	7	0.901	13	0.949	0.048	5%
<b>Launceston</b>	<b>1</b>	<b>1.341</b>	<b>1</b>	<b>1.166</b>	<b>-0.175</b>	<b>-13%</b>
Meander Valley	7	0.901	16	0.931	0.03	3%
Northern Midlands	7	0.901	20	0.903	0.002	0%
Sorell	7	0.901	25	0.877	-0.024	-3%
Southern Midlands	7	0.901	29	0.85	-0.051	-6%
Tasman	7	0.901	10	0.968	0.067	7%
Waratah-Wynyard	7	0.901	19	0.909	0.008	1%
West Coast	7	0.901	8	0.976	0.075	8%
West Tamar	7	0.901	26	0.874	-0.027	-3%
State Average	5.93	0.94	14.97		0.02	2.4%

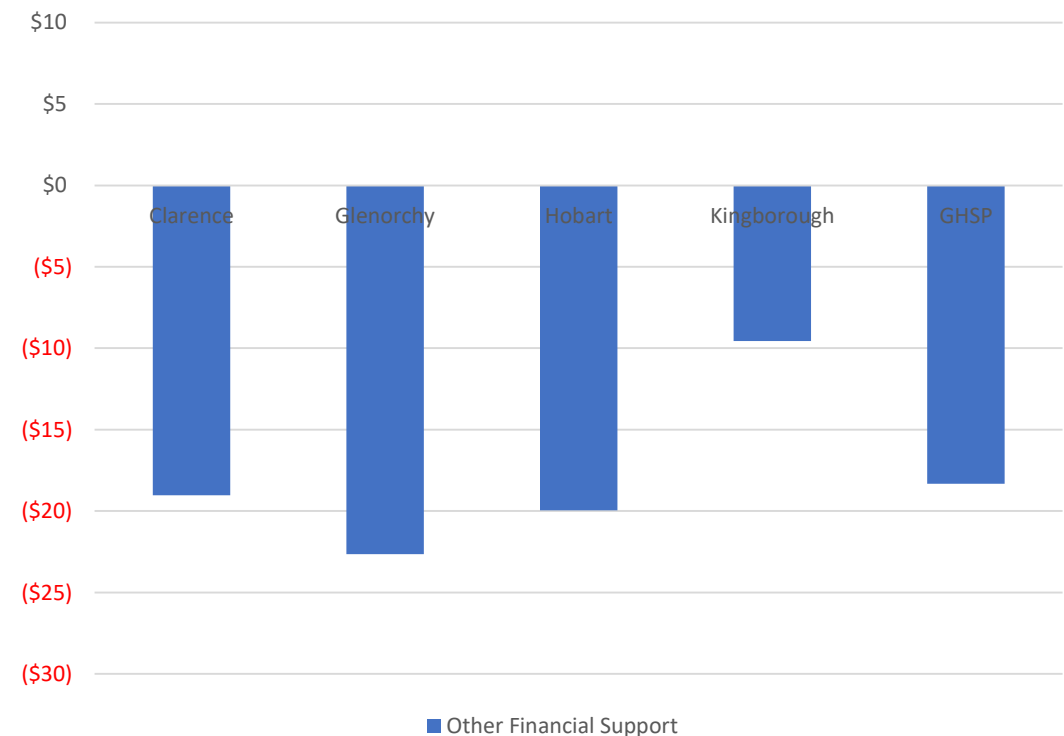


# Base Grant - COVID Impacts on Council Revenue and Expenditure

Impacts of COVID on Revenue per \$,000 AAV 2019-20

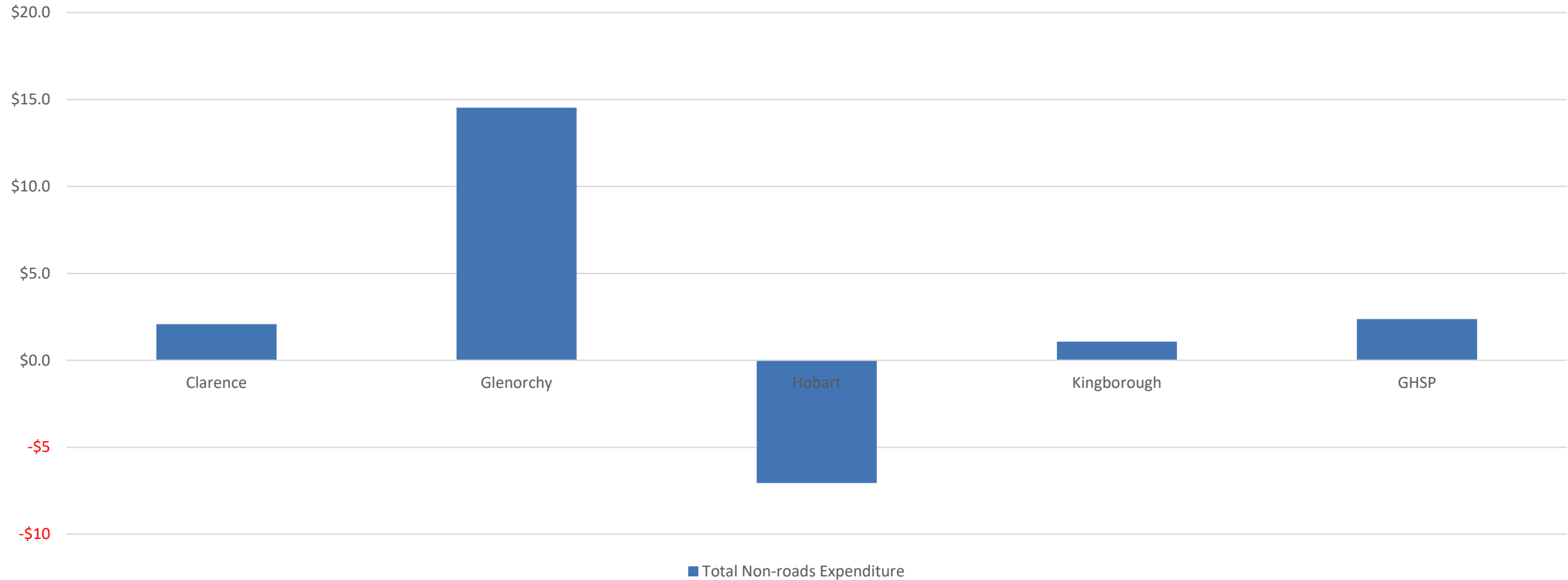


Impacts of COVID on Other Financial Support per capita 2019-20



# Base Grant - COVID Impacts on Council Revenue and Expenditure

Impacts of COVID on Council Expenditure per capita 2019-20



# Base Grant - COVID Impacts on Council Revenue and Expenditure

- The GHSP proposes that to deal appropriately with the COVID impacts, the SGC examine
  - Use of weighted average rather than flat average to ensure most recent revenue/expenditure impacts are given greater recognition within SGC model
  - The establishment of short-term cost and/or revenue adjustors for GHSP and other metropolitan councils to reflect their role in driving regional economic activity



# Greater Hobart Capital Expenditure - Driving Regional Economic Activity

The Greater Hobart Councils drive economic growth in the region with a pipeline of capital works:

- Approx. \$88 million capital expenditure in 2020-21 – supporting an estimated 195 jobs
- A pipeline of approx. \$269 million in capital expenditure planned over the next three years – supporting an estimated 215 jobs per annum

