Methodology Review
Non-resident Ratepayers
MAY 2024

Prepared for the

SA Local Government Grants Commission

1. EXECUTIVE SUMMARY

For some years councils have argued that non-resident ratepayers (NRR) have an adverse impact on its services which is not taken into account by the Local Government Grants Commission (the Commission) when calculating their share of the General Purpose (GPG) component of the Financial Assistance Grants (the FA Grants).

Even though the state has the second largest average percentage of unoccupied dwellings (the measure of non-resident ratepayers), the Commission does not currently include any factor for the NRR within its GPG calculations.

With large influxes of holidayers and grey nomads council's populations can swell to over 10-times their normal numbers of the off seasons. While the evidence of these numbers are supported, it is unknown as to whether the actual increase in expenditure during the peaks is compensated by reductions in expenditure in the off-peak periods.

The effect of the NRR on the cost of services or the valuation of properties within a council is unknown, however the effect of non-resident ratepayers on the Commissions current GPG calculation methodology is. The current assessment capacity to raise revenue (the Revenue Assessment) is based on a comparison of the valuations per capita for the State versus that of the individual councils rather than a comparison of the valuations per number of properties for the State versus each council.

As such, a council with NRR's will be penalised not because of high valuations but because its resident population is low. South Australia is currently the only state to use population as a denominator in its Revenue Assessments.

In relation to the assessment of need for expenditure, there are winners and losers. Councils with a higher expenditure per capita is assessed as having a greater expenditure need, not because of their actual cost being higher but because the population is lower.

Based on the findings in this Paper the following recommendations have been made:

Recommendation 1:

As the capacity to raise revenue of a council is not affected by the NRR, it should not be considered within the revenue component of the Commission's calculation. The current methodology does incorporate a penalising factor for NRR by using valuations per capita rather than valuation per property. It is recommended that the Commission considers changing the denominator in the revenue assessments from valuations per capita to valuations per property to recognise NRR's within a council area and to be consistent with other state Grants Commissions.

Recommendation 2:

It is hard to identify the extent to which NRR directly affect the costs (expenditure needs) of a council, however the Commission can ensure that its calculations reflect the true population that use council services by

- Factoring up any units of measure that use population by NRR similar to the methods used by Victoria and Tasmania where non-resident ratepayers impact services adversely
- Factoring down any non-population units of measure by non-resident ratepayers where non-resident ratepayers impact services beneficially

2. INTRODUCTION

This paper investigates the impact of NRR (also known as absentee landowners) on the South Australian Local Government Grant Commission's (the Commission) current assessment of relative need for the annual GPG recommendations.

3. INFORMATION GATHERING

In preparing this paper the following information sources were used

- ABS Census Data from 2016 and 2021.
- Council interviews

  The top NRR councils (those with the highest unoccupied total dwellings as per the Census data) where contacted. A meeting of approximately 45 minutes to an hour was held with each council that responded from the initial contact. Data collected included anecdotal information on the current status of non-resident ratepayers, the most effected expenditure areas, other impacts of NRR and how and what data councils collected regarding this group. Councils were also asked to provide some simple information returns.
- Review of other State Grants Commission methodologies

  A review of annual reports, methodology papers and annual allocation data was interrogated. The Northern Territory was not included due to the lack of material available.
- Council Reports and Studies

  As some councils have been addressing this issue for a number of years, reports and studies were available on their websites or provided directly following interviews, and these were reviewed.

4. WHAT IS A NON-RESIDENT RATEPAYER (NRR)

4.1. Terminology

The NRR or absentee landowner currently has no formal definition. The generally accepted understanding of a NRR is that this is a property owner of a non-exempt property within a local government area who does not normally reside within that property (as identified on Census night). That is, the NRR nominates a different property, usually in a different council area as their primary residence on Census night.

The definition does come with a limitation that it does not identify a property owner who rents the property on a long-term basis where the lessee in essence replaces the ratepayer as a resident.

The term NRR has been created in an attempt to explain what happens in a council when a number of its ratepayers only reside within their properties at certain times of the year, such as school holidays, long weekends and good weather or have other people reside within their properties on a short stay basis.

It is worth highlighting the distinction between a NRR and the non-resident population who are visitors to a council area (including NRR), persons holidaying with friends and relatives, in hotels, motels, and caravan parks, or day trippers and people simply passing through the area (Harris, 2022). Non-resident population may also include persons who travel from a neighbouring council to use the services provided by the council in question.

Another distinction should be made between a NRR and a resident who spends a large portion of the year away from their property. While counted within the ABS estimated resident population (ERP) data, they may spend a number of months in other locations, often chasing warmer climates.

4.2. How to measure the non-resident ratepayer

For the purposes of this paper, the ABS's Housing: Occupied Private Dwellings (Australian Bureau of Statistics, 2021) is used to reflect the proportion of NRR's within a local government area.

The ABS obtains data during the Census from completed forms as well as non-responses and applies prediction models from other data sets to complete the data set. The ABS states within the explanation of the model that it:

> found these models were good for predicting long term unoccupied dwellings - holiday or rental homes being key examples. Prediction for dwellings that were short term unoccupied - i.e. where occupants were away just around the date of the Census - was less successful. (Australian Bureau of Statistics, 2020)

Most councils gauge the extent of their NRR's by comparing the number of properties with a non-council area postcode in the mailing details for the property, which is readily retrievable from their property databases. A comparison of the two data sets for three Councils that provided their data does show some correlation.

Table 1 : Measuring Non-resident ratepayers

Council	Non Council Postcode %	ABS Unoccupied Dwellings
Kingston	43%	41%
Kangaroo Island	43%	36%
Robe	64%	59%

The Victorian Grants Commission uses the ABS's Unoccupied Private Dwellings as the determinant for the NRR's or vacancy rates within their expenditure calculations.

James Holyman of the District Council of Robe did highlight that the term "Unoccupied Private Dwelling" could be the confusing terminology if construed as generally unoccupied when in fact it reflects property not occupied as a person's primary residence. Therefore in this paper the term NRR will be used except when referring to the ABS's Unoccupied Private Dwellings data series.

4.3. Non-resident ratepayers – state comparisons

A large part of this paper compares grants commissions methodologies between the states to determine whether NRR's need to be considered. It is worthwhile therefore to understand the overall impact of the NRR within each of the locations.

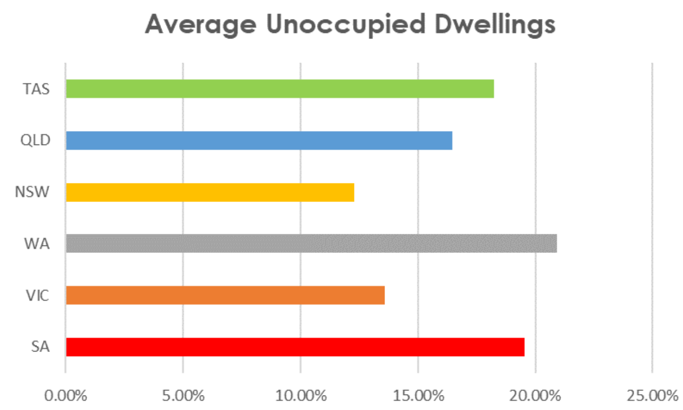

Figure 1: Average Unoccupied Residential Dwellings Percentage by State[1]

South Australia ranks only behind Western Australia in relation to the average percentage of Unoccupied Private Dwellings. Many of the highest ranked local governments in Western Australia with unoccupied dwellings were small remote outback towns that were service centres or mining operations.

[1] Based upon the ABS's Housing: Census data 2021 (Australian Bureau of Statistics, 2021)

This compares to South Australia and Tasmania whose local governments with high unoccupied dwellings were mainly tourist centres located on the coast or rivers(in the case of South Australia) and world heritage locations (in the case of Tasmania).

4.4. Non-resident ratepayers in South Australia

NRR's and their properties differ from one local government area to another however generally they are located on the coast or river and align themselves to certain times of the year.

As is illustrated in Table 2 , of the 15 highest ranked councils, 12 are located on either the coast or the river.

Table 2: Top 15 SA Local Governments Ranked by Unoccupied Private Dwelling percentage

ABS LG Code	Name	% unoccupied	Rank unoccupied
LGA46860	Robe	59%	1
LGA48830	Yorke Peninsula	49%	2
LGA41750	Elliston	48%	3
LGA44210	Mid Murray	45%	4
LGA48750	Yankalilla	41%	5
LGA41330	Coober Pedy	41%	5
LGA43360	Kingston	41%	5
LGA40430	Barunga West	39%	8
LGA41960	Franklin Harbour	36%	9
LGA42750	Kangaroo Island	36%	9
LGA47490	Streaky Bay	35%	11
LGA43220	Kimba	32%	12
LGA43080	Karoonda East Murray	30%	13
LGA45400	Orroroo Carrieton	29%	14
LGA41560	Copper Coast	28%	15

4.5. Recent Trends

During the consultation, Councils communicated that the prevalence and effect of NRR's had increased sharply since the rise in popularity of short stay accommodation through the introduction of Airbnb and other similar systems. They noted that a greater number of properties were being purchased "sight unseen" following COVID, including interstate buyers looking for cheaper property compared to that available in other states with the intention of renting them out for short stays.

So while NRR's always existed, the demand on council services appears to have increased due to how the properties are now being utilised, creating a greater burden on the councils in question and for longer periods over a year. Unfortunately this is only supported by anecdotal evidence with little quantitative data available.

5. WHY CONSIDER THE NON-RESIDENT RATEPAYER

5.1. Horizontal Equalisation

Under the National Principles contained within the Commonwealth *Local Government (Financial Assistance) Act 1995* it is the principle of "Horizontal equalisation" that raises the question of whether the NRR should be considered when determining the allocation of GPG's across councils in South Australia.

It requires the Commission to not only consider whether the NRR affects its assessment of council's capacity to raise revenue or affects the assessment of need for expenditure but also whether the Commission's methodology adequately enables it to apply the Horizontal Equalisation Principle.

This requires answering two different questions.

1. Are the revenue or expenditure assessments adversely or beneficially affected by the NRR population of a council area; and
2. Do the commission's calculations incorporate the NRR population within its units of measure for individual calculations?

6. THE NON-RESIDENT RATEPAYER AND THE ASSESSMENT OF CAPACITY TO RAISE REVENUE

6.1. How is the assessment of capacity to raise revenue affected by the non-resident population of a council area

During interviews with councils and other stakeholders the following issues were raised regarding NRR's.

- NRR's found it difficult to understand the higher rates paid in these locations due to the inclusion of separate charges for CWMS, applying pressure on the council to raise revenue.
- Valuations were higher due to the demand by NRR's, however resident ratepayers were less able to pay any increased rates brought about by the increase in valuations.
- That while a full amount of rates is raised, the NRR does not reside in their property all year and would not require a full year of council services.

All of the issues raised were based on anecdotal evidence only and it could be argued that there are competing arguments for each one raised.

Effect of NRR	Opposing Argument
Valuations were higher due to the demand by NRR's, however resident ratepayers were less able to pay any increased rates brought about by the increase in valuations	NRR ratepayers purchase properties in popular locations as they will improve the likelihood of increased occupancy and rent. It is the popularity that generates the valuation and not the NRR.
The nature of NRR ratepayer properties results in larger than average households. Council must provide infrastructure and services for this population level some of which may be of a fixed nature.	The NRR not being present all year would not require a full year of council services even though a full rate is raised.

Of the items raised the effect of NRR on valuations compared to residents' capacity to pay (something that councils must consider when deciding on a rate increase) would be something that affects a council's ability to raise revenue.

6.2. Does the Commission's calculation incorporate the non-resident population within its unit of measurement

While NRR's do not overly affect a council's capacity to raise revenue, the Commission's calculation does adversely affect those Council's with high numbers of NRR's.

In capacity to raise revenue for each council, the Commission applies the underlying principle of comparing the council's capacity to raise revenue to that of an average council.

It does this by applying the state average rate in the dollar to the difference between the council's capital value per capita and those for the state as a whole and multiplying it back by the council's population. This calculation is done for each of 5 land use categories.

$$G = Pc \; x \; S \; x \; \left[\left(\frac{Us}{Ps} \; x \; RRIs \right) - \left(\frac{Uc}{Pc} \; x \; RRIc \right) \right]$$

s/c subscript = state or council
G = council's calculated relative need assessment
P = population
U = Unit of measure
S = standard
RRI/CRI = revenue relativity index / cost relativity index

In the context of a NRR, the Commission effectively counts only the council's population present on Census night (which will not include NRR's). This increases the valuation per capita and the assessment of capacity to raise revenue.

Table 3 below provides a hypothetical example to illustrate the effects of NRR component on the Commission's Revenue Assessment Calculations. By keeping all other variables constant, this table highlights that a council with a higher number of NRR's will be assessed as having a greater capacity to raise revenue compared to those with a lower number of NRR's.

Table 3: Hypothetical Revenue Component Calculation

	COUNCIL A	COUNCIL B	COUNCIL C	COUNCIL D	STATE
%age non-resident ratepayers	**0.00%**	**15.00%**	**25.00%**	**50.00%**	**19.9%[2]**
No. of Residential Rateable properties	20	20	20	20	
Average household size	2.4	2.4	2.4	2.4	2.43
Total Resident Population	48	40.8	36	24	1,764,268
Residential Rate in $	$0.0028	$0.0028	$0.0028	$0.0028	$0.0037
Total Residential Valuation	$6,000,000	$6,000,000	$6,000,000	$6,000,000	$304,651,023,277
Average Residential Valuation (per property)	$300,000	$300,000	$300,000	$300,000	
Average Residential Valuation (per capita)	$125,000	$147,059	$166,667	$250,000	$172,678
Calculations					
Total Rate Revenue Raised	$16,893	$16,893	$16,893	$16,893	
Average Rate per property	$845	$845	$845	$845	
Average Rate per capita	$352	$414	$469	$704	$638.91
Grants Commission Raw Revenue Assessment	$8,467.69	$3,867.54	$800.77	-$6,866.16	
Council net position	$25,360.93	$20,760.78	$17,694.01	$10,027.08	

In simplified terms, the Commission's methodology is based on the theory that a Council's capacity to raise revenue is assessed by the average valuation per capita. It follows then, that it also assumes a Council with a higher non-resident ratepayer proportion has an increased capacity to raise rate revenue compared to those that don't, not because of increased valuations but reduced population.

The LGA's Information Paper 20 "Rating and Other Funding Policy Options" highlights that "in many (but not all) instances there is a reasonable correlation between the value of a property, and the income levels of the owners and their capacity to pay rates." The important words within this commentary is the reference to the owner as it is highlighting that a property value reflects the wealth of the individual ratepayer and their ability to pay rates.

In this sense the application of a value per property reflects the average ratepayer's individual wealth and not the average of the general population. This in turn would

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[2] Based upon the ABS's Housing: Census data 2021 (Australian Bureau of Statistics, 2021)
[3] Based upon the ABS's 2021 Census All persons QuickStats for South Ausralia (Australian Bureau of Statistics, 2021)

be more reflective of a council's ratepayer capacity to pay rates and using the Commissions terminology the Council's capacity to raise revenue.

If however, the Commission's intention, is to highlight that a council with a higher valuation per capita reflects the low demand on services compared to the number of properties as they are not fully occupied this measure may be appropriate. The Commission should consider that this may muddy the calculation of the revenue component as it incorporates issues related to expenditure.

A review of the other states Grants Commissions highlights that South Australia is the only state using a methodology that incorporates a valuations per capita revenue assessment.

6.2.1. Western Australia[4]

WA's overall methodology is to determine an equalisation requirement using the following calculation

$$Equalisation\ requirement = Assessed\ Expenditure - Assessed\ Revenue$$

While the calculation means it doesn't take into consideration the variance between a particular council and the state in total until the final step of the grant process, its treatment of the assessed revenue is still relevant.

Assessed revenue for residential, commercial and industrial is calculated by the following equation

$$Assessed\ Revenue = (Fixed\ Amount\ x\ no\ of\ properties) + (rate\ in\ dollar\ x\ valuation)$$

The fixed amount and rate in the dollar are determined using a regression analysis.

This calculation in no way incorporates population, conceptually using total valuation with an adjustment for a fixed component which is intended to reflect a non-linear relationship between a ratepayer's capacity to pay and changes in valuation.

6.2.2. Victoria[5]

Similar to Western Australia, Victoria's standardised rate revenue is calculated by multiplying its valuation base by the average rate across all Victorian councils. While it applies other adjustors, the valuation per capita is not used to adjust the raw grant outcome.

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[4] From the WA Local Government Grants Commission – Methodology for the Distribution of Commonwealth Financial Assistance Grants to Local Government in Western Australia (Department of Local Government, Sport and Cultural Industries WA, 2022)

[5] From the VIC Local Government Grants Commission's Annual Allocation Report (Victorian State Government, 2022)

6.2.3. New South Wales[6]

New South Wales similar to South Australia determines a revenue allowance by comparing the states valuation to the council's however it does so on the basis of properties and not population as can be seen by the formula applied.

$$Revenue = No. of\ Council\ Properties\ x\ Std\ Rate\ in\ the\ \$\ x\ (Std\ Value\ Property - Council\ value\ per\ property)$$

6.2.4. Queensland[7]

The Queensland Grants Commission has recently completed a review of its grant allocation methodology. It has altered it calculations from a gap or "need" methodology to a gap methodology based on a council's fiscal capability.

It applies two types of variables:

- A council's Potential - the number of properties is multiplied by the state average rates per property; and
- A council's capacity – the council's valuation is multiplied by the rates as a share of property valuations.

This is a slight variation on the Western Australian model, however consistent with all other states reviewed does not apply a factor of valuation per capita.

6.2.5. Tasmania[8]

The Tasmanian Grants Commission calculates a standardised surplus/deficit using the following equation.

$$Standardised\ Surplus\ or\ deficit = revenue\ capacity - expenditure\ requirement$$

The revenue capacity takes into consideration several revenue items. In regard to general rates the revenue capacity is determined by multiplying the average rate in the dollar against the councils total valuation.

As can be seen from this review, the state commissions—other than South Australia—do not support that the Council's capacity to raise revenue is determined by the average valuation per capita, but instead by its overall property valuation or value per property.

[6] From the NSW Lcoal Government Grants Commission Annual Report 2020-21 (NSW Government, 2022)
[7] From the Queensland Local Government Grants Commission Financial assistance grant allocation methodology Information Paper (Queensland Goverment, 2022)
[8] From the Tasmanian State Grants Commission Financial Assistance Grant Distributions Methodology (Tasmanian Goverment, 2022)

The Revenue Relativity Index

The Revenue Relativity Index applied in the Commission's calculation of capacity to raise revenue incorporates an adjustment of capacity by applying the SEIFA Index of Economic Resources to reflect the capacity of the resident populations to pay. This process was also raised by Councils as an issue. In this context the calculation appropriately reflects the situation of the resident, knowing that generally, the NRR will tend to have a greater than average capacity to pay rates because they own multiple properties.

6.3. Recommendation

As the revenue raising capability is not affected by the NRR, it should not be considered within the revenue component of the Commissions calculation. The current methodology does incorporate a penalising factor for NRR's by assessing capacity to raise revenue based on valuations per capita rather than valuations per property. It is recommended that the Commission considers changing its revenue assessments to valuations per property in order to recognise the NRR and to be consistent with other state Grants Commissions.

7. THE NON-RESIDENT RATEPAYER AND THE EXPENDITURE ASSESSMENT

7.1. How is the assessment of need for expenditure affected by the non-resident population of a council area

Overwhelmingly, councils with high numbers of NRR's felt they were quite adversely effected by an increase in their expenditure.

There were differing views across councils regarding which services were adversely affected, and by how much, with little data collected on the actual cost effects. The council's interviewed also found it difficult to quantify the effect of NRR's compared to other visiting populations.

The two areas that Council's believed were impacted most were waste services and roads and footpaths. They also highlighted that the cost of governance and administration (which is not currently included in the Commission's calculations) was also affected by NRR's due to the difficulty of communicating and consulting with this group.

Table 4 : Council perception of non-resident ratepayer effect on Council Services

Increase in Costs	No Change in Costs	Reduction in Costs
Waste Health inspection Libraries Roads and footpaths Stormwater Community support Jetties, wharves, marinas and Boat ramps Public Order and Safety Airports and authorised landing strips	Planning and building controls Bridges Environmental and coastal protection	

As discussed in the revenue assessment section of this paper, while a full amount of rates is raised from a NRR owned property, the NRR not being present all year may mean that they do not utilise a full year of council services. To what extent this is true is dependent on a number of factors but the following issues should be considered

- Councils incur a level of fixed costs for most services that are determined by the service level of the peak times regardless of the presence or otherwise of the NRR or other person(s) in a NRR property; and
- NRR properties generally housed parties larger than the average household size.

7.2. Do the Commission's expenditure assessment calculations incorporate the non-resident population within the units of measure for the various expenditure functions assessed

In determining a council's expenditure assessment, the Commission determines whether

> the costs of providing a standard range of local government services can be expected to be greater or less than the average cost for the state as a whole due to factors outside the control of councils. (Government of South Australia, 2022)

The current formula for the raw expenditure component is calculated as

$$G = Pc \; x \; S \; x \left[\left(\frac{Uc}{Pc} \; x \; CRIs\right) - \left(\frac{Us}{Ps} \; x \; CRIc\right)\right]$$

s/c subscript = state or council
G = council's calculated relative need assessment
P = population
U = Unit of measure
S = standard
RRI/CRI = revenue relativity index / cost relativity index

Expenditure assessments where the unit of measure is not population will generally take into consideration the non-resident ratepayer factor due to $\frac{Uc}{Pc}$ being greater than $\frac{Us}{Ps}$.

An analysis of the correlation coefficient of the council's NRR's percentage compared to the unit of measures used in the Commission's range of expenditure assessments provides some guidance as to whether the assessment would increase or reduce the expenditure need of individual councils if NRR's were in fact causing costs pressures to a council.

Table 5 : Correlation of units of measure per capita to unoccupied private dwellings

Unit of Measure per capita	Correlation to Unoccupied Private Dwellings	Commentary
Number of Residential, Rural and Commercial Shop Properties	0.836	Council's with higher % of NRR's would receive additional raw assessment relatively consistent with need.
All properties	0.859	Council's with higher % NRR's would receive additional raw assessment relatively consistent with need.
Population Aged > 65 years	0.545	Council's with higher % NRR's would receive additional raw assessment somewhat consistent with need
Population Aged 0-14 years	-0.196	Council's with higher % of NRR's would not receive additional raw assessment and be slightly penalised.
Population Aged 5-64 years	-0.534	Council's with higher % of NRR's would not receive additional raw assessment and be penalised.
Establishments to Inspect	0.247	Council's with higher % of NRR's would receive additional raw assessment slighly consistent with need
Sealed Built Up Roads	0.747	Council's with higher % of NRR's would receive additional raw assessment relatively consistent with need.

Of course, given the nature of NRR's, a unit of measure of properties per capita should be a near-direct relationship.

7.3. Waste Management – An Example

Waste management is the service that most councils refer to when considering the impact of NRR's. Unfortunately determining the NRR factor is difficult as there is a number of possible causations including;

- NRR's attending their properties
- Higher than average occupancy rates in NRR properties
- Short-stay accommodation consumers have higher waste volumes as they have different waste streams compared to permanent residents
- Increase nature of consumption over holiday periods occurs across all council areas e.g. Christmas

- Day visitor effect (including cruise ships) on street bins

Waste - the Commission's calculation

The Commission's current unit of measure for this expenditure function is the number of residential, rural and commercial shop properties from which waste could be collected (noting that the unit of measure does not reflect the actual number of these properties from which waste is collected as this is a decision of council).

Given that NRR's will increase the number of properties per capita (as they will reduce the population) the assessment of expenditure need for waste management will favour this group of councils by increasing the cost of waste management per property.

The correlation coefficient (the linear relationship between the two sets of data) between unoccupied private dwellings and the number of Residential, Rural Commercial properties used by the Commission in its 2021-22 calculations was 0.836, showing a strong relationship.

To assist in understanding the possible effect of the NRR, Table 7 provides a breakdown of the Commission's calculations based on the current methodology using a hypothetical example that holds all factors equal except for NRR's.

Table 6 : Hypothetical Waste Expenditure Component Calculation

	COUNCIL A	COUNCIL B	COUNCIL C	COUNCIL D	STATE
%age non-resident ratepayers	**0.00%**	**15.00%**	**25.00%**	**50.00%**	**19.9%[9]**
No. of Residential Rateable properties	20	20	20	20	
Average household size	2.4	2.4	2.4	2.4	2.410
Total Resident Population	48	40.8	36	24	1,764,268
No of residential, rural and commercial shop properties.	20	20	20	20	837,866
Standard in $	190.65	190.65	190.65	190.65	190.65
Calculations					
Unit measure per capita	0.41666	0.49020	0.55556	0.83333	0.47966
Grants Commission Raw Expenditure Assessment	($532.98)	$118.91	$553.51	$1,640.01	

In answering the previously detailed questions this example would provide the following answers

1. Is the expenditure assessment adversely or beneficially affected by the NRR population of a council area? ***Unsure – increases in peak periods may be offset by reductions in non-peak periods.***

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[9] Based upon the ABS's Housing: Census data 2021 (Australian Bureau of Statistics, 2021)
[10] Based upon the ABS's 2021 Census All persons QuickStats for South Ausralia (Australian Bureau of Statistics, 2021)

2. Does the commission's calculation incorporate the NRR population within its unit of measure? ***Yes, as the number of properties per capita compared to the state average is higher.***

7.4. All Expenditure Functions

Applying the principles from the Waste example we can carry out the same analysis across all the expenditure functions included as part of the Commissions calculations. This information is detailed in Table 8.

In determining whether the individual expenditure assessment is adversely or beneficially affected by the NRR population of a council area, the responses from South Australian Councils interviewed were considered, as well as whether other State Grants Commissions incorporated a factor for this item.

For the latter, only the methodologies from Victoria and Tasmania are included as they have specifically addressed this issue. New South Wales does attribute a general disability factor for lower populations across all its services but is silent on the NRR issue.

Within Table 8, two expenditure functions are highlighted on the basis that both councils and other State Grants Commissions believe they are impacted by NRR's, yet the South Australian Grants Commission is using a unit of measure per capita that has a negative correlation with the NRR.

Table 7 : Review of Expenditure Functions and the effect of Non-resident ratepayers

Function	**SA Council Views of NRR** - Increase Costs - Reduce Costs - No effect	**VIC or TAS Commission Calculations incorporate NRR**[11]	**Current Unit of Measure per capita (and correlation)**
Waste Management	Increase costs	VIC, TAS	No. of residential, rural & commercial properties (0.836)
Aged Care Services	No effect	None	Population > 65 and population (0.545)
Services to Families and Children	No effect	None	Population 0-14 and population (-0.196)
Health Inspection	Increase costs	None	Establishments to inspect (0.247)
Libraries	Increase Costs	TAS	Population (-0.541)
Sport, Recreation & Culture	Increase Costs	VIC, TAS	Population 5-64 and population (-0.534)
Roads and Footpaths	Increase Costs	None	km's (Sealed 0.747)
Stormwater Drainage Maintenance	Increase Costs	TAS	Urban properties (0.648)
Community Support	Increase Costs	TAS	3 yr average population x SEIFA (0.203)

[11] Non-Resident Ratepayer factored either by using properties or population adjusted by absentee population.

Function	SA Council Views of NRR - Increase Costs - Reduce Costs - No effect	VIC or TAS Commission Calculations incorporate NRR[11]	Current Unit of Measure per capita (and correlation)
Jetties, Wharves, Marinas and Boat Ramps	Increase Costs	TAS	Number (0.669)
Public Order and Safety	Increase Costs	None	Properties (0.859)
Planning and Building Control	No effect	TAS	New developments and additions (0.520)
Bridges	No effect	None	Number (0.141)
Environment and Coastal Protection	No effect	VIC, TAS	Population (n/a)
Airports and Authorised Landing Areas	Increase Costs	None	No of airports (0.533)

Generally, when an expenditure function's raw calculation is based on a non-population unit of measure, councils with NRR populations will be beneficially affected due to their higher unit per population. Conversely, they will be penalised where the unit of measure is based on population and populations are negatively related to the resident population.

7.5. Recommendation

It is hard to readily identify the extent to which NRR's affect the cost of a council, however the Commission can ensure that its calculations reflect the true population that use council services by

- Factoring up any population units of measure by NRR's similar to the methods used by Victoria and Tasmania where NRR's impact services adversely
- Factoring down any non-population units of measure by NRR's where NRR's impact services beneficially

8. MODELS – ADJUSTING THE ASSESSMENT OF CAPACITY TO RAISE REVENUE FOR NRR

Ultimately, any changes in the methodology for calculating the GPG's for councils by the Commission will shift the allocation of a fixed pool of funding between the councils of South Australia.

Modelling was undertaken by the Commission to adjust the assessment of capacity to raise revenue for the effect of NRRs by

- Model 1 - increasing the population proportionally by the Unoccupied Private Dwelling percentage
- Model 2 - increasing the population by comparing the Unoccupied Private Dwelling percentage to the state average

Table 8 : Effect of modelling on Top 15 SA Local Governments Ranked by Unoccupied Private Dwelling percentage

			Change in final grant %	
ABS LG Code	**Name**	**% unoccupied**	**Model 1**	**Model 2**
LGA46860	Robe	59%	0%	907%
LGA48830	Yorke Peninsula	49%	109%	653%
LGA41750	Elliston	48%	18%	31%
LGA44210	Mid Murray	45%	20%	92%
LGA48750	Yankalilla	41%	222%	1000%
LGA41330	Coober Pedy	41%	13%	44%
LGA43360	Kingston	41%	21%	428%
LGA40430	Barunga West	39%	87%	624%
LGA41960	Franklin Harbour	36%	3%	1%
LGA42750	Kangaroo Island	36%	13%	53%
LGA47490	Streaky Bay	35%	5%	5%
LGA43220	Kimba	32%	1%	-17%
LGA43080	Karoonda East Murray	30%	-1%	-24%
LGA45400	Orroroo Carrieton	29%	-3%	-26%
LGA41560	Copper Coast	28%	42%	174%

Of the two models, Model 1 appears to be the most appropriate, however neither model adequately factors the effect of the NRR as both apply population as the major determinant rather than the number of properties.

The large variances between the state average and individual council's actual Unoccupied Private Dwellings in Model 2 results in disproportionally high FA Grants. This causes some council's allocation to be materially reduced.

Model 1 improves the FA Grant allocation to the majority of high NRR, but requires further improvement. The major concern is that the highest NRR (Robe)has no change and will continue to receive the minimum per capita allocation.

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