

2010-11

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Letter of Submission

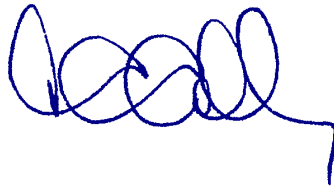
October 2011

The Hon Don Page MP
Minister for Local Government

Dear Minister

We present the Annual Report of the New South Wales Local Government Grants Commission covering the Commission's operation during the year ended 30 June 2011 and including the Commission's recommendations for the distribution of financial assistance grants for 2011-12.

Yours faithfully

A handwritten signature in blue ink, consisting of several loops and a long tail.

Richard Colley
Chair

A handwritten signature in blue ink, featuring a large initial 'G' and a long tail.

Grahame Gibbs
Deputy Chair

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Foreword

I am pleased to present this report on behalf of the New South Wales Local Government Grants Commission. The report contains information on the key activities of the Commission during 2010-11 as well as on the distribution of \$674 million in grant entitlements to New South Wales' local governing bodies for 2011-12. These funds are paid as unconditional grants under the provisions of the Commonwealth *Local Government (Financial Assistance) Act 1995* ("the Act").

Council hearings remain a vital aspect to the grant assessment process. We held 30 one-on-one council hearings during 2010-11. These meetings provide the Commission with an invaluable insight into the unique circumstances of each council, which straight "number crunching" can never give. We are able to see and hear first-hand how the grants are affecting local communities as councils show and tell us about their particular circumstances.

It is important to note that the Act requires us to make an assessment of revenue capacity. It is also important to note that the assessment method must be consistent with the policy neutral principle of the Act. It is because of the policy neutral principle that our assessment method excludes the rating, financing and entrepreneurial policies of councils. The policy neutral principle also means that our assessment must exclude a council's financial position.

Last year I reported on our review of our revenue assessment model as we looked at the appropriateness of moderating outcomes using socio-economic indexes, ABS state and regional indicators, and labour market estimates. We also examined the findings of Productivity Commission's 2008 research report on *Assessing Local Government Revenue Raising Capacity*.

We continued our revenue assessment review during 2010-11 by looking at the appropriateness of using aged and mature age pension numbers. We took the view that these numbers might be a useful indicator of capacity to pay. However, when we ran the numbers there was a worrying negative impact on mostly rural councils. The outcomes were largely the result of high pensioner numbers for a small number of metropolitan council areas. This tended to skew the results away from a large number of rural council areas. As a result of our examination of the issues we decided to maintain our existing assessment method using property values, with its discounting mechanism, which balances the results against the expenditure assessment.

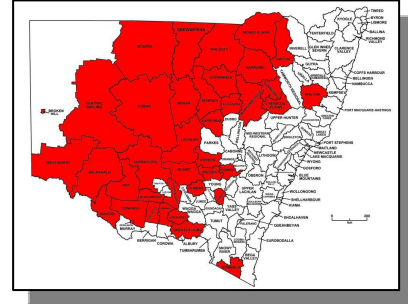
We also reviewed our disability factor for "day trippers", which applies to our "recreation" expenditure function. In the past we applied a disability factor based on "Commission judgement", using a maximum disability factor of five per cent.

As a result of our council hearings it had been brought to our attention that *Tourism Research Australia* publishes data on domestic day visitor numbers for some ninety local government areas in NSW. While *Tourism Research Australia*

acknowledges the short-comings of its data, we considered these independently determined numbers to be an improvement on “judgement”.

We continued with the five per cent maximum disability factor approach, however the ranking of councils is now based on *Tourism Research Australia’s* data. It’s interesting to note that our “judgement” wasn’t too far off the mark, with there being only a small number of minor changes in relativities.

We continue to note the plight of council areas with declining population numbers. Forty of the state’s 152 council areas have less population now than in the year 2001, as the accompanying map illustrates. Clearly, declining population brings about its challenges. Hopefully the grant allocations go some way towards easing the burden.



As part of the May 2011 Federal Budget the Commonwealth announced it will “conduct a review into the equity and efficiency of the current funding provided through the Financial Assistance Grants program.”¹ The announcement stated that the review is to be completed in 2012-13. We have no further details about the review at this stage.

In conclusion, I would like to thank my fellow commissioners, Grahame Gibbs, Elizabeth Coombs and Frank Pangallo, for their valuable and insightful input to the Commission’s deliberations during 2010-11. I would also like to thank the Commission’s Executive Officer, Bruce Wright, for his continued assistance.

Richard Colley
Chair

¹ 2011-12 Australian Government Budget – Budget Paper No. 3, page 101

Function, Membership and Staff

Function

The primary function of the Grants Commission is to make recommendations to the Minister for Local Government on the allocation to local governing bodies in New South Wales of general purpose grants under the provisions of the Commonwealth *Local Government (Financial Assistance) Act 1995*.

The Commission may also report on any matter referred to it by the Minister.

Membership

The Commission consists of four members appointed for terms of up to five years. The members of the Commission are eligible for reappointment. The members consist of:

- three members nominated by the Minister, one of whom is the chair;
- the deputy chair, who is an officer of the Division of Local Government, Department of Premier and Cabinet.

Of the members, at least two must be persons who are or have been associated with local government in New South Wales.

The members of the Commission are part-time other than the deputy chair who is a full-time officer of the Division of Local Government.

The part-time members of the Commission to 30 June 2011 were:

- Mr Richard Colley, Chair – to 30 June 2012
- Mr Grahame Gibbs, Deputy Chair – to 31 December 2012
- Dr Elizabeth Coombs, Commissioner – to 30 June 2012
- Mr Frank Pangallo, Commissioner – to 30 June 2012

Member profiles are included in Appendices.

Staff

The Commission's staff consists of one full-time officer of the NSW Division of Local Government:

- Bruce Wright, Executive Officer

The Commission acknowledges Mr Wright's substantial contributions.

Summary of Activities and Issues

National Conference

The Chair and the Executive Officer of the Commission attended the 2010 annual National Conference of State Grants Commissions, 12-14 October 2010. The conference was hosted by the Victoria Local Government Grants Commission. Those attending the conference included representatives from the States' Grants Commissions and the Commonwealth Department of Regional Australia, Regional Development and Local Government.

The conference agenda included reports by the Chairs of States' Grants Commissions. Papers were presented around the themes of population growth, liveability, and environmental challenges facing local government.

Council Meetings

As required by Section 11 of the Commonwealth Act, the Commission has held public hearings and permitted local authorities and their associations to make submissions concerning the grant recommendations. During 2010-11 the Commission held thirty public hearings. Details of hearing venues are shown in the appendices.

The Commission aims to meet with all councils over a four to five year cycle. The meetings provide a forum for the Commission to explain the grant process and, more importantly, give councils an opportunity to meet with the Commission, ask specific questions about the grant process, and present their particular problems.

The good working relationship that exists between the Commission and the Local Government Association of NSW and the Shires Association of NSW is an important aspect of the consultative approach taken by the Commission.

Revenue Assessment Review

During the year the Commission extended its previous year's review of its revenue capacity relativities assessment method by considering pensioner numbers. However, the Commission decided to maintain its existing assessment model, based on property value relativities, with its discounting mechanism.

Data Collection Returns

Councils were required to complete three annual data returns. The data returns were e-mailed to all councils. The distribution of the data returns was staggered over three months (September, October, and November), thereby, easing the burden on councils.

Submissions

Councils were invited to make submissions to the Commission highlighting the particular problems arising from their inherent disabilities. The Commission provided detailed guidelines on the preparation of submissions, with a summary of the calculation of expenditure disability factors. The guidelines and summaries were intended to make the submissions lodged by councils more directly related to the methodology used by the Commission, especially in the determination of disability factors.

The Commission appreciates the efforts made by those councils that provided information in the format suggested.

2010-11 Cash Payments

During 2010-11 cash payments to local authorities totalled \$662,859,509. This amount was made up of the 2010-11 quarterly payment instalments plus an advance payment equal to a quarter of the preliminary estimated entitlement for 2011-12. The advance payment, which was made to local authorities on 21 June 2011, was allocated between councils based on the 2010-11 entitlement relativities. The total payments to local governing bodies are summarised below:

10 October 2010	\$123,681,966
16 November 2010	\$123,681,966
16 February 2011	\$123,681,966
17 May 2011	\$123,981,967
21 June 2011	\$168,131,644
Total	*\$662,859,509

* The 2010-11 payments are made up of the estimated entitlements for 2010-11 of \$645,463,809 **plus** an adjustment of \$9,353,152 for 2009-10 **less** an amount for an advance payment for 2010-11 of \$160,089,096, which was paid to local authorities on 24 June 2010, **plus** an amount of the 2011-12 advance payment of \$168,131,644, which was paid on 21 June 2011. The adjustment for 2008-09 was necessary because the Australian Government estimates of the consumer price index and the States' shares of population on which the 2009-10 recommendations were based varied from the actual changes.

Vale

The Commission takes this opportunity to acknowledge the considerable contributions made by the late Allan Fifield, who died on 8 September 2011. Allan was first appointed to the Commission in May 1986. He was Chairperson from July 1992 to June 1997. The high regard with which Allan was held is a testament to his years of dedicated work to the Grants Commission and to local government.

Highlights for 2011-12 Grants

The total entitlements for New South Wales, compared to 2010-11:

Component	2010-11 Entitlement	2011-12 Estimated Entitlement	% Change
General Purpose	463,479,161	482,356,203	4.07%
Local Roads	184,038,631	191,906,616	4.28%
Total	647,517,792	674,262,819	4.13%

General Purpose Component - 2011-12

The method used to determine the general purpose component of the grant has generally not changed since last year.

Movements in the grants from year to year are usually caused by population changes, road and bridge length changes and changes in the data used to assess relative disadvantage.

Population Changes

The source for estimated resident population as at 30 June 2010 (preliminary) is ABS publication *Regional Population Growth, Australia, 2009-10* (cat. no. 3218.0).

Population changes directly affect the grant calculations for expenditure allowances.

When comparing the preliminary 2010 population figures to the preliminary 2009 figures (those used in last year's grant calculations), the State's population increased by 1.4%. Individual council variations ranged from an increase of 3.6% for Canada Bay City Council to a 0.9% reduction for Wakool Shire Council.

Changes In Standard Costs And Disability Measures

standard costs

Special Schedule 1 information (operating net costs) from the statements of accounts for all councils is used to calculate the State average standard costs. Individual council's expenditure patterns or methods of accounting have little impact on their grant.

In an attempt to improve the stability of grant outcomes the Commission uses a five-year moving average of the annual standard costs. Averaging over five years produces shares that are more stable than annual averages. It is acknowledged that it does so at the expense of responsiveness to annual variations.

Annual variations in the standard costs will affect grant outcomes. Changes in standard costs reflect changes in expenditure patterns across local government generally. When the relativities between the standard costs for the functions assessed by the Commission change the relativities between each council's total of expenditure allowances also changes.

annual fluctuations

For some functions the measures used to determine the extent of relative disadvantage can be sensitive to annual fluctuations. These changes reflect changes in the relative disadvantages that occur between councils on a year-to-year basis.

In response to concerns about the ongoing hardships being faced by councils with declining population numbers the Commission has put in place strategies to help mitigate the effects. These strategies include adjusting the disability factors for economies of scale and sparsity.

Local Road and Bridge Length Variations

Road and bridge length information is collected from all councils annually. Data changes affect the distribution of both the general purpose and the local roads components of the grants.

State-wide the local road length reported by councils has dropped by 32 km, compared with the previous year's increase of 299 km. The aggregate of the length of bridges on local roads increased by 2,182 m, compared with last year's 34 m increase.

Variations for individual council's road lengths range from an increase of 44 km to a reduction of 114 km. Changes to reported bridge length ranged from an increase of 464 m to a 208 m decrease.

Changes in Property Values

Property values form the basis of the Commission's assessment of revenue allowances. Changes in relativities between councils' per-property-values and those of the State average affect grant outcomes.

Councils showing the greatest decreases in their revenue allowances generally represent those LGAs where property values have remained stable or are rising, compared to the State average.

Councils in areas of declining economic activity (generally reflected in falling property values) have generally shown increases in their revenue allowances.

Generally, councils in coastal and fringe metropolitan areas have experienced the highest relative increases.

General Purpose Component Highlights

Note: comparisons are based on the 2010-11 CPI/population adjusted entitlements and category references are based on the Australian Classification of Local Government.

New South Wales' general purpose estimated entitlement for 2011-12 is \$482,356,203.

NSW's share of the general purpose component is 32.36%, which is down on last year because NSW's share of the national population has decreased.

The increase in the general purpose grant to NSW is 4.07%, compared to the national increase of 4.28%.

Because of concerns about data quality and in the interests of grant stability, the Commission capped changes in the general purpose component to a maximum increase of 9.1% and a maximum decrease of -0.9%.

One hundred and forty-three (143) of the state's one hundred and fifty-five (155) local authorities (includes Lord Howe Island, Silverton, and Tibooburra) received increases in their general purpose component grant.

Increases in the general purpose component grant to six councils, Auburn, Camden, Griffith, Holroyd, Liverpool and Parramatta were capped at the maximum allowable 9.1%.

Councils receiving the greatest reductions in their general purpose component grant were Ashfield, Byron, Gosford, Greater Hume, Guyra, Hawkesbury, Kiama, Marrickville, Penrith, Queanbeyan and Waverley, each with reductions capped at -0.9%.

Metropolitan councils received an average increase of 4.3% compared to the state average 4.1%. The average increase across non-metropolitan councils was 4.0%.

Metropolitan (those in the Sydney Statistical District)

The average increase for metropolitan councils is 4.3%, compared to the overall state increase of 4.1%.

Twelve of the twenty-three minimum grant councils received increases above the state average increase (Canada Bay, Hills, Hurstville, Kogarah, Ku-ring-gai, Lane Cove, Leichhardt, Manly, Mosman, North Sydney, Pittwater and Woollahra), which reflects above average growth in these areas.

Six metropolitan councils (Ashfield, Gosford, Hawkesbury, Marrickville, Penrith and Waverley) experienced reductions limited to -0.9%.

Five metropolitan councils received maximum increases of 9.1%.

As a group, urban developed very large councils received an average increase of 5.6%, followed by urban developed large group with a 5.1% average increase.

One of the three urban fringe medium councils (Hawkesbury) received a reduced grant.

The overall results for metropolitan councils generally reflect the relative changes in property values as a result of a continued and patchy contraction of the Sydney property market.

Non-metropolitan (outside the Sydney Statistical District)

The average increase for non-metropolitan councils is 4.0%, compared with the overall state increase of 4.1%.

Of the eleven councils in the urban regional small category Griffith received an increase of 9.1%. Only one council (Kiama) in this group received a reduced general purpose grant (-0.9%), which reflects the general above average growth in the property market for coastal areas of the state.

As a group, urban regional medium councils received an increase of 3.4%. Two councils received reduced grants: Byron (-0.9%) and Queanbeyan (-0.9%).

All five councils in the urban regional large group recorded increases in their grant, with an overall average increase of 4.2%.

Urban regional very large councils received average increases of 5.3%.

Twenty-three of the twenty-four councils classified rural small and rural medium received increases. Guyra was protected by the -0.9% decrease limiting arrangements. The average increase across these two categories averaged 4.3%.

Councils in the rural agricultural large category received an average increase of 4.1% with Murray receiving the highest increase of 8.6%.

Rural agricultural very large councils, as a group, received an average increase of 3.6%, with one council, Greater Hume, receiving a -0.9% decrease.

A summary of the changes to the general purpose grants to local governing bodies is shown in the table below:

Changes in General Purpose Grants

Range	No. of Councils	% of Councils
-1% to 0%	12	7.7%
>0% to 2.5%	17	11.0%
>2.5% to 5%	86	55.5%
>5% to 7.5%	28	18.1%
>7.5% to 10%	12	7.7%
	*155	100.0%

* Includes the Lord Howe Island Board and the Silverton and Tibooburra Village Committees

Per Capita Minimum

Twenty-three councils, one more than last year (Botany Bay), all located in the Sydney metropolitan area receive the “safety net” minimum entitlement. The council areas on the per capita minimum of \$20.01 are: Botany Bay, Burwood, Canada Bay, Hornsby, Hills, Hunters Hill, Hurstville, Kogarah, Ku-ring-gai, Lane Cove, Leichhardt, Manly, Mosman, North Sydney, Pittwater, Randwick, Rockdale, Ryde, Strathfield, Sutherland, Warringah, Willoughby, and Woollahra.

Local Roads Component – 2011-12

The local roads component was calculated according to principles agreed to with local government and consistent with the national principles. The formula, originally developed by the RTA, is based on each council’s proportion of local road and bridge length, as well as resident population numbers.

Local Roads Component Highlights

Note: comparisons are based on the 2010-11 CPI/population adjusted entitlement.

New South Wales’ estimated entitlement for 2011-12 is \$191,906,616, an increase of 4.3% on last year’s entitlement. The increase is the same as the national increase in the local roads component.

New South Wales receives a fixed share of the national allocation of 29%.

There were no physical road and bridge audits undertaken by the Commission during 2010-11. A small number of councils were asked to provide evidence of their changed road data.

A summary of the changes is shown in the following table:

Changes in Local Roads Grants

Range	No. of Councils	% of Councils
>-7.5%	1	0.7%
<-7.5% to -2.5%	-	-
<-2.5% to 0%	2	1.3%
>0% to 2.5%	3	2.0%
>2.5% to 5%	119	78.3%
>5% to 7.5%	25	16.5%
>7.5% to 10%	1	0.7%
>10%	1	0.7%
	*152	100.0%

* Excludes Lord Howe Island Board and the Silverton and Tibooburra Village Committees

Variations in the local roads component grant are the result of changes in councils’ population shares and changes in reported road or bridge length figures.

Reported road length data used for the 2011-12 grants dropped by 32 km, compared with the previous year's 299 km increase. Bridge length increased by 2,182 m, compared with a 34 m increase last year.

Variations for individual council's road lengths range from an increase of 44 km to a reduction of 114 km. Changes to reported bridge length ranged from an increase of 464 m to a 208 m decrease.

Total Grants – 2011-12

Local government financial assistance grants to New South Wales for 2011-12 total \$674,262,819, an increase on the 2010-11 entitlement of 4.1%, compared to the national increase of 4.3%.

A summary of the changes to the total grants to local governing bodies is shown below:

Changes in Total Grant

Range	No. of Councils	% of Councils
-1.5% to 0%	4	2.6%
>0% to 2.5%	17	11.0%
>2.5% to 5%	96	61.9%
>5% to 7.5%	32	20.7%
>7.5% to 10%	5	3.2%
>10%	1	0.7%
	*155	100.0%

* Includes the Lord Howe Island Board and the Silverton and Tibooburra Village Committees

Commonly Asked Questions

What are local government financial assistance grants?

Local government financial assistance grants are general purpose grants that are paid to local councils under the provisions of the Commonwealth *Local Government (Financial Assistance) Act 1995*. This legislation also details how the total amount of grant funds is determined and how the funds are to be distributed between the States (including the ACT and the NT).

Who decides how much each council should receive?

Each State and the Northern Territory must have a Local Government Grants Commission for it to receive funding from the Australian Government. It is the responsibility of each Grants Commission to make recommendations on the allocation of grants in their State. In NSW the Grants Commission makes recommendations to the NSW Minister for Local Government. If accepted by the Minister, the recommendations are referred to the Commonwealth Minister for Infrastructure, Regional Development and Local Government for final approval.

Who is entitled to receive the funds?

Financial assistance grants are provided to local governing bodies (councils), defined in Section 4(2) of the Commonwealth Act as:

“(a) a local governing body established by or under a law of a State, other than a body whose sole or principal function is to provide a particular service, such as the supply of electricity or water; or

(b) a body declared by the Minister, on the advice of the relevant State Minister, by notice published in the Gazette, to be a local governing body for the purposes of this Act.”

In NSW, as at 30 June 2011, there are 152 general purpose councils, as well as the Lord Howe Island Board, and the Village Committees of Silverton and Tibooburra, that are entitled to receive the grants.

How much money is involved and how is it distributed?

The estimated national entitlement for 2011-12 is \$2.152 billion. This is made up of a general purpose component (\$1.491 billion) and a local roads component (\$661 million).

The general purpose component is distributed on a basis that takes into account each state's share of the national population. NSW receives \$482.356 million, or 32.36% of the national pool.

The local roads component is distributed on the basis of fixed shares of the national pool - for NSW it amounts to \$191.907 million (29% of the national funds).

It should be noted that the total funds are passed on to councils. The Grants Commission's operating costs are met by the NSW State Government.

2011-12 Estimated Entitlements

State/ Territory	General Purpose Component	Share %	Identified Road Component	Share %	Total	Share %
NSW	482,356,203	32.36	191,906,616	29.01	674,262,819	31.33
Vic	370,445,541	24.85	136,366,508	20.62	506,812,049	23.55
Qld	301,707,542	20.24	123,930,990	18.74	425,638,532	19.78
WA	153,649,692	10.31	101,136,263	15.29	254,785,955	11.84
SA	109,472,478	7.34	36,351,007	5.50	145,823,485	6.78
Tas	33,778,989	2.27	35,052,032	5.30	68,831,021	3.20
NT	15,262,770	1.02	15,494,286	2.34	30,757,056	1.43
ACT	23,981,344	1.61	21,209,593	3.21	45,190,937	2.10
TOTAL	1,490,654,559	100.00	661,447,295	100.00	2,152,101,854	100.00

How are the grants paid to councils?

The payments are made in quarterly instalments, starting in mid-August each year.

It should be noted that the estimated entitlements are based on CPI and population projections. If the projections are not realised then adjustments are made.

An underpayment occurred for the amount paid in 2010-11. The underpayment amounted to \$6.64 million nationally. NSW was underpaid \$1.46 million for the general purpose component and \$0.59 million for the local roads component. The underpayment occurred because the final CPI and States' population shares varied from the Commonwealth estimates upon which the estimated entitlements were based. These adjustments are made proportionally across councils' 2011-12 payments.

How should councils spend the money?

Section 15 of the Act requires that the funds are to be paid unconditionally. Councils have complete autonomy in deciding how the grant funds should be spent. Councils are accountable to their ratepayers.

How does the Grants Commission distribute the money?

The two components of the grants are distributed on the basis of principles developed in consultation with local government and consistent with the national principles of the Commonwealth Act. The principles are shown in the appendices of this report.

What about the general purpose component, how is it treated?

The Grants Commission attempts assess the extent of relative disadvantage between councils. The approach taken considers cost disadvantage in the provision of services on the one hand (expenditure allowances) and an assessment

of revenue raising capacity on the other (revenue allowances). Because the grants are unconditional the methodology is objective and excludes, as far as practicable, councils' policies and practices (the effort neutral principle).

The Commonwealth Act spells it out a little more formally. Section 6(2)(a) of the Act requires the payment of grants is to *“have regard to the need that the allocation of funds...is made, as far as practicable, on a full horizontal equalisation basis”*. Section 6(3) goes on to define full horizontal equalisation as a basis that *“ensures that each local governing body in a State is able to function, by reasonable effort, at a standard not lower than the average standard of other local governing bodies in the State, and that takes account of differences in the expenditure required to be incurred by local governing bodies in the performance of their functions and in the capacity to raise revenue.”*

What about the local roads component?

The allocation method was developed by the NSW Roads and Traffic Authority. Each council receives funding based on their proportion of the State's population, local road length and the length of bridges on local roads.

Do councils have to spend the local roads component on roads?

No. Although the local roads component is separately identified it forms part of the total financial assistance grants, which are untied. It is up to the council to decide how the funds should be spent.

Effort neutral was mentioned. Can that be explained a little more?

The effort neutral approach promotes the independence of the policies and practices of local governing bodies in raising revenue and providing services. This means that the grant to a particular council is not influenced by that council's level of rates, its level of expenditure on particular functions, the degree to which it may become involved in business undertakings, or the extent of its reserves or its debt. Effort neutrality is central to the distribution of funds and it protects the autonomy of local government.

Can you tell me more about expenditure allowances?

Expenditure allowances are part of the general purpose component of the grant. They are calculated for each council for a selected range of council functions, such as libraries, health, building control, recreation, roads, etc. Expenditure allowances attempt to compensate councils for the extent of their relative disadvantage resulting from issues that are beyond their control.

Council policy decisions concerning the level of service provided, or if there is a service provided at all, are not considered (effort neutral).

How does the Commission calculate expenditure allowances?

Expenditure allowances are calculated for twenty functions or areas of expenditure. An additional allowance is calculated for councils outside the Sydney area that recognises their isolation. The general formula for the calculation of expenditure allowances is:

$$\text{Allowance} = \text{No. of Units} \times \text{Standard Cost} \times \text{Disability}$$

Where: **No. of Units** is the measure of use of the function for the Council. For most functions the number of units is the population. For some others it may be the number of properties or the length of roads.

The **Standard Cost** is the average of annual average net expenditure, per unit, by all councils in the State, averaged over five years.

The **Disability** is the measure of the extent of relative disadvantage a council faces in providing a standard service because of issues beyond its control. For each function the characteristics likely to influence the cost are identified and measured. The measure is then related to the potential additional costs to councils.

Can you tell me more about disability factors?

A disability factor is the Commission's estimate of the extent of relative disadvantage, expressed as a percentage, of providing a standard service due to issues that are beyond a council's control. It should be noted that, consistent with the effort neutral principle, the Commission does not compensate councils for cost differences that arise due to policy decisions of council, management performance, or accounting differences. For example, if it is estimated that it would cost a council 10% more than the standard, for town planning, because of population growth in the area, then the disability factor would be 10%.

For each function the Commission has identified a number of variables that are considered to be the most significant in influencing a council's expenditure on that particular function. These variables are termed disabilities. A council may have a disability due to inherent factors such as topography, climate, traffic, duplication of services etc. The appendices give details of the disabilities considered for each function. In addition to disabilities identified by the Commission, "Other" disabilities relating to individual councils may be determined from council visits or submissions.

The general approach for calculating a disability factor is to take each disability relating to a function and apply the following formula:

$$\text{Disability Factor} = \left(\frac{\text{Council Measure}}{\text{Standard Measure}} - 1 \right) \times 100 \times \text{weighting}$$

Where:

Council Measure is the individual council's measure for the disability being assessed (for example, population growth);

Standard Measure is the State standard (generally the average) measure for the disability being assessed; and

The **Weighting** is meant to reflect the significance of the measure in terms of the expected additional cost. The weightings have generally been determined by establishing a factor for the maximum disability based on a sample of councils or through discussion with appropriate peak organisations.

Generally negative scores are not calculated, that is, if the council score is less than the standard, a factor of zero is substituted. The factors calculated for each disability are then added together to give a total disability factor for the function.

Can you give an example of how expenditure allowances are calculated?

Using Library Service as an example:

The unit of use is population. Council A has a population of 10,000. The standard cost of library service is \$29.08 per capita.

It is assumed that a council with a population of 10,000 would spend \$290,800 on library services (ie. 10,000 x \$29.08).

The expenditure allowance is the estimate of how much extra it would cost Council A to provide the necessary service due to inherent characteristics of its area. So for each function those inherent factors likely to influence the cost of that function are identified and measured.

Continuing with the example of libraries, the factors identified are:

non-resident borrowers:

recognises additional cost of providing services to an above average proportion of non-residents.

aged:

recognises the extra cost of providing special services to the aged such as large print books or home visiting services where there is an above average proportion of aged persons.

students:

recognises students as a major user group of library services.

non-English speaking background:

recognises additional costs of information provision where there is an above average proportion of the population from a non-English speaking background.

population distribution:

recognises extra cost of providing services in more than one urban centre.

other:

special characteristics of the area which may be highlighted by Council in submissions and during discussion with the Commission.

For each factor's measure the Commission determines a weighting to reflect its significance in terms of additional cost. These are summed to produce a disability factor for the Council.

For example if Council A has 3 urban centres, an above average proportion of non-resident borrowers and an above average proportion of aged it may be assessed as having a disability of 20%. This would be included in the calculation:

$$10,000 \times \$29.08 \times 0.2 = \$58,160$$

In other words, it is estimated that it would cost the council \$58,160 more than the standard council because of its inherent disabilities. \$58,160 becomes Council A's notional expenditure allowance for libraries.

Are the grants affected by any Specific Purpose Grants the council may receive?

The Commission uses the inclusion approach in the treatment of specific purpose grants for library services and local roads. This means that the disability allowance is discounted by the specific purpose grant as a proportion of the standardised expenditure. The formula used is shown in the appendices.

For other functions the deduction approach is used. This method deducts grant amounts from all councils' expenditure in the calculation of standard costs. This approach is considered more appropriate for functions where the level of specific purpose payment assistance is related to council effort. The deduction approach is, therefore, considered to be more consistent with the "effort neutral" requirement specified in the principles.

The proportion of eligible pensioner rebates varies from council to council. Does the Commission recognise this?

A pensioner rebate allowance is calculated which recognises that the council share of pensioner rebates is an additional cost. Councils with high proportions of eligible pensioner rebates are, therefore, more disadvantaged than those with a lower proportion. Details of the formulas used to calculate allowances for the proportion of ratepayers eligible for pensioner rebates are contained in the appendices.

Councils outside the Sydney area generally have higher freight and telephone costs. Is that recognised?

Yes. In addition to the calculation of allowances for each expenditure function, the Commission also calculates an allowance for additional costs associated with isolation. The isolation allowance is calculated using a regression analysis model based councils' distances from Sydney and the nearest major regional centre. Details of the formula are shown in the appendices. An additional component is included which specifically recognises the additional industrial relations obligations of councils in western NSW.

What about the revenue allowance of the general purpose component?

The Commission is attempting to assess a ranking of councils in terms of their relative capacity to raise revenue. The calculation of revenue allowances involves determining each council's theoretical capacity to raise revenue by comparing land values per property to a State standard and applying the State standard rate-in-the-dollar. For comparative purposes the Commission purchases valuation data that has been calculated to a common base date for all councils by the Valuer-General.

To reduce seasonal and market fluctuations in the property market, the valuations are averaged over three years. In the revenue allowance calculation, councils with low values per property are assessed as being disadvantaged (positive allowances). Councils with high values per property are assessed as being advantaged (negative allowances). That is, the theoretical revenue capacity of each council is equalised against the State standard. The Commission's approach excludes the rating, financing and entrepreneurial policies of individual councils (effort neutral). A council's current financial position is not considered.

Why use property values at all? Aren't there better measures of revenue raising capacity?

The Commission has found that property values provide the useful State-wide basis for comparative analysis. The assessment of revenue raising capacity is an issue that involves more than councils' rates. In that broader context property values provide a measure of the changes that occur in the relative economic wealth between council areas from year to year. For example, in times of economic growth property values increase. In times of economic decline property values fall. An examination of other data sets, such as tax, retail sales, and census information, shows them to be less reliable, less timely, and not able to provide the same State-wide comparative basis as property values.

I understand the Commission discounts the revenue allowance. What does that mean?

In developing the methodology the Commission was concerned that influence of the Sydney property values would distort results if the natural weighting were

applied. That is, the revenue allowances would have substantially more significant than the expenditure allowances. This issue was discussed with the Australian Government and the approved principles provide that “*revenue allowances may be discounted to achieve equilibrium with the expenditure allowances.*” As a result both allowances are given equal weight.

The discounting helps to overcome the weighty nature of the revenue calculations, in particular the impact of the Sydney metropolitan property values.

The objective approach to discounting revenue allowances reduces the extreme positives and negatives calculated, yet maintains the relativities established in the initial calculation.

Why is rate pegging not considered when calculating a council’s revenue raising capacity?

The calculations are essentially dealing with the extent of relative disadvantage between councils. Since rate pegging affects all councils it is not specifically considered.

What about a council that is given approval by the Minister to increase its rates above the rate pegging limit, is it penalised?

No. Because the calculations are based on the State average rate-in-the-dollar, councils that are granted approval to increase their rates above the pegging limit are neither rewarded nor penalised. Similarly, councils that forgo rate increases, or apply increases below the pegging limit, are neither rewarded nor penalised. The calculations are essentially dealing with relativities between councils, and rate pegging affects all councils. Therefore, rate pegging is not specifically considered. As indicated previously, the Commission’s approach excludes the rating policies of individual councils.

How does the number of non-rateable properties affect the calculations?

Non-rateable properties are excluded from the Commission’s calculations. The calculations deal with relativities between councils, based on the theoretical revenue raising capacity of rateable properties for councils.

Do all councils receive a grant?

Yes. Section 6(2)(b) of the Commonwealth Act requires that for the general purpose component every local governing body should receive a minimum amount. This is an amount, which would be allocated if 30% of the funds available were distributed among councils on a per capita basis. Minimum entitlements for the 2011-12 grants have been determined by the Commission using Australian Bureau of Statistics population estimates (preliminary) for each council area, at 30 June 2010. The 2011-12 per capita minimum is \$20.01. There are twenty-three councils that receive the per capita minimum general purpose component of the grant.

How does the Commission’s calculations compare to the Australian Government funding for the general purpose component?

The Commission’s calculation of *general purpose grants* is initially made without reference to the total of funds available from the Australian Government. The *notional general purpose grant* to each council must be re-scaled, firstly to the available funds, and secondly to bring those councils below the *per capita minimum* (\$20-01 for 2011-12) up to that level, as required in the federal legislation. Councils above the per capita minimum receive about half of the amount assessed as need, based on the Commission’s calculations.

Why do the grants to councils vary from year to year?

Generally movements in the grants are caused by annual variations in: property valuations; standard costs; road and bridge length; disability measures; and population. More information is given in the “highlights” chapter of this report.

How is capital expenditure treated?

The requirements for capital expenditure or major infrastructure renewal are not considered, largely because of the practical and theoretical problems involved. For example, in order to assess capital expenditure requirements the Commission would have to undertake a survey of the infrastructure needs of each council and then assess the individual projects for which capital assistance had been sought. This would undermine council autonomy, because the Commission, rather than the council, would determine which projects were worthwhile. In addition, councils that had failed to adequately maintain their assets could be rewarded at the expense of those that did maintain them.

What about water and sewerage schemes?

The issue of funding for local water and sewerage undertakings was examined during the process of consultation between the Commission, the Local Government Association of NSW, the Shires Association of NSW, and local government generally.

The Associations and local government recommended to the Commission that water and sewerage functions should not be included in the financial assistance grants distribution principles. The main reasons given were:

- water and sewerage services are not functions performed by all general purpose councils in NSW. For example, metropolitan areas are serviced by Sydney Water and in many country areas county councils are the service providers
- the management arrangements for water and sewerage services varies from State to State

- if water and sewerage functions were to be considered the level of funds available for other council functions would be significantly diminished
- including water and sewerage services would result in a reduced and distorted distribution of funds to general purpose councils
- other sources of funds and subsidies are available to councils by the State government for water and sewerage schemes.

When the distribution principles were developed the Commission agreed with views of the Associations and local government and excluded water and sewerage functions from the distribution formula.

What about a council's money making venture?

This is a policy decision by the council and, therefore, it is not considered in the Commission's calculations.

Can the Commission help out if our money making venture fails?

No. The Commission is not a lender of last resort for councils with financial problems, nor does it underwrite the entrepreneurial operation of councils. The Commission has no form of reserves to fall back on. The total allocation of funds each year is distributed to councils in that year.

What about debt servicing?

Debt servicing is really related to council policy and, therefore, excluded from the Commission's calculations.

What about poor decisions of the past?

This is also linked to the issue of council policy, albeit in the past.

Does a council's level of expenditure on a particular function affect the grant?

Generally not. The use of council's expenditure in the calculations is limited to determining a State standard, or average, cost for each selected function. The standard costs for these functions are then applied to all councils in calculating their grants. What an individual council may actually spend on a function has very little bearing on the standard cost or its grant. Variations in standard costs reflect industry expenditure trends.

What about efficiency? Are councils rewarded in some way?

Yes! Because a council's grant is assessed independent of its policy decisions, a council that provides a cost effective service still receives grant funding which it can allocate to other areas according to its priorities. Efficient councils will benefit from their efficiencies.

The Commission groups councils according to the Australian Classification of Local Government categories. Do these groupings affect the grant outcomes?

No. The categories are merely a convenient way of grouping councils for analysis purposes. They have no bearing on the grants themselves.

What happens in the event of council amalgamations?

The national principles provide that *“where two or more local governing bodies are amalgamated into a single body, the general purpose grant provided to the new body for each of the four years following amalgamation should be the total of the amounts that would have been provided to the former bodies in each of those years if they had remained separate entities.”*

Schedule of Grant Entitlements

The Commission's recommendations for the distribution of funds to local government in New South Wales for 2011-12, together with the actual entitlements for 2010-11 and 2009-10, are set out in the accompanying table. The recommendations have been determined in accordance with the provisions of the Commonwealth *Local Government (Financial Assistance) Act 1995*; the NSW *Local Government Act 1993*; and the methodology as set out in this report.

Estimated grant entitlements each year are based on Australian Government estimates of the annual CPI movements and the States' shares of the national population. Adjustments, if necessary, will be made to the following year's payment instalments.

Entitlements for 2010-11 and 2009-10 have been adjusted for variations in the estimates of CPI and the States' shares of the national population. Adjustments are made across councils proportionally. An underpayment occurred for the amount paid in 2010-11. The underpayment amounted to \$6.64 million nationally and \$2.05 million for NSW. There was also an underpayment in 2009-10, which amounted to \$25.38 million nationally and \$9.35 million for NSW.

Information on grant entitlements for previous years is available from the Grants Commission's web page at www.dlg.nsw.gov.au (follow the "Commissions & Tribunals" links).

Local Governing Body	2009-10				2010-11				2011-12			
	Estimated Resident Population as at 30/6/08	General Purpose Component	Local Roads Component	Total	Estimated Resident Population as at 30/6/09	General Purpose Component	Local Roads Component	Total	Estimated Resident Population as at 30/6/10	General Purpose Component	Local Roads Component	Total
Albury (C)	49,779	4,751,277	1,107,044	5,858,321	50,522	4,985,594	1,174,501	6,160,095	51,112	5,139,229	1,227,205	6,366,434
Armidale Dumaresq	25,228	2,737,384	1,137,553	3,874,937	25,696	2,794,163	1,198,320	3,992,483	25,855	2,815,827	1,248,884	4,064,711
Ashfield (M)	41,863	1,044,173	258,448	1,302,621	42,541	1,040,289	271,166	1,311,455	42,787	1,030,835	280,476	1,311,311
Auburn (C)	73,495	2,222,122	507,631	2,729,753	76,519	2,436,539	539,376	2,975,915	78,597	2,657,738	554,907	3,212,645
Ballina (S)	41,677	2,102,035	1,040,585	3,142,620	42,432	2,162,045	1,097,542	3,259,587	42,708	2,216,172	1,174,636	3,390,808
Balranald (S)	2,488	1,437,006	1,055,659	2,492,665	2,479	1,487,343	1,109,174	2,596,517	2,476	1,545,232	1,158,666	2,703,898
Bankstown (C)	182,178	4,956,166	1,319,109	6,275,275	186,108	5,334,458	1,386,537	6,720,995	188,814	5,749,256	1,440,346	7,189,602
Bathurst Regional	38,326	3,989,959	1,525,399	5,515,358	39,339	4,218,900	1,612,116	5,831,016	39,915	4,430,693	1,718,927	6,149,620
Bega Valley (S)	32,956	4,675,646	1,572,887	6,248,533	33,481	4,806,226	1,651,132	6,457,358	33,925	4,943,066	1,721,918	6,664,984
Bellingen (S)	13,153	2,168,521	704,346	2,872,867	13,369	2,267,911	742,316	3,010,227	13,450	2,381,748	807,366	3,189,114
Berrigan (S)	8,494	2,581,050	1,098,441	3,679,491	8,591	2,746,504	1,154,426	3,900,930	8,644	2,882,680	1,204,640	4,087,320
Blacktown (C)	291,612	14,314,595	2,523,531	16,838,126	299,797	15,197,897	2,675,722	17,873,619	307,816	16,151,651	2,802,296	18,953,947
Bland (S)	6,289	2,841,138	2,364,755	5,205,893	6,407	2,945,908	2,481,659	5,427,567	6,410	3,053,218	2,590,110	5,643,328
Blayney (S)	6,985	1,331,905	668,480	2,000,385	7,180	1,407,109	710,253	2,117,362	7,259	1,490,976	739,838	2,230,814
Blue Mountains (C)	76,719	6,395,838	1,172,805	7,568,643	77,784	6,606,158	1,231,556	7,837,714	77,943	6,794,508	1,273,649	8,068,157
Bogan (S)	2,989	1,472,251	1,172,396	2,644,647	3,003	1,535,616	1,232,377	2,767,993	3,003	1,598,186	1,285,603	2,883,789
Bombala	2,601	941,683	577,821	1,519,504	2,615	989,839	607,438	1,597,277	2,617	1,036,029	632,913	1,668,942
Boorowa	2,390	704,373	545,913	1,250,286	2,452	751,218	574,393	1,325,611	2,478	799,139	599,416	1,398,555
Botany Bay (C)	38,628	787,525	241,716	1,029,241	39,664	784,486	255,169	1,039,655	40,463	809,633	267,374	1,077,007
Bourke (S)	3,091	2,037,602	1,523,983	3,561,585	3,070	2,101,028	1,601,404	3,702,432	3,079	2,170,839	1,673,495	3,844,334
Brewarrina (S)	1,983	1,303,134	1,037,563	2,340,697	1,911	1,343,956	1,096,059	2,440,015	1,910	1,390,880	1,143,611	2,534,491
Broken Hill (C)	20,001	3,994,492	432,046	4,426,538	19,960	4,188,703	449,458	4,638,161	19,818	4,302,200	464,034	4,766,234
Burwood	33,269	632,775	216,209	848,984	33,678	656,409	226,438	882,847	33,803	676,371	233,980	910,351
Byron (S)	31,503	1,403,265	959,514	2,362,779	32,126	1,398,046	1,022,821	2,420,867	32,378	1,385,341	1,085,179	2,470,520
Cabonne	12,994	2,051,969	1,680,228	3,732,197	13,246	2,175,196	1,769,082	3,944,278	13,351	2,300,748	1,853,866	4,154,614
Camden	53,394	1,391,495	683,083	2,074,578	55,243	1,442,849	766,178	2,209,027	56,809	1,573,837	860,015	2,433,852
Campbelltown (C)	149,071	7,888,514	1,396,859	9,285,373	152,107	8,277,919	1,469,473	9,747,392	153,222	8,482,244	1,525,895	10,008,139
Canada Bay (C)	72,262	1,374,419	487,100	1,861,519	75,999	1,481,274	520,332	2,001,606	78,735	1,575,424	546,721	2,122,145
Canterbury (C)	139,985	4,362,973	912,399	5,275,372	143,111	4,529,578	920,159	5,449,737	145,668	4,697,902	964,540	5,662,442
Carrathool (S)	2,916	1,856,135	1,841,561	3,697,696	2,964	1,930,141	1,936,257	3,866,398	2,954	2,001,623	2,020,824	4,022,447
Central Darling (S)	1,984	2,035,525	1,267,991	3,303,516	2,019	2,103,749	1,333,148	3,436,897	2,014	2,178,688	1,391,646	3,570,334
Cessnock (C)	49,888	4,763,961	1,387,773	6,151,734	50,834	5,003,877	1,456,937	6,460,814	51,706	5,305,846	1,517,957	6,823,803

Local Governing Body	2009-10				2010-11				2011-12			
	Estimated Resident Population as at 30/6/08	General Purpose Component	Local Roads Component	Entitlement Total	Estimated Resident Population as at 30/6/09	General Purpose Component	Local Roads Component	Entitlement Total	Estimated Resident Population as at 30/6/10	General Purpose Component	Local Roads Component	Entitlement Total
Clarence Valley	51,007	6,920,355	2,642,275	9,562,630	52,054	7,116,650	2,783,518	9,900,168	52,592	7,185,531	2,904,945	10,090,476
Cobar (S)	5,120	2,303,139	1,380,959	3,684,098	5,166	2,443,115	1,451,410	3,894,525	5,178	2,560,346	1,514,854	4,075,200
Coffs Harbour (C)	70,371	4,644,057	1,643,414	6,287,471	71,677	4,851,913	1,733,097	6,585,010	72,827	5,042,579	1,821,880	6,864,459
Conargo (S)	1,710	1,139,435	1,032,833	2,172,268	1,700	1,214,007	1,085,438	2,299,445	1,689	1,270,780	1,084,934	2,355,714
Coolamon (S)	4,177	1,549,444	1,040,461	2,589,905	4,219	1,619,104	1,093,554	2,712,658	4,233	1,689,216	1,141,441	2,830,657
Cooma-Monaro (S)	10,202	2,207,395	914,390	3,121,785	10,416	2,307,053	961,083	3,268,136	10,453	2,389,200	1,001,460	3,390,660
Coonamble (S)	4,287	1,667,608	1,182,675	2,850,283	4,306	1,739,605	1,242,999	2,982,604	4,314	1,817,598	1,296,532	3,114,130
Cootamundra (S)	7,530	1,680,651	592,845	2,273,496	7,703	1,791,623	624,355	2,415,978	7,729	1,898,066	650,195	2,548,261
Corowa (S)	11,481	2,583,476	1,189,500	3,772,976	11,685	2,773,944	1,264,836	4,038,780	11,773	2,870,087	1,285,629	4,155,716
Cowra (S)	12,835	2,476,744	1,168,831	3,645,575	12,945	2,612,205	1,228,089	3,840,294	12,957	2,740,569	1,279,257	4,019,826
Deniliquin	7,635	1,850,961	219,608	2,070,569	7,693	1,962,513	230,120	2,192,633	7,633	2,061,319	247,328	2,308,647
Dubbo (C)	40,306	4,678,150	1,491,427	6,169,577	41,211	4,941,597	1,577,683	6,519,280	41,763	5,133,899	1,645,362	6,779,261
Dungog (S)	8,447	1,194,728	719,822	1,914,550	8,646	1,253,473	760,185	2,013,658	8,673	1,333,787	790,809	2,124,596
Eurobodalla (S)	37,064	4,406,760	1,301,907	5,708,667	37,442	4,579,623	1,391,720	5,971,343	37,714	4,771,954	1,468,062	6,240,016
Fairfield (C)	190,657	8,795,345	1,441,277	10,236,622	194,543	9,028,123	1,517,723	10,545,846	196,567	9,364,204	1,573,321	10,937,525
Forbes (S)	9,649	2,686,101	1,487,319	4,173,420	9,744	2,735,005	1,558,987	4,293,992	9,748	2,792,855	1,631,547	4,424,402
Gilgandra (S)	4,564	1,395,685	1,072,840	2,468,525	4,669	1,453,118	1,127,034	2,580,152	4,700	1,513,993	1,175,719	2,689,712
Glen Innes Severn	9,145	2,123,927	1,090,884	3,214,811	9,257	2,187,218	1,161,045	3,348,263	9,311	2,231,788	1,209,159	3,440,947
Gloucester (S)	5,001	1,067,607	730,527	1,798,134	5,094	1,140,673	767,734	1,908,407	5,181	1,204,489	800,197	2,004,686
Gosford (C)	163,957	6,679,780	1,940,699	8,620,479	166,626	6,773,311	1,913,798	8,687,109	168,188	6,711,758	1,978,240	8,689,998
Goulburn Mulwaree	27,706	2,864,378	1,314,473	4,178,851	28,349	3,013,007	1,404,888	4,417,895	28,702	3,166,097	1,477,799	4,643,896
Great Lakes	34,853	4,556,251	1,338,336	5,894,587	35,487	4,757,177	1,409,119	6,166,296	35,924	4,993,908	1,481,261	6,475,169
Greater Hume (S)	10,273	2,934,584	1,601,747	4,536,331	10,400	3,159,194	1,684,067	4,843,261	10,447	3,130,485	1,787,458	4,917,943
Greater Taree (C)	47,781	4,269,800	2,129,543	6,399,343	48,503	4,488,263	2,241,030	6,729,293	48,955	4,700,897	2,334,441	7,035,338
Griffith (C)	25,278	2,414,174	1,298,377	3,712,551	25,703	2,647,122	1,365,557	4,012,679	25,879	2,887,439	1,424,258	4,311,697
Gundagai (S)	3,827	902,500	660,884	1,563,384	3,870	971,875	695,017	1,666,892	3,902	1,049,252	724,234	1,773,486
Gunnedah (S)	11,985	2,273,948	1,259,132	3,533,080	12,162	2,366,142	1,324,800	3,690,942	12,265	2,430,935	1,381,865	3,812,800
Guyra (S)	4,435	1,144,775	771,251	1,916,026	4,521	1,140,517	785,332	1,925,849	4,550	1,130,152	831,802	1,961,954
Gwydir (S)	5,328	1,719,083	1,610,640	3,329,723	5,380	1,744,858	1,693,295	3,438,153	5,425	1,755,595	1,766,680	3,522,275
Harden (S)	3,636	1,209,105	683,300	1,892,405	3,624	1,246,222	718,478	1,964,700	3,669	1,293,323	749,572	2,042,895
Hawkesbury (C)	62,828	2,907,217	1,454,572	4,361,789	63,552	2,896,405	1,531,027	4,427,432	64,030	2,870,084	1,581,722	4,451,806
Hay (S)	3,389	1,469,337	650,845	2,120,182	3,370	1,560,679	683,299	2,243,978	3,349	1,638,554	712,582	2,351,136
Hills (S)	170,965	3,251,743	1,624,740	4,876,483	176,487	3,439,855	1,722,079	5,161,934	179,716	3,595,972	1,796,685	5,392,657

Local Governing Body	2009-10				2010-11				2011-12			
	Estimated Resident Population as at 30/6/08	General Purpose Component	Local Roads Component	Entitlement Total	Estimated Resident Population as at 30/6/09	General Purpose Component	Local Roads Component	Entitlement Total	Estimated Resident Population as at 30/6/10	General Purpose Component	Local Roads Component	Entitlement Total
Holroyd (C)	97,638	2,801,169	763,596	3,564,765	100,122	3,071,459	804,252	3,875,711	102,188	3,350,299	824,348	4,174,647
Hornsby (S)	159,211	3,028,183	1,315,574	4,343,757	162,216	3,161,703	1,384,186	4,545,889	164,034	3,282,188	1,434,191	4,716,379
Hunters Hill (M)	14,092	268,030	126,230	394,260	14,467	281,973	133,041	415,014	14,591	291,955	137,793	429,748
Hurstville (C)	78,036	1,484,240	523,200	2,007,440	79,648	1,552,395	550,491	2,102,886	80,823	1,617,203	572,159	2,189,362
Inverell (S)	16,375	3,031,435	1,669,293	4,700,728	16,703	3,131,813	1,757,045	4,888,858	16,841	3,202,692	1,807,276	5,009,968
Jerilderie (S)	1,657	967,011	813,934	1,780,945	1,676	1,025,773	855,732	1,881,505	1,674	1,075,555	892,917	1,968,472
Junee (S)	6,107	1,504,304	734,534	2,238,838	6,283	1,589,743	774,285	2,364,028	6,298	1,668,307	809,086	2,477,393
Kempsey (S)	28,856	3,479,157	1,456,028	4,935,185	29,331	3,657,502	1,537,625	5,195,127	29,442	3,808,385	1,597,599	5,405,984
Kiama (M)	20,258	811,485	443,051	1,254,536	20,641	808,467	464,728	1,273,195	20,906	801,120	482,542	1,283,662
Kogarah (C)	56,591	1,076,358	400,250	1,476,608	58,137	1,133,131	402,377	1,535,508	59,200	1,184,545	418,976	1,603,521
Ku-ring-gai	108,135	2,056,721	922,673	2,979,394	111,400	2,171,264	978,044	3,149,308	114,142	2,283,889	1,019,770	3,303,659
Kyogle	9,683	2,133,474	1,343,810	3,477,284	9,824	2,211,082	1,413,283	3,624,365	9,877	2,245,372	1,452,549	3,697,921
Lachlan (S)	6,838	3,332,913	2,794,400	6,127,313	6,872	3,462,211	2,936,998	6,399,209	6,844	3,585,633	3,064,861	6,650,494
Lake Macquarie (C)	195,559	12,124,524	2,296,825	14,421,349	199,277	12,760,513	2,422,097	15,182,610	200,849	13,223,391	2,524,977	15,748,368
Lane Cove (M)	31,638	601,754	224,384	826,138	32,501	633,468	233,080	866,548	33,335	667,007	244,845	911,852
Leeton (S)	11,727	2,381,530	834,586	3,216,116	11,906	2,552,876	877,425	3,430,301	11,929	2,735,399	914,601	3,650,000
Leichhardt (M)	53,217	1,023,130	357,677	1,380,807	54,525	1,062,731	371,620	1,434,351	55,596	1,112,432	394,445	1,506,877
Lismore (C)	44,993	4,547,208	1,645,043	6,192,251	45,645	4,672,044	1,730,777	6,402,821	45,917	4,675,985	1,769,461	6,445,446
Lithgow (C)	20,620	3,066,680	1,006,705	4,073,385	20,980	3,239,118	1,060,919	4,300,037	21,094	3,366,488	1,103,397	4,469,885
Liverpool (C)	176,903	5,753,701	1,637,041	7,390,742	182,261	5,953,687	1,730,473	7,684,160	185,481	6,492,916	1,837,811	8,330,727
Liverpool Plains (S)	7,880	1,694,794	1,108,143	2,802,937	7,941	1,745,042	1,164,117	2,909,159	7,965	1,788,262	1,208,243	2,996,505
Lockhart (S)	3,275	1,607,344	1,279,800	2,887,144	3,299	1,676,575	1,345,619	3,022,194	3,318	1,726,491	1,403,295	3,129,786
Lord Howe Island (Bd)	364	155,739	0	155,739	364	164,318	0	164,318	364	171,080	0	171,080
Maitland (C)	67,621	5,043,917	1,038,005	6,081,922	69,154	5,187,134	1,099,615	6,286,749	70,296	5,315,397	1,144,388	6,459,785
Manly	39,667	754,465	264,472	1,018,937	40,939	797,930	279,900	1,077,830	41,925	838,886	292,346	1,131,232
Marrickville	77,141	2,683,075	497,363	3,180,438	78,271	2,673,096	521,618	3,194,714	79,215	2,648,804	541,434	3,190,238
Mid-Western Regional	22,359	3,321,219	1,908,583	5,229,802	22,677	3,474,916	2,011,008	5,485,924	22,860	3,601,822	2,080,841	5,682,663
Moree Plains (S)	14,338	2,823,996	2,326,821	5,150,817	14,406	3,049,288	2,443,260	5,492,548	14,425	3,176,574	2,542,638	5,719,212
Mosman (M)	28,356	539,330	200,934	740,264	28,767	560,690	210,793	771,483	29,232	584,909	219,200	804,109
Murray (S)	7,076	1,868,445	1,232,013	3,100,458	7,236	2,016,825	1,297,309	3,314,134	7,319	2,190,902	1,363,339	3,554,241
Murrumbidgee (S)	2,547	895,691	491,140	1,386,831	2,556	963,307	515,941	1,479,248	2,557	1,021,606	538,336	1,559,942
Muswellbrook (S)	16,116	2,255,182	734,407	2,989,589	16,391	2,370,044	770,831	3,140,875	16,676	2,465,641	808,696	3,274,337
Nambucca (S)	18,921	2,263,322	954,879	3,218,201	19,186	2,358,866	1,007,189	3,366,055	19,369	2,448,883	1,057,814	3,506,697

Local Governing Body	2009-10				2010-11				2011-12			
	Estimated Resident Population as at 30/6/08	General Purpose Component	Local Roads Component	Entitlement Total	Estimated Resident Population as at 30/6/09	General Purpose Component	Local Roads Component	Entitlement Total	Estimated Resident Population as at 30/6/10	General Purpose Component	Local Roads Component	Entitlement Total
Narrabri (S)	13,507	3,298,471	1,861,015	5,159,486	13,693	3,478,351	1,956,504	5,434,855	13,741	3,619,507	2,042,358	5,661,865
Narrandera (S)	6,181	2,083,468	1,233,827	3,317,295	6,262	2,175,382	1,297,078	3,472,460	6,280	2,255,717	1,353,318	3,609,035
Narromine (S)	6,785	2,121,691	1,132,229	3,253,920	6,818	2,233,805	1,189,409	3,423,214	6,841	2,336,121	1,241,083	3,577,204
Newcastle (C)	152,659	10,480,329	1,530,806	12,011,135	154,777	10,964,724	1,608,469	12,573,193	156,112	11,445,302	1,668,125	13,113,427
North Sydney	62,668	1,191,942	390,487	1,582,429	63,914	1,245,729	410,656	1,656,385	64,795	1,296,496	426,697	1,723,193
Oberon	5,291	1,159,907	816,992	1,976,899	5,391	1,226,047	835,970	2,062,017	5,438	1,307,845	833,051	2,140,896
Orange (C)	37,991	3,395,895	850,135	4,246,030	38,685	3,577,850	897,934	4,475,784	39,329	3,683,212	942,712	4,625,924
Palerang	13,852	1,443,425	1,085,912	2,529,337	14,323	1,483,152	1,151,466	2,634,618	14,652	1,518,292	1,212,299	2,730,591
Parkes (S)	14,956	3,143,496	1,602,013	4,745,509	15,052	3,292,095	1,685,324	4,977,419	15,192	3,412,740	1,759,118	5,171,858
Parramatta (C)	161,912	5,857,355	1,293,436	7,150,791	167,431	6,422,543	1,363,840	7,786,383	172,333	7,005,609	1,424,937	8,430,546
Penrith (C)	180,766	9,152,290	1,873,189	11,025,479	184,611	9,218,674	1,977,888	11,196,562	186,221	9,134,899	2,056,270	11,191,169
Pittwater	57,018	1,084,479	502,561	1,587,040	58,818	1,146,405	529,355	1,675,760	59,847	1,197,491	550,199	1,747,690
Port Macquarie-Hastings	73,870	5,484,044	2,183,391	7,667,435	75,104	5,861,470	2,301,882	8,163,352	76,323	6,177,270	2,445,820	8,623,090
Port Stephens	65,464	3,831,638	980,970	4,812,608	66,754	4,063,938	1,035,385	5,099,323	67,825	4,361,123	1,099,026	5,460,149
Queanbeyan (C)	39,603	2,204,481	739,898	2,944,379	40,661	2,196,283	784,242	2,980,525	41,430	2,176,324	825,654	3,001,978
Randwick (C)	129,171	2,456,825	781,616	3,238,441	131,714	2,567,198	821,803	3,389,001	133,116	2,663,544	852,419	3,515,963
Richmond Valley	22,672	3,035,369	1,251,119	4,286,488	22,934	3,148,947	1,345,773	4,494,720	23,115	3,222,426	1,404,019	4,626,445
Rockdale (C)	100,007	1,902,127	677,189	2,579,316	102,211	1,992,164	712,686	2,704,850	103,164	2,064,228	741,150	2,805,378
Ryde (C)	103,597	1,970,409	755,044	2,725,453	104,955	2,045,647	791,129	2,836,776	106,289	2,126,757	818,460	2,945,217
Shellharbour (C)	65,587	3,553,209	702,954	4,256,163	66,905	3,796,139	743,825	4,539,964	67,797	3,938,351	780,438	4,718,789
Shoalhaven (C)	93,900	7,000,706	2,632,428	9,633,134	95,812	7,294,140	2,778,243	10,072,383	96,967	7,761,485	2,900,927	10,662,412
Silverton (VC)	57	26,067	0	26,067	57	27,275	0	27,275	57	28,386	0	28,386
Singleton	23,458	1,969,740	986,583	2,956,323	23,822	2,055,562	1,043,296	3,098,858	24,182	2,126,208	1,081,175	3,207,383
Snowy River (S)	7,894	1,955,072	719,618	2,674,690	8,061	2,055,467	757,416	2,812,883	8,188	2,164,601	797,456	2,962,057
Strathfield (M)	35,124	668,057	230,906	898,963	36,489	711,197	245,133	956,330	36,911	738,560	254,331	992,891
Sutherland Shire (S)	215,868	4,105,796	1,712,717	5,818,513	219,828	4,284,601	1,803,589	6,088,190	220,835	4,418,729	1,865,100	6,283,829
Sydney (C)	172,685	4,131,768	988,521	5,120,289	177,920	4,530,451	1,069,687	5,600,138	182,226	4,506,254	1,118,163	5,624,417
Tamworth Regional	57,182	6,123,020	3,337,596	9,460,616	58,515	6,209,637	3,526,236	9,735,873	59,461	6,317,583	3,641,640	9,959,223
Temora (S)	6,022	1,605,994	985,078	2,591,072	6,158	1,692,722	1,036,399	2,729,121	6,216	1,782,562	1,081,563	2,864,125
Tenterfield (S)	6,907	2,208,920	1,342,872	3,551,792	7,024	2,297,798	1,413,457	3,711,255	7,071	2,368,754	1,470,302	3,839,056
Tibooburra (VC)	128	58,537	0	58,537	128	61,249	0	61,249	128	63,744	0	63,744
Tumbarumba (S)	3,672	1,131,752	475,036	1,606,788	3,735	1,212,857	499,846	1,712,703	3,765	1,288,449	513,117	1,801,566
Tumut (S)	11,236	2,177,889	653,388	2,831,277	11,396	2,314,316	687,141	3,001,457	11,480	2,439,486	730,178	3,169,664

Local Governing Body	2009-10				2010-11				2011-12			
	Estimated Resident Population as at 30/6/08	General Purpose Component	Local Roads Component	Entitlement Total	Estimated Resident Population as at 30/6/09	General Purpose Component	Local Roads Component	Entitlement Total	Estimated Resident Population as at 30/6/10	General Purpose Component	Local Roads Component	Entitlement Total
Tweed (S)	86,833	6,234,276	2,229,334	8,463,610	88,993	6,383,371	2,364,620	8,747,991	90,090	6,509,046	2,459,261	8,968,307
Upper Hunter (S)	13,785	2,178,238	1,554,597	3,732,835	14,043	2,236,263	1,635,879	3,872,142	14,198	2,302,530	1,705,504	4,008,034
Upper Lachlan (S)	7,392	1,736,419	1,500,377	3,236,796	7,512	1,870,850	1,590,945	3,461,795	7,559	1,984,705	1,657,521	3,642,226
Uralla (S)	6,081	1,176,946	776,407	1,953,353	6,238	1,202,676	817,488	2,020,164	6,287	1,235,140	852,227	2,087,367
Urana (S)	1,270	913,803	714,608	1,628,411	1,269	950,760	751,094	1,701,854	1,261	990,749	689,390	1,680,139
Wagga Wagga (C)	61,656	6,253,894	2,580,834	8,834,728	62,904	6,724,575	2,766,879	9,491,454	63,500	7,043,931	2,854,405	9,898,336
Wakool (S)	4,414	1,780,700	1,172,797	2,953,497	4,427	1,898,891	1,232,595	3,131,486	4,389	1,993,694	1,289,512	3,283,206
Walcha	3,276	761,764	718,565	1,480,329	3,286	758,931	762,515	1,521,446	3,299	773,515	811,507	1,585,022
Walgett (S)	7,093	2,862,864	1,684,365	4,547,229	7,209	3,024,413	1,771,371	4,795,784	7,235	3,154,953	1,847,468	5,002,421
Warren (S)	2,799	1,071,488	823,516	1,895,004	2,833	1,148,951	871,590	2,020,541	2,845	1,228,738	912,360	2,141,098
Warringham	141,686	2,694,859	1,089,699	3,784,558	144,092	2,808,454	1,144,090	3,952,544	145,865	2,918,641	1,187,076	4,105,717
Warrumbungle (S)	10,197	3,313,936	1,974,724	5,288,660	10,323	3,467,075	2,076,100	5,543,175	10,330	3,546,800	2,164,949	5,711,749
Waverley	66,852	1,610,855	369,309	1,980,164	68,316	1,604,865	388,812	1,993,677	69,420	1,590,281	404,755	1,995,036
Weddin (S)	3,752	1,310,648	811,889	2,122,537	3,751	1,375,117	852,828	2,227,945	3,780	1,428,420	890,108	2,318,528
Wellington	8,711	2,098,511	1,112,190	3,210,701	8,904	2,173,775	1,163,003	3,336,778	8,875	2,256,283	1,204,162	3,460,445
Wentworth (S)	7,159	2,536,794	1,621,013	4,157,807	7,127	2,636,467	1,702,397	4,338,864	7,120	2,726,541	1,775,984	4,502,525
Willoughby (C)	68,008	1,293,508	491,442	1,784,950	69,269	1,350,101	516,463	1,866,564	70,008	1,400,804	535,482	1,936,286
Wingecarribee (S)	45,418	2,363,121	1,425,890	3,789,011	46,364	2,451,250	1,529,668	3,980,918	46,960	2,542,456	1,598,111	4,140,567
Wollondilly (S)	42,397	1,644,665	1,103,734	2,748,399	43,278	1,746,462	1,160,490	2,906,952	44,050	1,894,184	1,194,656	3,088,840
Wollongong (C)	198,324	12,324,401	1,851,497	14,175,898	201,438	13,123,040	2,031,226	15,154,266	203,487	14,134,990	2,143,698	16,278,688
Woollahra (M)	53,866	1,024,528	346,495	1,371,023	55,228	1,076,433	386,627	1,463,060	56,005	1,120,615	401,596	1,522,211
Wyong (S)	146,589	8,064,611	1,848,711	9,913,322	149,382	8,609,593	1,953,097	10,562,690	151,527	9,332,109	2,041,155	11,373,264
Yass Valley	14,395	1,526,155	1,050,725	2,576,880	14,796	1,562,681	1,109,852	2,672,533	15,190	1,604,857	1,157,060	2,761,917
Young (S)	12,547	2,069,076	1,046,096	3,115,172	12,861	2,153,251	1,066,948	3,220,199	13,078	2,249,678	1,131,227	3,380,905
TOTAL	6,983,607	442,758,903	174,656,895	617,415,798	7,133,854	463,479,161	184,038,631	647,517,792	7,232,022	482,356,203	191,906,616	674,262,819

Population Sources:

Australian Bureau of Statistics' estimated resident population (preliminary) data used. Totals exclude the unincorporated area. For estimated resident population (preliminary) as at 30 June 2008 see ABS publication Regional Population Growth, Australia, 2007-08 (cat. no. 3218.0); for 30 June 2009 see *Regional Population Growth, Australia, 2008-09* (cat. no. 3218.0); and for 30 June 2010 see *Regional Population Growth, Australia, 2009-10* (cat. no. 3218.0).

Schedule of Local Road Lengths

The following schedule shows the local road lengths used in the Commission's calculation of the 2011-12 grants for each council. The information represents local road lengths reported to the Commission by councils. Additional local road and bridge length information is available from the Grants Commission's web page at www.dlg.nsw.gov.au (follow the "Commissions & Tribunals" links).

Local roads are those roads available and used by the general public and that are the full financial responsibility of councils. National and State highways, and regional roads for which councils receives specific purpose funding are not included.

Local Governing Body	Urban Local Roads (km)	Non-Urban Sealed Local Roads (km)	Non-Urban Unsealed Local Roads (km)	Total Local Roads (km)
Albury (C)	345	109	50	505
Armidale Dumaresq	164	184	588	937
Ashfield (M)	91	0	0	91
Auburn (C)	196	0	0	196
Ballina (S)	213	264	110	587
Balranald (S)	33	101	1,193	1,327
Bankstown (C)	541	0	0	541
Bathurst Regional	271	436	477	1,184
Bega Valley (S)	237	263	668	1,168
Bellingen (S)	92	243	195	531
Berrigan (S)	123	383	754	1,260
Blacktown (C)	1,056	95	16	1,167
Bland (S)	86	469	2,368	2,923
Blayney (S)	78	239	364	681
Blue Mountains (C)	563	88	69	720
Bogan (S)	56	168	1,183	1,407
Bombala	30	92	507	629
Boorowa	29	160	450	639
Botany Bay (C)	90	0	0	90
Bourke (S)	37	11	1,835	1,883
Brewarrina (S)	21	15	1,236	1,272
Broken Hill (C)	189	15	7	211
Burwood	82	0	0	82
Byron (S)	160	293	97	550
Cabonne	96	485	1,251	1,832
Camden	264	141	2	406
Campbelltown (C)	556	80	2	637
Canada Bay (C)	186	0	0	186
Canterbury (C)	313	0	0	313
Carrathool (S)	43	259	1,998	2,300
Central Darling (S)	39	22	1,541	1,602

Local Governing Body	Urban Local Roads (km)	Non-Urban Sealed Local Roads (km)	Non-Urban Unsealed Local Roads (km)	Total Local Roads (km)
Cessnock (C)	381	253	266	900
Clarence Valley	333	770	954	2,057
Cobar (S)	72	135	1,486	1,693
Coffs Harbour (C)	321	298	123	742
Conargo (S)	15	470	744	1,229
Coolamon (S)	74	247	954	1,275
Cooma-Monaro (S)	89	118	726	934
Coonamble (S)	67	176	1,150	1,393
Cootamundra (S)	99	215	256	571
Corowa (S)	148	373	762	1,283
Cowra (S)	140	353	708	1,201
Deniliquin	69	30	52	152
Dubbo (C)	254	481	449	1,184
Dungog (S)	43	280	269	592
Eurobodalla (S)	320	213	419	952
Fairfield (C)	567	39	2	608
Forbes (S)	125	517	1,006	1,648
Gilgandra (S)	34	238	972	1,245
Glen Innes Severn	97	237	749	1,083
Gloucester (S)	30	181	429	640
Gosford (C)	702	202	64	967
Goulburn Mulwaree	219	522	381	1,122
Great Lakes	260	252	464	976
Greater Hume (S)	120	596	1,055	1,771
Greater Taree (C)	252	403	939	1,594
Griffith (C)	192	375	676	1,242
Gundagai (S)	42	252	396	689
Gunnedah (S)	119	269	961	1,348
Guyra (S)	35	269	537	841
Gwydir (S)	64	302	1,532	1,898
Harden (S)	59	300	408	768
Hawkesbury (C)	212	424	261	898
Hay (S)	46	136	595	777
Hills (S)	610	203	24	837
Holroyd (C)	310	0	0	310
Hornsby (S)	476	104	39	619
Hunters Hill (M)	61	0	0	61
Hurstville (C)	209	0	0	209
Inverell (S)	147	331	1,267	1,745
Jerilderie (S)	24	293	681	998
Junee (S)	69	430	325	824
Kempsey (S)	164	305	563	1,032
Kiama (M)	112	143	5	259
Kogarah (C)	153	0	0	153
Ku-ring-gai	444	0	0	444

Local Governing Body	Urban Local Roads (km)	Non-Urban Sealed Local Roads (km)	Non-Urban Unsealed Local Roads (km)	Total Local Roads (km)
Kyogle	53	213	803	1,069
Lachlan (S)	90	359	3,012	3,460
Lake Macquarie (C)	1,016	180	57	1,252
Lane Cove (M)	93	0	0	93
Leeton (S)	130	262	483	876
Leichhardt (M)	140	0	0	140
Lismore (C)	179	494	415	1,088
Lithgow (C)	218	235	422	875
Liverpool (C)	570	194	9	773
Liverpool Plains (S)	98	249	848	1,195
Lockhart (S)	95	378	1,010	1,483
Maitland (C)	385	202	18	605
Manly	105	0	0	105
Marrickville	190	0	0	190
Mid-Western Regional	186	483	1,239	1,907
Moree Plains (S)	161	486	1,993	2,640
Mosman (M)	85	0	0	85
Murray (S)	100	196	1,079	1,375
Murrumbidgee (S)	27	180	383	590
Muswellbrook (S)	100	378	97	575
Nambucca (S)	101	215	345	661
Narrabri (S)	130	362	1,624	2,116
Narrandera (S)	88	277	1,098	1,463
Narromine (S)	59	529	748	1,337
Newcastle (C)	729	19	1	748
North Sydney	143	0	0	143
Oberon	33	301	525	859
Orange (C)	214	146	50	410
Palerang	66	336	653	1,055
Parkes (S)	154	375	1,268	1,797
Parramatta (C)	517	0	0	517
Penrith (C)	727	234	11	973
Pittwater	235	0	0	235
Port Macquarie-Hastings	405	368	454	1,228
Port Stephens	353	213	61	626
Queanbeyan (C)	190	70	6	266
Randwick (C)	273	0	0	273
Richmond Valley	139	334	536	1,009
Rockdale (C)	264	0	0	264
Ryde (C)	308	0	0	308
Shellharbour (C)	315	34	11	360
Shoalhaven (C)	716	495	376	1,587
Singleton	128	507	92	727
Snowy River (S)	66	227	457	750
Strathfield (M)	86	0	0	86

Local Governing Body	Urban Local Roads (km)	Non-Urban Sealed Local Roads (km)	Non-Urban Unsealed Local Roads (km)	Total Local Roads (km)
Sutherland Shire (S)	768	13	0	781
Sydney (C)	301	0	0	301
Tamworth Regional	408	667	1,855	2,929
Temora (S)	72	254	809	1,134
Tenterfield (S)	94	287	1,084	1,465
Tumbarumba (S)	41	169	255	464
Tumut (S)	90	270	217	578
Tweed (S)	438	471	170	1,079
Upper Hunter (S)	107	312	1,158	1,577
Upper Lachlan (S)	84	433	1,190	1,707
Uralla (S)	42	257	519	818
Urana (S)	60	209	498	767
Wagga Wagga (C)	548	505	1,052	2,105
Wakool (S)	37	324	919	1,281
Walcha	30	149	628	807
Walgett (S)	64	46	1,840	1,950
Warren (S)	28	295	640	964
Warringah	436	35	2	473
Warrumbungle (S)	126	470	1,680	2,276
Waverley	113	0	0	113
Weddin (S)	33	388	547	968
Wellington	83	254	898	1,234
Wentworth (S)	45	205	1,691	1,941
Willoughby (C)	199	0	0	199
Wingecarribee (S)	387	360	282	1,028
Wollondilly (S)	171	445	76	692
Wollongong (C)	823	90	5	919
Woollahra (M)	140	0	0	140
Wyong (S)	666	262	99	1,028
Yass Valley	76	381	592	1,048
Young (S)	104	277	675	1,055
Total	31,732	33,709	80,178	145,619

Apparent discrepancies are due to rounding.

Appendices

Appendix 1: Member profiles

Mr Richard Colley - Chair

Prior to retirement Mr Colley was the General Manager at Bankstown City Council from 1999 to 2007, having joined the council in 1995 as Group Manager of Service, Planning and Commission. Mr Colley was an administrator at Wollongong City Council for two years. Before embarking on a career in local government Mr Colley was executive director of the Newspaper Advertising Bureau. He spent 14 years with Coca-Cola Coy, 10 years as the marketing director at Tooheys and five years as marketing director at National Foods.

Mr Grahame Gibbs, B.Bus, FCPA - Deputy Chair

Mr Gibbs is the Divisional representative on the Commission and as such he assumes the role of Deputy Chair. Mr Gibbs has been with the Division of Local Government since 1994, where he is the Director Performance Management and Compliance.

Dr Elizabeth Coombs, BA (Hons) Psych, PhD, Grad Dip MktMgt - Commissioner

Dr Coombs is a highly experienced senior executive with extensive experience in public sector management in human services, State Owned Corporations and the Department of Premier and Cabinet. Dr Coombs has a strong track record in delivering complex assignments within sensitive working environments and a highly developed analytical, problem solving and relationship management capabilities.

Dr Coombs' career highlights include: Assistant Director General, Department of Premier and Cabinet; Chief Executive Officer, NSW Department of Fair Trading, Acting Chief Executive Officer, Department of Juvenile Justice, and Department for Women; and A/Group General Manager, Human Resources & Industrial Relations, NSW State Rail Authority in the transition to corporatisation.

Mr Frank Pangallo MBE - Commissioner

Mr Pangallo is the former mayor of Queanbeyan City Council. He was first elected to Council in 1971. He served as Deputy Mayor for six years, from 1974. In 1991 he was elected as the City's first Mayor from a non-British background. In 1977 Mr Pangallo was responsible for the establishment of the Queanbeyan Multilingual Centre, for the assistance of migrants in the Queanbeyan community and in the same year he was awarded an MBE in recognition of his contribution to local government and the community. Mr Pangallo was also appointed as a commissioner to the first NSW Ethnic Affairs Commission in 1977, serving on the Commission for five years. In 1983 he was appointed to the Australian Broadcasting Commission Advisory Council.

In 1996 Mr Pangallo was nominated by the Local Government Association of NSW to the Local Government Multicultural Committee. He was also a member of Southern Tablelands Electricity Board and the South East Region Recycling Group. In 2000 he was appointed as Director of South East Waste Planning and Management Board. Mr Pangallo has represented Council on a variety of multicultural and business groups in the Queanbeyan-ACT region. Mr Pangallo is a past Chair of the NSW Country Mayors Association

Appendix 2: Public hearings

Venue	Date
Gunnedah Shire	22 September 2010
Inverell Shire	23 September 2010
Moree Plains Shire	23 September 2010
Gwydir Shire	24 September 2010
Tamworth Regional	24 September 2010
Dubbo City	29 November 2010
Warren Shire	30 November 2010
Narromine Shire	30 November 2010
Bourke Shire	1 December 2010
Brewarrina Shire	2 December 2010
Wollongong City	24 February 2011
Shoalhaven City	25 February 2011
Kiama Municipal	25 February 2011
Hunters Hill Municipal	31 March 2011
Ashfield Municipal	31 March 2011
Burwood	31 March 2011
Leichhardt Municipal	1 April 2011
Canterbury City	28 April 2011
Willoughby City	28 April 2011
Ku-ring-gai	29 April 2011
Mosman Municipal	26 May 2011
North Sydney	26 May 2011
Lane Cove Municipal	27 May 2011
Manly	27 May 2011
Walcha	27 June 2011
Uralla Shire	28 June 2011
Guyra Shire	28 June 2011
Tenterfield Shire	29 June 2011
Walgett Shire	30 June 2011
Bogan Shire	30 June 2011

Appendix 3: Standards used in calculation of expenditure allowances – 2011-12

Standard Costs are based on a five year average of the annual average net expenditures, per unit, by all councils in the State, using the 2005-06 to 2009-10 Financial Reports, Special Schedule 1.

1. Administration	
administration: corporate support; other support services; governance:	\$137.88
governance	
2. Aerodromes	
transport & communication: aerodromes	\$1.94
3. Aged Persons' Services	
community services & education: aged & disabled	\$1.15
4. Animal Control	
public order & safety: animal control	\$1.92
5. Cemeteries	
housing & community amenities: public cemeteries	\$0.41
6. Children's Services	
health: immunisation community services & education: family day care;	\$3.41
child care; other families & children	
7. Community Services	
community services & education: administration; education; migrant	\$12.85
services; aboriginal services; other community amenities.	
8. Cultural Facilities	
recreation & culture: museums; art galleries; public halls; other cultural	\$13.21
services	
9. Fire Control and Emergency Services	
public order & safety: fire protection; emergency services; statutory	\$14.81
contributions to fire service levy	
10. Health and Safety	
health: administration & inspection; food control; insect/vermin control;	\$8.11
health centres; other health services housing & community amenities:	
public conveniences public order & safety: enforcement of local	
government regulations; other	
11. Libraries	
recreation & culture: public libraries	\$29.08
12. Noxious Plants and Pest Control (per non-urban property)	
health: noxious plants	\$107.51

13. Planning and Building Services	housing & community amenities: town planning mining, manufacturing & construction: building control	\$27.42
14. Recreation	public order & safety: beach control recreation & culture: community centres; swimming pools; sporting grounds; parks & gardens; other sport & recreation community services & education: youth services	\$82.28
15. Stormwater Drainage and Flood Control (per urban property)	housing & community amenities: environmental protection; urban stormwater drainage	\$50.85
16. Street and Gutter Cleaning (per urban property)	housing & community amenities: street cleaning	\$33.79
17. Street Lighting (per urban property)	transport & communication: street lighting	\$26.43
18. Maintenance – Urban Local Roads	(a) cost per length (km) of local roads in the urban/built up areas for which the council is financially responsible.	\$13,181.10
	(b) urban length (m) per urban properties.	11.3m
	(c) cost of maintenance of bridges and culverts per network km of roads.	\$191.19
19. Maintenance – Sealed Rural Local Roads	(a) cost per length (km) of sealed local roads in the rural/non-built up areas for which the council is financially responsible.	\$4,011.80
	(b) sealed rural length (m) per non-urban properties.	286.3m
	(c) cost of maintenance of bridges and culverts per network km of roads.	\$287.98
20. Maintenance – Unsealed Rural Local Roads	(a) cost per length (km) of unsealed local roads in the rural/non-built up areas for which the council is financially responsible.	\$1,394.82
	(b) urban length (m) per non-urban properties.	681.0m
	(c) cost of maintenance of bridges and culverts per network km of roads.	\$57.64

Note: Unless otherwise shown, costs are per capita.

Appendix 4: Summary of formulae used in the calculation of expenditure and revenue allowances – 2011-12

Expenditure allowances

General

Allowances for the majority of functions are calculated on the following general formula:

$$Ac = Nc \times Es \times Dc$$

where: Ac = allowance for the council for the expenditure function.
 Nc = number of units to be serviced by council.
 Es = standard expenditure per unit for the function.
 Dc = disability for the council for function in percentage terms.

The appropriate units of use for each function are shown in Appendix 3.

Road length allowances

In addition to the disability allowances, length allowances are calculated for each road type based on the following formula:

$$Ac = Nc \times Es \times \left(\frac{Lc}{Nc} - \frac{Ls}{Ns} \right)$$

where: Ac = allowance for road length.
 Nc = number of relevant properties for the council.
 Es = standard cost per kilometre.
 $\frac{Lc}{Nc}$ = council's relevant length of road per relevant property.
 $\frac{Ls}{Ns}$ = standard relevant length of road per relevant property.

Isolation allowances

Weighted Isolation allowances are calculated for all non-metropolitan councils based on the following formula:

$$Ac = Pc \times \{ (Dsc \times K1) + (Dnc \times K2) + Ic \}$$

where: Ac = the isolation allowance for each council.
 Pc = the adjusted population for each council.
 Dsc = the distance from each council's administrative centre to Sydney.
 Dnc = the distance from each council's administrative centre to the nearest major urban centre.
 Ic = the additional per capita allowance due to industrial award obligations (if applicable).

K1 and **K2** are constants derived from regression analysis.

Specific purpose payments

Allowances for functions are discounted, where it is considered appropriate, to recognise the contribution of specific purpose grants. The discount factor which generally applies is:

$$1 - \frac{Gc}{(Nc \times Es) + Ac}$$

where: Gc = the specific purpose grant received by the council for the expenditure function.
 Nc = number of units to be serviced by council.
 Es = standard expenditure per unit for the function.
 Ac = allowance for the council for the expenditure function.

Revenue allowances

General

The general formula for the calculation of revenue allowances is:

$$Ac = Nc \times Ts \times (Vs - Vc)$$

where Ac = revenue allowance for the council.
 Nc = number of properties (assessments).
 Ts = standard tax rate (rate-in-the-dollar).
 Vs = standard value per property.
 Vc = council's value per property.

The standard value per property (**Vs**) is calculated as follows:

$$Vs = \frac{\text{Sum of rateable values for all councils}}{\text{Sum of number of properties for all councils}}$$

The standard tax rate (**Ts**) is calculated as follows:

$$Ts = \frac{\text{Sum of general rates levied for all councils}}{\text{Sum of rateable values of all councils}}$$

Separate calculations are made for urban (residential and business) and non-urban (farmland and mining) properties.

Pensioner rebates allowances

The general formula for the allowance to recognise the differential impact of compulsory pensioner rates rebates is:

$$A_c = R_c \times N_c \times (P_c - P_s)$$

where

- A_c = the allowance for the council
- R_c = the standardised rebate per property for the council
- N_c = the number of residential properties
- P_c = the proportion of eligible pensioner assessments for the council
- P_s = the proportion of eligible pensioner assessments for all councils

The standardised rebate for the council (R_c) is:

$$R_c = 0.25 \times T_c \times t_s$$

where

- T_c = the average value per residential property in the council.
- t_s = the standard tax rate (rate-in-the-dollar) for residential properties.

T_c and t_s are calculated as in the revenue allowances except only residential properties are used. The maximum value for R_c is set at \$125.

Appendix 5: Details of calculation of expenditure disability factors – 2011-12

The accompanying notes provide details of the disabilities considered for each function under a series of headings. These are:

Disability:	specifies the variable.
Recognises:	explains the reason for including the disability and its relationship to the standardised council expenditure.
Measure:	explains the basis on which the disability is assessed.
Source:	the source of the data used in the measure.
Standard:	the value with which individual council values are compared. It is usually the average value for the State.
Weighting:	relates the variation in the disability to the estimated additional cost to that disability. The weightings have generally been determined by establishing a factor for the maximum disability based on a sample of councils or through discussion with appropriate organisations.

Administration

Aboriginal or Torres Strait Islander

Recognises:	additional costs for councils with a significant aboriginal population.
Measure:	proportion of the population Aboriginal or Torres Strait Islander.
Source:	Australian Bureau of Statistics (ABS), 2006 Census, usual residents profile.
Standard:	2.11%
Weighting:	0.005

Economies of Scale

Recognises:	higher per capita costs of administration for councils with small populations.
Measure:	a population based scale of 100 to 225 is used with councils whose population is greater than 20,000 receiving nil disability and those whose population is less than 1,250 receiving the maximum disability.
Source:	ABS, Regional Population Growth, Australia, 2009-10.
Standard:	100
Weighting:	1.0

Non-English Speaking Background

Recognises:	additional costs of information provision.
Measure:	proportion of population born in non-English speaking countries.
Source:	ABS, 2006 Census, usual residents profile.
Standard:	16.88%
Weighting:	0.01

Population Distribution

Recognises:	costs of staff travel and duplication of services.
Measure:	the larger of: (a) the sum of the population of centres greater than 200 multiplied by their distance from council headquarters(km) divided by the overall council population; or (b) according to population: between 50,000 and 100,000 3.84 between 100,000 and 150,000 5.09 greater than 150,000 7.68
Source:	ABS, 2006 Census, Census counts for small areas (place of enumeration)
Standard:	2.56
Weighting:	0.006

Population Growth

Recognises: costs of senior staff involvement in negotiations with State agencies and the like.

Measure: annual average percentage change in population over the previous five years.

Source: ABS, Regional Population Growth, Australia, 2009-10.

Standard: 1.37%

Weighting: 0.012

Sparsity

Recognises: additional costs due to large council areas.

Measure: area (sq km) per capita.

Source: ABS Regional Population Growth, Australia, 2009-10.

Standard: 0.262

Weighting: 0.01

Aerodromes

Net Expenditure: Aerodromes

Recognises: above average expenditure, which is generally beyond council control.

Measure: adjusted net expenditure per capita averaged over 5 years.

Source: Special Schedule 1 (2005-06 to 2009-10); ABS Regional Population Growth, Australia, 2009-10.

Standard: 1.94

Weighting: 1.0 (maximum DF of 567)

Aged Persons' Services

Aged Persons (60 years and over)

Recognises: additional need for services.

Measure: proportion of the population aged 60 years and over.

Source: ABS, Population by Age and Sex – 30 June 2009.

Standard: 19.20%

Weighting: 1.0

Pensioners

Recognises: additional council responsibility for aged services.

Measure: proportion of the population receiving the aged pension, and mature age allowances.

Source: Centrelink, Customers by Postcodes - June 2008, (Recipients of Pensions, Benefits and Family Payments). Postcode

data adjusted for council boundaries using ABS concordance.

Standard: 13.23%

Weighting: 1.2

Population Distribution

Recognises: costs of staff travel and duplication of services.

Measure: as for Administration.

Source: ABS, 2006 Census, census counts for small areas.

Standard: 2.56

Weighting: 0.002

Animal Control

Population Distribution

Recognises: costs of staff travel and duplication of services.

Measure: as for Administration.

Source: ABS, 2006 Census, census counts for small areas.

Standard: 2.56

Weighting: 0.070

Cemeteries

Population Distribution

Recognises: costs of staff travel and duplication of services.

Measure: as for Administration.

Source: ABS, 2006 Census, census counts for small areas.

Standard: 2.56

Weighting: 0.015

Children's Services

One Parent Families

Recognises: additional need for child care facilities.

Measure: proportion of families classified as "one parent family".

Source: ABS, 2006 Census of Population and Housing, selected social and housing characteristics for statistical local areas.

Standard: 16.07%

Weighting: 0.815

Population Distribution

Recognises: costs of staff travel and duplication of services.
 Measure: as for Administration.
 Source: ABS, 2006 Census, census counts for small areas.
 Standard: 2.56
 Weighting: 0.001

Pre-School Children (0-4 years)

Recognises: additional need for services targeted at this age group which makes up the bulk of local government involvement in children's services.
 Measure: proportion of the population in 0-4 years age group.
 Source: ABS, Population by Age and Sex – 30 June 2009.
 Standard: 6.41%
 Weighting: 1.0

Community Services**Aboriginal or Torres Strait Islander**

Recognises: additional costs for councils with a significant aboriginal population.
 Measure: proportion of the population Aboriginal or Torres Strait Islander.
 Source: ABS, 2006 Census, usual residents profile.
 Standard: 2.11%
 Weighting: 0.116

Non-English Speaking Background

Recognises: additional costs of information provision.
 Measure: proportion of population born in non-English speaking countries.
 Source: ABS, 2006 Census, usual residents profile.
 Standard: 16.88%
 Weighting: 0.125

Occupation

Recognises: additional council responsibility for community services in areas of low socio-economic status.
 Measure: proportion of the employed persons in lower socio-economic occupational groups.
 Source: ABS, 2006 Census, usual residents profile.
 Standard: 25.67%
 Weighting: 0.750

Pension and Benefit Recipients

Recognises: low income persons as a target group for community services.
 Measure: proportion of the population receiving social security pensions.
 Source: Centrelink, Customers by Postcodes - 2008, (recipients of pensions, benefits and family payments), adjusted for council boundaries.
 Standard: 24.93%
 Weighting: 0.965

Population Distribution

Recognises: costs of staff travel and duplication of services.
 Measure: as for Administration.
 Source: ABS, 2006 Census, census counts for small areas.
 Standard: 2.56
 Weighting: 0.001

Youth (15-24 years)

Recognises: youth as a target group for community services.
 Measure: proportion of population in the 15-24 years age group.
 Source: ABS, Population by Age and Sex – 30 June 2009.
 Standard: 13.95%
 Weighting: 0.200

Cultural Facilities**Duplication of Halls**

Recognises: the additional costs related to the provision of facilities in a number of centres of less than optimum population size.
 Measure: number of licensed halls multiplied by the standard net loss per hall divided by the LGA population for non-metropolitan councils.
 Source: Grants Commission Return, 2009-10; Special Schedule 1, 2009-10; Regional Population Growth, Australia, 2009-10.
 Standard: 10.05
 Weighting: 0.1 (maximum DF of 25)

Non-Resident Use - Cultural Facilities

Recognises: additional cost of the provision of higher order facilities in regional centres.
 Measure: maximum score of 150 based on Commission assessment.
 Source: Grants Commission.
 Standard: 100
 Weighting: 1.0

Fire Control and Emergency Services

Duplication of SES Units

Recognises: cost of duplication of SES units.
 Measure: index based on the population of each centre with an SES unit located more than 10 km from the administrative centre multiplied by its distance from the administrative centre divided by the total population of the LGA.
 Source: SES Headquarters; ABS, 2006 Census, census counts for small areas.
 Standard: 1.0
 Weighting: 0.002

Flood Boats

Recognises: requirement for flood rescue in non-urban areas.
 Measure: number of SES registered flood boats per thousand of population.
 Source: Grants Commission return, 2009-10; Regional Population Growth, Australia, 2009-10.
 Standard: 0.052
 Weighting: 0.026

Flood Prone Buildings

Recognises: flood rescue as the major area of SES expenditure.
 Measure: number of buildings subject to mainstream flooding (1 in 100 years) per thousand of population.
 Source: Grants Commission return, 2009-10; Regional Population Growth, Australia, 2009-10.
 Standard: 23.07
 Weighting: 0.027

Rural Fire Fighting Contributions

Recognises: contributions to the rural fire fighting fund.
 Measure: average contributions to the NSW Rural Fire Service for a five year period, per capita (2005-06 - 2009-10).
 Source: NSW Rural Fire Service.
 Standard: 3.11
 Weighting: 0.2

Urban Fire Levy

Recognises: payment of this levy is the major local government expenditure item.
 Measure: per capita contributions to urban fire levy.
 Source: NSW Fire Brigades (2009-10).
 Standard: 8.84
 Weighting: 0.8

Health and Safety

Food Premises

Recognises: additional inspection costs in areas with high proportions of food premises.
 Measure: proportion of food premises per thousand of population.
 Source: Grants Commission return, 2009-10.
 Standard: 5.89
 Weighting: 0.751 (maximum DF of 110)

Non-English Speaking Background

Recognises: population of non-English speaking backgrounds as a target group for health services.
 Measure: proportion of population born in non-English speaking countries.
 Source: ABS, 2006 Census, usual residents profile.
 Standard: 16.88%
 Weighting: 0.100

Population Distribution

Recognises: costs of staff travel and duplication of services.
 Measure: as for Administration.
 Source: ABS, 2006 Census, census counts for small areas.
 Standard: 2.56
 Weighting: 0.015

Public Toilets

Recognises: significant variation in Council expenditure related to non-resident use.
 Measure: score based on expenditure and Commission's assessment of need to provide public toilets.
 Source: Special Schedule 1, 2009-10.
 Standard: 100
 Weighting: 0.25

Vandalism and Crime

Recognises: additional costs associated with repairing damage to public property.
 Measure: property damage crime incidents per capita.
 Source: NSW Bureau of Crime Statistics and Research, 2009.
 Standard: 1.53%
 Weighting: 0.022

Libraries**Aged Persons (60 years and over)**

Recognises: additional cost of providing specialist services and materials.
 Measure: proportion of the population aged 60 years and over.
 Source: ABS, Population by Age and Sex – 30 June 2009.
 Standard: 19.20%
 Weighting: 0.26

Non-English Speaking Background

Recognises: additional costs of information provision.
 Measure: proportion of population born in non-English speaking countries.
 Source: ABS, 2006 Census, usual residents profile.
 Standard: 16.88%
 Weighting: 0.1

Non-Resident Borrowers

Recognises: additional cost of providing services for non-residents.
 Measure: percentage of non-resident borrowers plus 100.
 Source: State Library of NSW, 2008-09.
 Standard: 116.14
 Weighting: 1.0 (maximum DF of 10)

Population Distribution

Recognises: costs of staff travel and duplication of services.
 Measure: as for Administration.
 Source: ABS, 2006 Census, census counts for small areas.
 Standard: 2.56
 Weighting: 0.018

Students: Full Time

Recognises: students as a major user group of library services.
 Measure: proportion of the population attending an educational institution full time.
 Source: ABS 2006 Census, usual residents profile.
 Standard: 20.12%
 Weighting: 0.195

Planning and Building Services**Development Activity**

Recognises: that expenditure is related to additional costs of inspection, certification, etc.
 Measure: per capita estimate (R) based on a regression of expenditure on planning and building control, number of building approvals for new dwellings per capita (a) and the total value of non-residential building approvals per capita (b).

The formula is:

$$R = 48.82 + (1,685.30 \times a) + (0.000062 \times b)$$

Source: Special Schedule 1, 2009-10; ABS, Building Approvals, March 2011.
 Standard: 55.69
 Weighting: 0.78 (maximum DF of 45)

Environmental Sensitivity

Recognises: additional costs of being classified as “environmental sensitive” by the Environmental Protection Authority.
 Measure: councils are divided into 5 categories on the basis of environmentally sensitive areas; (extreme 24%, very high 18%, high 12%, above average 6%, average and below 0).
 Source: Environmental Protection Authority, in consultation with the Grants Commission.
 Standard: 1
 Weighting: 0.06

Heritage

Recognises: additional costs due to greater complexity in plan preparation and development control.
 Measure: councils are divided into 5 categories on the basis of heritage considerations and environmentally sensitive areas, as assessed by the Commission (extreme 11%, very high 8%, high 6%, above average 3%, average and below 0).

Source: Heritage Council, in consultation with the Grants Commission.
 Standard: 1
 Weighting: 0.028

Non-English Speaking Background

Recognises: additional costs of information provision.
 Measure: proportion of population born in non-English speaking countries.
 Source: ABS, 2006 Census, usual residents profile.
 Standard: 16.88%
 Weighting: 0.056

Non-Residential Urban Properties

Recognises: greater complexity of processing development applications.
 Measure: number of urban properties which are classified as "business" per hundred of population.
 Source: Division of Local Government, 2009-10 Rating Return.
 Standard: 2.60
 Weighting: 0.2 (maximum DF of 30)

Population Distribution

Recognises: costs of staff travel and duplication of services.
 Measure: as for Administration.
 Source: ABS, 2006 Census, census counts for small areas.
 Standard: 2.56
 Weighting: 0.017

Population Growth

Recognises: additional cost of forward planning in high growth areas.
 Measure: annual average percentage change in population over the previous five years.
 Source: ABS, Regional Population Growth, Australia, 2009-10.
 Standard: 1.37%
 Weighting: 0.055

Regional Centres and Secondary CBDs

Recognises: additional costs of forward planning generally related to non-resident use.
 Measure: range of disabilities between 0 and 24 recognising extra planning expenditure necessary.
 Source: Department of Infrastructure, Planning and Natural Resources.
 Standard: 100
 Weighting: 1.0

Recreation

Age Structure (5-29 years)

Recognises: additional need for facilities due to a high proportion of population in the sport-playing age group.
 Measure: proportion of the population in the 5-29 years age group.
 Source: ABS, Population by Age and Sex – 30 June 2009.
 Standard: 33.78%
 Weighting: 1.0

Beach Lifesaving

Recognises: cost of additional facilities associated with beaches, principally lifesavers.
 Measure: score based on Commission assessment.
 Source: Special Schedule 1, 2009-10.
 Standard: 100
 Weighting: 1.0

Climate Measure

Recognises: additional costs in watering on low rainfall areas and the cost of mowing in high rainfall areas.
 Measure: (a) low rainfall – the difference between the council's annual average rainfall (mm) and NSW highest rainfall (1898 mm); and (b) high rainfall – councils with rainfall above 1330mm receive 5% disability.
 Source: Bureau of Meteorology, Rainfall Statistics, Australia, 1977 (with a minimum of 30 years of observations)
 Standard: a) 898 b) 0
 Weighting: a) 0.277 b) N/A

Day Trippers

Recognises: additional costs related to the provision of facilities for one-off day visitors.
 Measure: index in the range 100-105 determined by the Grants Commission.
 Source: Tourism Research Australia.
 Standard: 100
 Weighting: 1.0

Duplication of Playing Fields

Recognises: additional costs related to the provision of facilities in a number of centres of less than optimum population size.

Measure: index based on the per capita area of playing fields that should be provided taking each urban centre above 200 population in turn, based on Research Study 1, Sydney Region Open Space Survey, NSW Planning and Environment Commission, 1975.

Source: ABS, 2001 Census, census counts for small areas.

Standard: 1.115

Weighting: 0.460

Duplication of Pools

Recognises: additional costs related to the provision of facilities in a number of centres of less than optimum population size.

Measure: number of pool complexes operated by council multiplied by the standard net loss per pool divided by population.

Source: Grants Commission return, 2009-10; Special Schedule 1, 2009-10; Regional Population Growth, Australia, 2009-10.

Standard: 10.92

Weighting: 0.06

Non-Resident Use - Recreation

Recognises: costs of additional services required in regional and tourist centres.

Measure: index generally in range 100-125 determined by the Commission based on a sampling of councils.

Source: Grants Commission.

Standard: 100

Weighting: 1.0

Non-Urban Measure

Recognises: cost advantages of councils whose residents have the opportunity to use facilities provided in adjacent centres.

Measure: index in a range 80-100 determined by the Commission based on a sampling of councils (negatives are calculated).

Source: Grants Commission.

Standard: 100

Weighting: 1.0

Population Distribution

Recognises: cost of staff travel and duplication of services.

Measure: as for Administration.

Source: ABS, 2006 Census, census counts for small areas.

Standard: 2.56

Weighting: 0.003

Tidal/Rock Pools

Recognises: additional maintenance costs associated with tidal rock pools.

Measure: number of rock/tidal pools operated by the councils multiplied by the stand net loss per pool divided by population.

Source: Grants Commission return, 2009-10; ABS, Regional Population Growth, Australia, 2009-10.

Standard: 1.11

Weighting: 0.005

Urban Density

Recognises: additional maintenance costs of facilities in densely populated areas.

Measure: population divided by the total area of LGA in square kilometres.

Source: ABS, Regional Population Growth, Australia, 2009-10.

Standard: 1,250

Weighting: 0.2 (maximum DF of 15)

Stormwater Drainage and Flood Control

Flood Prone Urban Buildings

Recognises: need for expenditure is proportional to the number of flood prone buildings.

Measure: based on the number of flood prone urban buildings subject to mainstream flooding (1 in 100 years) as a proportion of the total urban properties.

Source: Grants Commission return, 2009-10.

Standard: 1.0

Weighting: 1.81

Levee Measure

Recognises: expenses incurred during construction and maintenance of levee banks.

Measure: number of metres of levee banks per urban property.

Source: Grants Commission return, 2009-10.

Standard: 0.214

Weighting: 0.01

Stormwater Drainage Index

Recognises: variation in cost of construction and maintenance related to a number of variables considered to be most significant.

Measure: index provided by consultants after studying rainfall, urban land use and impervious area, ground slope, associated construction costs, soil and geology, and the age of the stormwater system.

Source: Stormwater drainage return, 1987.
 Standard: 1.0
 Weighting: 1.0

Street And Gutter Cleaning

Non-Residential Urban Properties

Recognises: increased amounts of litter collected from commercial areas.
 Measure: proportion of urban properties classified as "business". The measure excludes non-metropolitan councils.
 Source: Division of Local Government, 2009-10 Rating Return.
 Standard: 6.69%
 Weighting: 0.5 (maximum DF of 20)

Urban Density

Recognises: additional maintenance costs of facilities in densely populated areas.
 Measure: population divided by the total area of LGA in square kilometres.
 Source: ABS, Regional Population Growth, Australia, 2009-10.
 Standard: 1,250
 Weighting: 0.2 (maximum DF of 20)

Street Lighting

Net Expenditure: Street Lighting

Recognises: additional expenditure largely beyond the control of individual councils.

Measure: adjusted net expenditure per urban property averaged over 4 years.
 Source: Division of Local Government, 2009-10 Rating Return; Special Schedule 1, 2006-07 - 2009-10; Roads and traffic Authority, Traffic Route Lighting Subsidy Scheme, 2009-10.
 Standard: 100
 Weighting: 1.0

Noxious Plants and Pest Control

Infestation

Recognises: increased costs in areas of high weed infestation.
 Measure: a disability factor determined by the Commission based on a Noxious Plant Advisory Board index.
 Source: Department of Agriculture
 Standard: Low
 Weighting: N/A

Terrain

Recognises: additional costs related to access and constraints on using machinery in mountainous areas.
 Measure: disability factors based on the proportion of council areas classified "mountainous" or "hilly".
 Source: CSIRO
 Standard: N/A
 Weighting: N/A

Appendix 6: National principles for the allocation of general purpose and local road grants

A. General Purpose Grants

The national principles relating to the allocation of general purpose grants payable under Section 9 of the Act among local governing bodies are as follows:

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 is a basis that ensures each local governing body in the State or 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 or Territory. 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 the expenditure requirements and revenue-raising capacity of each local governing body. This means as far as practicable, that policies of individual local governing bodies in terms of expenditure and revenue effort will not affect grant determination.

3. Minimum Grant

The minimum general purpose grant allocation for a local governing body in a year will be not 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 or 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.

6. Council Amalgamation

Where two or more local governing bodies are amalgamated into a single body, the general purpose grant provided to the new body for each of the four years following amalgamation should be the total of the amounts that would have been provided to the former bodies in each of those years if they had remained separate entities.

B. Identified Local Road Grants

The national principle relating to the allocation of the amounts payable under section 12 of the Act (the identified road component of the financial assistance grants) among local governing bodies is as follows:

1. 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.

Appendix 7: General purpose component distribution principles in accordance with the *Local Government (Financial Assistance) Act 1995*

These principles, consistent with the National Principles of the *Local Government (Financial Assistance) Act 1995*, are the result of an extensive program of consultation with local government.

The agreed principles are:-

1. general purpose grants to local governing bodies will be allocated as far as practicable on a full equalisation basis as defined in the *Local Government (Financial Assistance) Act 1995*; that is a basis which attempts to compensate local governing bodies for differences in expenditure required in the performance of their functions and in their capacity to raise revenue.
2. the assessment of revenue and expenditure allowances of local governing bodies will, as far as is practicable, be independent of the policy or practices of those bodies in raising revenue and the provision of services.
3. revenue raising capacity will primarily be determined on the basis of property values; positive and negative allowances relative to average standards may be calculated.
4. revenue allowances may be discounted to achieve equilibrium with expenditure allowances.
5. generally for each expenditure function an allowance will be determined using recurrent cost; both positive and negative allowances relative to average standards may be calculated.
6. expenditure allowances will be discounted to take account of specific purpose grants.
7. additional costs associated with non-resident use of services and facilities will be recognised in determining expenditure allowances.

Appendix 8: Local roads component distribution principles in accordance with the *Local Government (Financial Assistance) Act 1995*

These principles, consistent with the National Principles of the *Local Government (Financial Assistance) Act 1995*, were adopted in consultation with local government. The principles are based on a local road funding formula developed by the Roads and Traffic Authority under the provisions of the former *Australian Centennial Roads Development Act 1988*.

The agreed principles are:-

Financial Assistance which is made available as an identified local roads component of Local Government Financial Assistance shall be allocated so as to provide Aboriginal communities equitable treatment in regard to their access and internal local roads needs.

1. Urban [metropolitan] Area

"Urban Area" means an area designated as an "Urban Area":

- (a) the Sydney Statistical Division.
- (b) the Newcastle Statistical District.
- (c) the Wollongong Statistical District.

2. Rural [non-metropolitan] Area

"Rural Area" means an area not designated as an "Urban Area"

3. Initial Distribution

27.54% to local roads in urban areas.
72.46% to local roads in rural areas.

4. Local Roads Grant in Urban Areas

Funds will be allocated:

- (a) 5% distributed to individual Councils on the basis of bridge length.
- (b) 95% distributed to Councils on the basis of:
 - (i) 60% distributed on length of roads.
 - (ii) 40% distributed on population.

5. Local Roads Grant in Rural Areas

Funds will be allocated:

- (a) 7% distributed to individual Councils on the basis of bridge length.
- (b) 93% distributed to Councils on the basis of:
 - (i) 80% distributed on length of roads.
 - (ii) 20% distributed on population.

6. Population shall be based on the most up-to-date Estimated Resident Population figures available from the Australian Bureau of Statistics.

Road length shall be based on the most up-to-date data available to the Local Government Grants Commission of NSW for formed roads, which are Councils' financial responsibility.

Bridge length shall be based on the most up-to-date data available to the Local Government Grants Commission of NSW for major bridges and culverts six metres and over in length, measured along the centre line of the carriageway, which are Councils' financial responsibility.

The method of application of the statistics shall be agreed to between representatives of the NSW Local Government Grants Commission and the Local Government and Shires Associations of NSW.

Appendix 9: Road and bridge length audit summary report

Background

The Grants Commission first initiated a program of council road and bridge audits during 1992-93.

A former RTA and council engineer has been contracted by the Commission to undertake the audits. The auditor was selected on the recommendation of the NSW Institute of Municipal Engineers.

Ninety-seven audits have taken place since 1992-93, one during 2009-10.

The Project

The project task was to evaluate the quality of road and bridge length data for selected councils.

Summary of 2010-11 Audit Results

There were no physical audits undertaken during the year. A small number of councils were asked to explain variations in the data provided.

Appendix 10: Information data returns

The Grants Commission would like to acknowledge the efforts of those councils that submitted their information data returns by the required date.

135 Councils submitted their General Return by the due date.

Armidale Dumaresq	Cootamundra	Lachlan	Richmond Valley
Ashfield	Corowa	Lake Macquarie	Rockdale
Auburn	Deniliquin	Lane Cove	Shoalhaven
Ballina	Dubbo	Leeton	Singleton
Balranald	Dungog	Leichhardt	Snowy River
Bathurst Regional	Eurobodalla	Lismore	Strathfield
Bega Valley	Forbes	Lithgow	Sutherland
Bellingen	Gilgandra	Liverpool Plains	Sydney
Berrigan	Glen Innes Severn	Lockhart	Tamworth Regional
Blacktown	Gloucester	Maitland	Temora
Bland	Gosford	Manly	Tenterfield
Blayney	Goulburn Mulwaree	Marrickville	Tumbarumba
Blue Mountains	Great Lakes	Mid-Western Regional	Tumut
Bombala	Greater Hume	Mosman	Tweed
Botany Bay	Greater Taree	Murray	Upper Hunter
Bourke	Griffith	Murrumbidgee	Upper Lachlan
Brewarrina	Gunnedah	Muswellbrook	Urana
Broken Hill	Guyra	Nambucca	Wagga Wagga
Burwood	Harden	Narrabri	Wakool
Byron	Hawkesbury	Narrandera	Warren
Cabonne	Hay	Narromine	Warringah
Camden	Hills	Newcastle	Warrumbungle
Campbelltown	Holroyd	North Sydney	Waverley
Canada Bay	Hornsby	Oberon	Weddin
Canterbury	Hunters Hill	Orange	Wentworth
Carrathool	Hurstville	Palerang	Willoughby
Central Darling	Inverell	Parkes	Wingecarribee
Cessnock	Jerilderie	Parramatta	Wollondilly
Clarence Valley	June	Penrith	Wollongong
Cobar	Kempsey	Pittwater	Woollahra
Coffs Harbour	Kiama	Port Macquarie-Hastings	Wyong
Conargo	Kogarah	Port Stephens	Yass Valley
Coolamon	Ku-ring-gai	Queanbeyan	Young
Coonamble	Kyogle	Randwick	

131 Councils submitted their Roads and Bridges Return by the due date.

Albury	Coolamon	Ku-ring-gai	Richmond Valley
Armidale Dumaresq	Cooma-Monaro	Kyogle	Rockdale
Ashfield	Coonamble	Lachlan	Ryde
Auburn	Cootamundra	Lake Macquarie	Shellharbour
Ballina	Corowa	Lane Cove	Shoalhaven
Balranald	Deniliquin	Leeton	Singleton
Bankstown	Dungog	Leichhardt	Strathfield
Bathurst Regional	Eurobodalla	Lismore	Sutherland
Bega Valley	Fairfield	Lithgow	Temora
Bellingen	Forbes	Liverpool	Tenterfield
Berrigan	Glen Innes Severn	Lockhart	Tumbarumba
Blacktown	Gloucester	Maitland	Tumut
Bland	Gosford	Manly	Tweed
Blayney	Great Lakes	Mid-Western Regional	Upper Lachlan
Blue Mountains	Greater Hume	Moree Plains	Uralla
Bogan	Greater Taree	Mosman	Urana
Bombala	Griffith	Murray	Wagga Wagga
Boorowa	Gundagai	Murrumbidgee	Wakool
Botany Bay	Guyra	Nambucca	Warren
Bourke	Gwydir	Narrandera	Warringah
Broken Hill	Harden	Narromine	Warrumbungle
Burwood	Hawkesbury	Newcastle	Waverley
Byron	Hay	North Sydney	Weddin
Cabonne	Hills	Oberon	Wellington
Camden	Hornsby	Orange	Wentworth
Campbelltown	Hunters Hill	Palerang	Willoughby
Canada Bay	Hurstville	Parkes	Wingecarribee
Carrathool	Inverell	Parramatta	Wollongong
Central Darling	Jerilderie	Penrith	Woollahra
Cessnock	Junee	Pittwater	Wyong
Cobar	Kempsey	Port Macquarie-Hastings	Yass Valley
Coffs Harbour	Kiama	Port Stephens	Young
Conargo	Kogarah	Randwick	

Appendix 11: A brief history of financial assistance grants

- 1973 – the Commonwealth general purpose revenue assistance to local government was introduced by the Whitlam government upon the passing of the *Grants Commission Act 1973*. The Commonwealth's stated purpose was to promote fiscal equalisation between regions. The grants were specifically intended to be additional to other untied assistance to local government by the State governments and were not to be a substitute for rates and charges. The Commonwealth Grants Commission was empowered under section 6 of the *Grants Commission Act 1973* to assess grants of financial assistance which would enable:
 - a) all the local governing bodies in a region to function, by reasonable effort, at a standard not appreciably below the standards of the local governing bodies in other regions;
 - b) a local governing body in a region to function, by reasonable effort, at a standard not appreciably below the standards of the other local governing bodies in that region or of the other local governing bodies in other regions; or
 - c) an approved regional organization to function, by reasonable effort, at a standard not appreciably below the standards of other approved regional organizations or of the local governing bodies in other regions.
- 1976 – the policy and the legislation concerning revenue sharing were changed by the Fraser government, which had taken office the previous year.

The *Local Government (Personal Income Tax Sharing) Act 1976* provided for the continuation of general purpose grants to local government with the level of funding being linked to Commonwealth personal income tax collections. Relevant percentages were:

1976 to 1978-79	1.52%
1979-80	1.75%
1980-81 to 1984-85	2.00%

Each State was required to establish a Local Government Grants Commission to make recommendations on the distribution of funds. The Act allowed for a per capita minimum grant to councils based on at least 30 per cent of funds, with the remaining funds to be allocated on a fiscal equalisation basis.

- May 1984 – the Commonwealth Government set up National Inquiry into Local Government Finance, chaired by Professor Peter Self (the Self Inquiry).
- May 1985 – the Commonwealth *Local Government (Personal Income Tax Sharing) Act* was amended to provide for an increase in funding for 1985-86 based on the 1984-85 allocation adjusted for any changes in the Consumer Price Index in the year ended March 1986, plus a 2 per cent real increase.
- October 1985 – the Self Inquiry report was presented to Commonwealth Government.
- 1 July 1986 – the *Local Government (Financial Assistance) Act 1986* came into operation and replaced the *Local Government (Personal Income Tax Sharing) Act 1976*.

The 1986 Act embodied a number of the recommendations of the Self Inquiry and changed the basis of funding by the Commonwealth and included a requirement that each State develop and submit to the Commonwealth by 1 July 1987 principles for the distribution of funds amongst local governing authorities.

Thereafter funds to be distributed between the States on an equal per capita basis using estimated resident populations at 31 December in the previous year.

- *June 1991* – the 1986 Act was amended in to give effect to decision of the 1990 Special Premiers' Conference untie local roads funds and pay these through general purpose grants and to provide the Treasurer with a discretion to set base funding at a level consistent with the underlying growth in general revenue assistance to the States.
- *February 1991* – report by the Commonwealth Grants Commission on the Interstate Distribution of General Purpose Grants for Local Government.
- *1 July 1995* – the *Local Government (Financial Assistance) Act 1995* came into operation replacing the 1986 Act. The 1995 Act embodied recommended arrangements contained in the Discussion Paper conducted as part of the review of the previous Act.

The 1995 Act retained horizontal fiscal equalisation (subject to a minimum grant entitlement) as the primary mechanism for grant distribution and an equal per capita interstate distribution and replaced State by State principles with a set of national principles prepared by the Commonwealth Minister. It provided for the making of an annual report to the Federal Parliament on the operation of the Act and the performance of councils including their efficiency and services provided for Aboriginal & Torres Strait Islander Communities.

- *June 2000* – the Commonwealth Minister announced the review into the *Local Government (Financial Assistance) Act 1995*. The Commonwealth Grants Commission was commissioned to undertake the review, which was to be completed by June 2001.
- *June 2001* – the Commonwealth Minister received the report from the Commonwealth Grants Commission into the operations of the 1995 Act.
- *May 2002* – the Minister for Regional Services, Territories and Local Government, the Wilson Tuckey MP, announced an inquiry into the financial position of local government in Australia (the Cost Shifting Inquiry). The House of Representatives Standing Committee on Economics, Finance and Public Administration inquiry, chaired by David Hawker MP, focused on cost shifting to local government by State governments and issues surrounding constitutional recognition of local government.
- *February 2003* – the Cost Shifting Inquiry issued a discussion paper entitled 'At the Crossroads.'
- *October 2003* – the Cost Shifting Inquiry released its *Rates and Taxes: A Fair Share for Responsible Local Government, Final Report*.

- *March 2004* – the Prime Minister announced \$26.25 million (over three years) in financial assistance to Local Government in South Australia to supplement the Identified Local Road Grants.
- *June 2005* – the Government released its response to the Cost Shifting Inquiry.
- *September 2005* – the Commonwealth Grants Commission was asked by the Government to review the interstate distribution of the identified local road grant component of the financial assistance grants.
- *November 2005* – an issues paper *Review of the Interstate Distribution of Local Road Grants* was circulated by the Commonwealth Grants Commission.
- *April 2006* – representatives from all three spheres of government signed an intergovernmental agreement to help counter cost shifting
- *June 2006* – the Commonwealth Grants Commission presented its report and recommendations to the Government into the interstate distribution of the Identified Local Road Grants.
- *September 2006* – a motion to recognise the role of local government in Australian federalism was passed in both houses of federal parliament.
- *May 2007* – in response the Commonwealth Grants Commission’s recommendations regarding the interstate distribution of Local Road Grants the Australian Government announces, largely because of data concerns, that it “*has decided to retain the existing interstate distribution and continue the supplementary funding for South Australian councils.*”
- *June 2009* – the Australian Government brings forward the first quarterly payment of the 2009-10 financial assistance grants. The payment was allocated between councils based on the 2008-09 entitlement relativities. The balance of the 2009-10 payments, with adjustments for the advance payment, was paid in four instalments commencing in September 2009.
- *June 2010* – as in 2009 the Australian Government brings forward the first quarterly payment of the 2010-11 financial assistance grants.
- *May 2011* – as part of the May federal budget the Australian Government announced that it “*will conduct a review into the equity and efficiency of the current funding provided through the Financial Assistance Grants program.*”
- *June 2011* – for the third year the Australian Government brings forward the first quarterly payment of the 2011-12 financial assistance grants.

Appendix 12: Glossary

Cash payment

The cash payment is the amount the Council will receive in a year. The cash payment is the estimated entitlement for a year plus or minus adjustments for under or overpayments in the previous year. Cash payments are made by way of quarterly instalments commencing not before 15 August each year.

Disability

Any influence, beyond a council's control, which would lead it to spend more (or less) per unit than the State average to provide the average level of service.

Disability factor

A measure of the underlying influence on a council's expenditure which produces a disability, expressed as a percentage of the State average.

Effort neutral

The assessment of a financial assistance grant is effort neutral when it neither rewards nor penalises a council where expenditure or revenue raising patterns vary from the State average because of differences in policy, efficiency or the levels of self help.

Effort positive

The assessment of a financial assistance grant is effort positive when it rewards or penalises a council where expenditure or revenue raising patterns vary from the State average because of differences in policy, efficiency or the levels of self help.

Equalisation component

See general purpose component.

Estimated entitlement

The estimated entitlement for financial assistance grants is based on Australian Government estimates of the annual Consumer Price Index movements (March to March) and the States' population shares (see Section 9 of the Commonwealth Act for further details).

Exclusion method

The exclusion from the calculation of a council's financial assistance grant of all assessed expenditure linked to Federal or State Government specific purpose funding.

Financial assistance grant

Refers to payments made under the *Local Government (Financial Assistance) Act 1995*. The payments consist of two components: a general purpose component and a local roads component. However, the payments are made unconditionally to local government. That is, councils can spend the funds according to their own locally determined priorities.

Function

A function is a service provided by the majority of councils which is assessed by the Commission in order to calculate a council's financial assistance grant. For example, libraries, planning, and health and safety are referred to as functions.

General purpose component (equalisation component)

That part of the financial assistance grant component which is determined by the Commission on the basis of horizontal equalisation principles.

Horizontal equalisation

The objective of the grants is to ensure that each council is able to function, by reasonable effort, at a standard not lower than the average standard of other local governing bodies in the State. The calculation takes into account the differences in expenditure required in performing its functions and in the capacity to raise revenue.

Inclusion method

The inclusion of all assessed expenditure in the council's financial assistance grant, including that related to Federal and State Government specific purpose funding.

Local Government Grants Commission

In each State and the Northern Territory, Local Government Grants Commissions have been established under State and Territory jurisdiction to provide recommendations on the distribution of the available general purpose and local roads component grants to councils in that State/Territory.

Local roads component

That part of the financial assistance grant that is determined by the Commission for local roads. This is separate from the calculation of standardised expenditure for local roads within the general purpose component of a council's financial assistance grant. The payment was previously made as a tied grant and became untied from 1991-92.

Overpayments and underpayments

These occur when the actual Consumer Price Index (CPI) and States' population shares differ from the forward estimates upon which the estimated entitlement was based. The Australian Government determines these differences and adjustments are made to the following year's cash payments. For example: if the Australian Government estimated a CPI increase of 3% and the actual final figure is below 3%, then an overpayment occurs; if the final figure is above 3% then an underpayment occurs.

Per capita minimum

This is the minimum entitlement for each council's financial assistance grant. The amount is based on 30 per cent of available funds in each State being distributed on a per capita basis. This entitlement only becomes effective when a council's grant based on the horizontal equalisation calculation falls below this minimum entitlement.

Specific purpose grant

Payments made by Federal or State governments to a council for a specific purpose. Such specific purpose grants usually require a council to meet conditional arrangements in order to receive a grant.

Standard cost

A five year average of the annual average net expenditure, per unit, by all councils, excluding extreme values, results in the standard cost.

Standardised revenue and expenditure

This is the assessed (rather than the actual) revenue and expenditure for each council determined by the Commission as required for horizontal equalisation purposes, which takes into account each council's expenditure needs, revenue raising capacity, and disabilities.

Unit cost

Commission identified recurrent expenditure for a function for a council divided by that council's appropriate number of units.

Units

This is the term used to describe the number of appropriate units to be serviced in the provision of any particular function. Units may be population, the number of urban properties, non-urban properties, length of road, and bridge length.

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There were no external costs incurred in the production of this annual report.

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