



NSW Local Government Grants Commission

# Annual Report

## 2019-20



## NSW LOCAL GOVERNMENT GRANTS COMMISSION

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## Table of Contents

|   |           |
|---|-----------|
| <b>Foreword</b> .....   | <b>4</b>  |
| <b>About NSW Local Government Grants and the Commission</b> .....                 | <b>6</b>  |
| Principal Legislation .....   | 6         |
| Membership.....   | 6         |
| Staff.....  | 6         |
| <b>2019-20 Achievements</b> .....   | <b>7</b>  |
| Reviews – Refinements - Transition .....  | 7         |
| Transport for NSW - Road Classification Review & Regional Road Transfer 2020..... | 9         |
| National Forums of Grants Commissions .....                                       | 9         |
| Hearings .....  | 9         |
| Annual Data Collection Returns.....   | 10        |
| 2019-20 Payments .....  | 10        |
| <b>2019-20 Grant Outcomes</b> .....   | <b>11</b> |
| Total allocation of funds.....  | 11        |
| General Purpose Component - Overview .....  | 15        |
| 2019-20 Local Road Component.....   | 17        |
| <b>How Financial Assistance Grants Operate</b> .....                              | <b>18</b> |
| Grant entitlements .....  | 18        |
| National principles for the allocation of general purpose grants .....            | 18        |
| National principles for the allocation of local road grants .....                 | 19        |
| <b>Considerations in grant calculations</b> .....                                 | <b>20</b> |
| General Purpose Component - Expenditure allowances .....                          | 20        |
| Disability factors .....  | 21        |
| Revenue allowance .....   | 23        |
| Property values.....  | 23        |
| Pensioner rebate allowance .....  | 24        |
| Isolation allowance.....  | 24        |
| Relative disability allowance .....   | 24        |
| Population changes .....  | 24        |
| Efficiency.....   | 24        |
| Standard cost.....  | 25        |
| Specific purpose grant .....  | 25        |
| Rate pegging .....  | 25        |
| Non-rateable properties .....   | 25        |
| <b>Schedule of 2019-20 Grant Entitlements</b> .....                               | <b>25</b> |
| <b>Appendix 1: Member Profiles</b> .....  | <b>30</b> |
| The Hon Jenny Gardiner, B. Bus - Chair .....                                      | 30        |
| Mr Grant Gleeson - Deputy Chair .....   | 30        |
| Mr Alan McCormack, PSM - Commissioner .....                                       | 30        |
| Mr Graeme Fleming, PSM – Commissioner.....  | 30        |

## Foreword

This report contains information on the key activities of the NSW Local Government Grants Commission (Commission) during 2019-20, including the transition to refining the expenditure allowance following an extensive review of the Financial Assistance Grants (FAGs) allocation methodology. It also reports on the distribution of over \$805 million in grant entitlements to NSW local governing bodies, paid as unconditional grants under the provisions of the Federal *Local Government (Financial Assistance) Act 1995*.

The Commission is pleased to advise that, in 2019-20, the estimated FAG entitlement for NSW increased by over \$30 million on the 2018-19 final entitlement, with no NSW local government bodies receiving decreases in their overall grants. This is the third year of increases in the overall pool since the Federal Government resumed indexation in its 2017-18 budget. This followed three years of the Federal Government's paused indexation of the FAGs in its 2014-15 budget.

The Federal Government brought forward payment of approximately half of the 2019-20 grant allocation, making the advance payment on 10 June 2019. The advance payment was based on councils' 2018-19 grant, plus early estimates for indexation. This early payment was consistent with prior years' practice and it broadly balanced out when the Federal Government again made an advance payment of half of the 2020-21 grant in the 2019-20 financial year.

Over time, the Commission has continued to identify opportunities to shift grants to councils with the greatest relative need. This is consistent with recommendations made by the Independent Local Government Reform Panel in 2012 and with NSW Government policy to target grants towards communities with the greatest relative need.

In 2016, the Commission began the process to review the FAGs allocation methodology. The Office of Local Government (OLG) appointed an independent consultant to develop a modernised funding model that was consistent with recommendations from various reviews. The model designed enabled more funds to be allocated to those NSW local councils with the greatest relative need, while also remaining consistent with the constraints imposed by the national principles. The model, now adopted, retained the basic methodology but consolidated and streamlined the expenditure allowance within the general purpose grants. The Commission tested, consulted and deliberated on the refinements to the model and, in 2018-19, began the transition towards full implementation of the revised methodology.

During 2019-20, the Commission decided to retain the lower limit (floor) of 0% transitional protection implemented in 2018-19, to minimise the impact of any redistribution of funds. Movements in the general purpose grant have a floor of 0% and upper limit (ceiling) of +5% on the previous year's grant. Therefore, no council received a lower general purpose grant than the previous year. However, it is the intention of the Commission to ultimately resume the floor to its original, accepted level of -5%. To this end, the Commission has been engaging particularly with councils likely to be impacted by the reintroduction of a negative floor in the general purpose grant.

The Commission recognises that the biggest impediment to distributing a fair proportion of the general purpose grants to councils with the greatest relative need is the per capita minimum payment (stipulated in the Federal legislation) and the impact of population

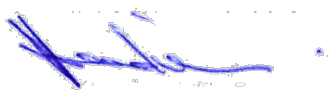
decline in many rural and remote areas. Despite this, the Commission is pleased that its ongoing efforts have resulted in further recognition for relatively disadvantaged rural and remote councils, which are often those with the least capacity to raise revenue, with those councils receiving steady increases in recent years.

This year the Commission held nine public hearings with individual councils across the state. The ability of the Commission to visit councils was restricted by the Covid-19 pandemic and devastating bushfires. Over recent years we have also met with councils in larger forums to reach a broader audience and receive sector feedback. The Commission appreciated the opportunity to meet with councils to hear from them and to explain the Commission's approach to the assessment of FAGs. The Commission extends a sincere thank you for the co-operation, assistance and hospitality extended to it during those visits.

The Commission continues to remind councils that the grants to individual councils will fluctuate as it makes its annual assessments based on a calculation of relative need. Therefore, while indexation has recommenced, the Commission strongly urges all councils to exercise extreme caution with their FAGs budget forecasts. Among other factors, the financial impact of the COVID -19 pandemic is yet to be realised, including on the future level of indexation applied to the FAGs. The world economy is at its slowest growth rate since the global financial crisis (International Monetary Fund 2019) which gives reason for concern about the on-going, overall level of the FAGs.

The Commission acknowledges the efforts of, and thanks, those councils that submitted their information data returns by the required date in 2018 for the 2019-20 grant calculations. However, it remains concerned about the failure of some councils to submit data collection returns or for submitting them late. This may result in councils receiving an inaccurate allocation, potentially to the detriment of the council.

I would like to take this opportunity to thank my fellow Commissioners, Grant Gleeson, Graeme Fleming, PSM, and Alan McCormack, PSM, for their contributions to the 2019-20 grant determination. Thanks are also due to the Commission's Executive Officer, Helen Pearce, for her assistance over the past year.



The Hon Jennifer Gardiner  
**Chair**

## About NSW Local Government Grants and the Commission

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

In NSW, the primary function of the NSW Local Government Grants Commission (Commission) is to make recommendations for the allocation of the FAGs to the NSW Minister for Local Government. If adopted by the Minister, the recommendations are referred to the Federal Minister for Local Government for final approval, and subsequent payment.

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

### Principal Legislation

The Commission operates under two sets of legislation; the Federal *Local Government (Financial Assistance) Act 1995* and the NSW *Local Government Act 1993*.

While the Commission is constituted under the NSW Act, it is the Federal Act that gives the context for the allocation program.

### Membership

The Commission consists of four members appointed for terms of up to five years, consisting of:

- three members nominated by the Minister, one of whom is the chair;
- the deputy chair, who is an officer of the NSW Office of Local Government (OLG).

Of the members, at least two must be or have been associated with local government in NSW. The members of the Commission are eligible for reappointment.

The members of the Commission are all part-time. The Deputy Chair is also a full-time officer of the OLG as Director of the Legal Team. From 1 July 2019 to 30 June 2020, the members were:

- The Hon Jennifer Gardiner, B. Bus, Chair
- Mr Grant Gleeson, Deputy Chair
- Mr Alan McCormack, PSM, Commissioner
- Mr Graeme Fleming, PSM, Commissioner

Member profiles for the current members are included in Appendix 1 of this report.

### Staff

The Commission's staff consists of one full-time officer of the OLG:

- Helen Pearce, Executive Officer

## 2019-20 Achievements

### Reviews – Refinements - Transition

According to a mounting body of evidence (including findings by the Productivity Commission and the Independent Local Government Review Panel), there is an increasing inequity between sparsely populated more remote and rural areas and metropolitan, more densely populated areas. Generally, remote councils have greater relative need, due to inherent factors, which is being compounded by depopulation.

In NSW, a shift in population has been trending from the west of the divide toward the eastern seaboard. This has resulted in long term population decline in many rural and remote council areas. Therefore, such councils have a diminishing capacity to raise revenue, while retaining responsibility for infrastructure and services, often including large local road networks in the area. They are also vulnerable to the impacts of drought, flood and bushfire, further disadvantages which all amount to a greater relative disadvantage, or need, due to factors beyond those councils' control.

This trend (councils with growing relative need) was recognised by the Independent Local Government Review Panel (Panel). In 2013, the Panel recommended targeting the grants to such communities, within the constraints imposed by the national funding principles, adding that a transitional period should apply to minimise the impact of any redistribution. The NSW Government supported this recommendation and a major review of the financial assistance grant methodology followed.

In January 2016, OLG engaged an independent consultant (Consultant) to review the existing funding model, in order to simplify and streamline the model and to allocate a higher proportion of the grants to councils that have the greatest relative need.

Methodologies from other states and the approach undertaken by the Federal Grants Commission were also evaluated during the review. The Consultant tested the materiality of the factors in the existing allocation model using five years of council data and supplementary data from various other sources including, for example, the Australian Bureau of Statistics. The aim of the tests was to determine which factors were real drivers of costs for councils, based on robust statistical techniques. The review found that the Commission and councils had been expending considerable effort to recognise what often resulted in a relatively insignificant allocation in the final grant outcome.

Later in 2016, the Consultant made its final recommendations. It recommended that the Commission adopt the materiality approach, to ensure the most significant cost drivers would be taken into account. The Consultant revised the existing model to enable it to deliver on the prerequisites. The revised model:

- based on genuine cost drivers, allocates a higher proportion of grant funding to councils with the greatest relative need
- is consistent with the national principles
- is consistent with NSW Government FAGs allocation policy
- is robust, statistically verifiable and auditable
- uses best practice financial modelling principles
- is transparent and publishable

Essentially, the basic methodology didn't need to change. The Consultant recommended retaining the Direct Assessment approach of the existing model,

retaining the local roads component model and also most of the general purpose component.

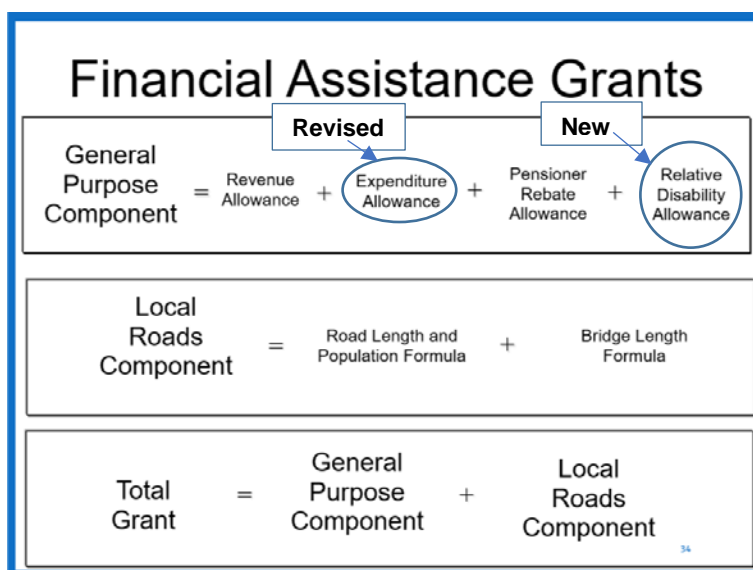
Until then, the Commission had been working with a general purpose component with an expenditure allowance comprising 20 functions and 47 disability factors applied to 128 councils. By 2014-15 there were also 234 occurrences of councils receiving at least one additional discretionary disability factor. While those additional allowances were reduced to 98 by 2016-17, the effect of increasing the functions and disability factors over time had reduced the significance of each factor, resulting in a complex and granular model.

The Consultant recommended retaining the following allowances in the general purpose component:

- the revenue allowance, based on rateable value across two land use categories (urban and non-urban)
- the isolation allowance
- the pensioner rebate allowance
- the stormwater drainage allowance
- the local road maintenance allowance

To improve the model, however, the Consultant recommended streamlining and simplifying the expenditure allowance of the general purpose component allocation by consolidating the expenditure functions and disability factors.

This diagram shows where the FAGS model changes are occurring.



In 2017-18, the Commission continued to review and test the revised model, in consultation with the Consultant and the sector, prior to commencing the transition. Councils were consulted through meetings, council circulars, letters to councils, fact sheets and some also through telephone calls. As a result of its ongoing review and consultation, the Commission also decided to include an allowance for councils with the greatest relative need to the model; the relative disability allowance.

The Commission commenced transitioning to the proposed model, to calculate and distribute grants to NSW councils, in the 2018-19 financial year. As recommended by the Panel, a transition period was applied to ensure councils retained some stability through



the implementation process. The transition period has been extended to 2019-20 for continued grant stability, and to allow further consultation with councils prior to the full implementation of the revised model. Further details about consolidating the expenditure allowance and the relative disability allowance are provided in the general purpose component section of this report.

### **Transport for NSW - Road Classification Review & Regional Road Transfer 2020**

In late 2019, an Independent Panel was appointed to undertake the Transport for NSW (TfNSW) road classification review and approach to the transfer of up to 15,000km of regional roads.

In February 2020, the Commission had a preliminary meeting with TfNSW. Among other matters, the potential financial impact of road re-classification on the FAGs was discussed. The Independent Panel also met with the Commission's Executive Officer in May, at which time the Independent Panel was still consulting with stakeholders.

As for increases and decreases in lengths of local roads, potentially the main impact would be on the local roads component of the FAGs. However, the amount of the total Federal local roads component pool is not affected by State road reviews. Therefore, if the State's length of local roads were to reduce, for example, the amount paid to councils per km of local road from the local roads pool would increase. It is the relative differences between councils' local road length, bridges on local roads and population that drive the grant outcomes (see the local road component section for further details).

The Commission will be following the review process closely, including any recommendations. The Independent Panel plans to deliver its final recommendations to the NSW Government by July 2021.

### **National Forums of Grants Commissions**

The Chair and Deputy Chair attended a national forum of grants commissions, which is held every second year. The forum, which was hosted by the Queensland Grants Commission, was held in Brisbane on 7-8 November 2019.

The forum was attended by grants commissions' executive officers and commissioners from other states and territories and the Australian Government and provided the opportunity to discuss issues common to all jurisdictions.

### **Hearings**

The Commission is required to hold public hearings, enabling local authorities and their associations to make submissions concerning grant recommendations.

The Commission usually aims to meet with all councils over a four to five year cycle. However, the Covid-19 pandemic has limited the ability of the Commission to visit councils and to hold public hearings. Depending on future social and travel restrictions imposed in NSW due to the pandemic, the Commission will be exploring other options to deliver on council meetings.

The meetings provide a forum for the Commission to explain the grant process and, more importantly, provide councils with an opportunity to meet with the Commission, ask specific questions about the grant process, the revised model, and present their particular challenges. In addition to visiting individual councils, the Chair gave a

presentation at the Country Mayors Association Annual General Meeting on 6 March 2020.

The good working relationship that exists between the Commission and local councils in NSW is also an important aspect of the consultative approach taken by the Commission. The Commission has received very positive feedback particularly about the presentation at council meetings. This is consistently evident from responses provided in the evaluation forms, which people complete after attending council public hearings with the Commission.

During 2019-20, the Commission held 9 public hearings at:

| Council                      | Date             |
|------------------------------|------------------|
| Bega Valley Shire            | 19 November 2019 |
| Eurobodalla Shire            | 19 November 2019 |
| Snowy Monaro Regional        | 20 November 2019 |
| Snowy Valleys                | 20 November 2019 |
| Queanbeyan-Palerang Regional | 21 November 2019 |
| Armidale Regional            | 11 February 2020 |
| Glen Innes Severn Shire      | 11 February 2020 |
| Kyogle                       | 12 February 2020 |
| Richmond Valley              | 12 February 2020 |



### Annual Data Collection Returns

During 2019-20, councils were required to complete two data collection returns of information specifically required the Commission. The distribution of the returns was staggered over two months (September - October) to ease the burden on councils. The surveys are the return of general information and the return of information for local roads and bridges on local roads. Also, councils' financial data returns (general information tab and net cost of services tab) contain essential information for the revenue allowance and the expenditure allowance.

The accuracy and timely lodgement of the returns is important, as the information supplied is used in the calculation of the annual grant allocations. Late lodgement, or the failure to lodge the returns, by councils causes delays in processing the data and creates complications in formulating the grants.

### 2019-20 Payments

During 2019-20, NSW councils received total cash payments of \$795,539,051 in federally funded financial assistance grants. The payments made to councils in 2019-20 comprised:

- \$386,212,181 for the remaining half of the 2019-20 grant (after half was paid in advance on 26 June 2020); and
- \$409,326,870 as an advance amount of half the 2020-21 grant, paid to councils on 26 June 2020.

The next table shows when the quarterly FAG instalments for 2019-20 and advance FAG payment for 2020-21 where paid to councils during 2019-20.

| Date             | Description                              | \$ Payment         |
|------------------|--|--------------------|
| 17 August 2019   | Quarterly instalment                     | 96,553,045         |
| 18 November 2019 | Quarterly instalment                     | 96,553,045         |
| 18 February 2020 | Quarterly instalment                     | 96,553,045         |
| 18 May 2020      | Quarterly instalment                     | 96,553,046         |
| 26 May 2020      | Advance amount of half the 2020-21 grant | 409,326,870        |
|                  | <b>Total Payments 2019-20</b>            | <b>795,539,051</b> |

## 2019-20 Grant Outcomes

### Total allocation of funds

The total estimated national entitlement for 2019-20 is \$2.537 billion. This is made up of a general purpose component of \$1.757 billion and a local roads component of \$780 million.

The general purpose component is distributed on a basis that takes into account each state's share of the national population. NSW receives \$562 million, or 31.96% 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 \$226 million, or 29.01% of the national funds.

The Federal Act provides for two funding pools:

1. General Purpose Component
2. Local Roads Component

The total grant is "untied"



The cash payment made to councils is based on the Federal Government's estimated entitlement for a year, plus or minus adjustments for under or overpayments in the previous year. In 2019-20, there was a decrease of almost \$5.6 million to NSW's grant for 2018-19 final entitlement, primarily due to the adjustment for CPI. The Commission is mindful of the potential future impacts a global recession could have on the financial assistance grants and routinely reminds councils to err on the side of caution when preparing budget forecasts.

The total grant funds are passed on to councils, with the Commission's operating costs being met by the NSW State Government.

In NSW, as at 30 June 2020, there were 128 general purpose councils, as well as the Lord Howe Island Board, and the Village Committees of Silverton and Tibooburra, that each receive grant funding.

The 2019-20, estimated entitlements for NSW, compared to the 2018-19 final entitlements, are:

| Component       | 2018-19 Final Entitlement | 2018-19 Share of National allocation | 2019-20 Estimated Entitlement | 2019-20 Share of National Allocation | % Change     |
|-----------------|---------------------------|--------------------------------------|-------------------------------|--------------------------------------|--------------|
| General Purpose | 540,182,065               | 31.99%                               | 561,526,802                   | 31.96%                               | 3.95%        |
| Local Roads     | 217,404,506               | 29.01%                               | 226,201,773                   | 29.01%                               | 4.05%        |
| <b>Total</b>    | <b>757,586,571</b>        | <b>31.07%</b>                        | <b>787,728,575</b>            | <b>31.11%</b>                        | <b>3.98%</b> |

The following table shows the overall percentage changes to 2019-20 grant allocations to councils, in comparison to the previous year allocation:

| % change in grant | General Purpose Component - No. of Councils | Local Roads Component - No. of Councils | Total Grant – No. of Councils |
|-------------------|---|---|-------------------------------|
| <0%               | 0   | 0                                       | 0                             |
| 0% to 2.5%        | 11  | 6                                       | 10                            |
| >2.5% to 5%       | 54  | 107                                     | 65                            |
| >5% to 7.5%       | 54  | 13                                      | 52                            |
| >7.5%             | 12  | 2                                       | 4                             |
| <b>*Total</b>     | <b>131</b>                                  | <b>*128</b>                             | <b>131</b>                    |

\* The local roads component excludes Lord Howe Island Board and the Silverton and Tibooburra Village Committees

Of the 131 local governing bodies, which includes 128 general purpose councils, the Lord Howe Island Board and the Silverton and Tibooburra Village Committees, no councils received a decreased grant.

In 2019-20, the following 77 councils received increases in their *overall* grant of more than \$200,000. A number of these councils were already on the per capita minimum. The Commission is constrained by the per capita minimum grant which is enshrined in the national principles. Sometimes, by applying the principle, it results in high growth, wealthy, more advantaged councils with greater revenue raising capacity and economies of scale, receiving a larger increase or higher rate of increase in their general purpose grant than councils with greater relative need.

| LGA                   | GPC \$ Per Capita | TOTAL \$ Increase | LGA                     | GPC \$ Per Capita | TOTAL \$ Increase | LGA               | GPC \$ Per Capita | TOTAL \$ Increase |
|-----------------------|-------------------|-------------------|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Central Coast         | 63.37             | 688,845           | Narrabri (S)            | 379.70            | 318,684           | Leeton (S)        | 298.97            | 256,086           |
| Mid-Coast             | 136.20            | 553,520           | Sydney (C)*             | 21.09             | 314,991           | Upper Lachlan (S) | 367.69            | 254,108           |
| Wollongong (C)        | 76.06             | 494,019           | Inverell (S)            | 241.20            | 310,313           | Kyogle            | 326.60            | 249,667           |
| Lachlan (S)           | 969.87            | 457,313           | Port Macquarie-Hastings | 77.58             | 310,297           | Gwydir (S)        | 530.41            | 248,246           |
| Lake Macquarie (C)    | 66.81             | 438,557           | Cobar (S)               | 891.83            | 307,479           | Cabonne           | 218.08            | 244,525           |
| Bourke (S)            | 1,598.75          | 426,514           | Dubbo Regional          | 153.67            | 305,952           | Narrandera (S)    | 560.70            | 242,677           |
| Central Darling (S)   | 2,260.47          | 413,263           | Snowy Valleys           | 306.46            | 302,358           | Cessnock (C)      | 94.98             | 242,640           |
| Murray River          | 454.28            | 382,860           | Griffith (C)            | 149.78            | 299,868           | Gunnedah (S)      | 241.42            | 241,894           |
| Brewarrina (S)        | 1,764.52          | 382,859           | Kempsey (S)             | 146.82            | 299,000           | Richmond Valley   | 153.89            | 241,765           |
| Snowy Monaro Regional | 333.15            | 371,613           | Armidale Regional       | 141.75            | 298,372           | Cowra (S)         | 258.92            | 241,318           |
| Carrathool (S)        | 1,346.95          | 370,646           | Murrumbidgee            | 743.25            | 296,576           | Coffs Harbour (C) | 70.13             | 237,155           |
| Shoalhaven (C)        | 86.80             | 368,770           | Forbes (S)              | 362.60            | 289,551           | Goulburn Mulwaree | 112.90            | 234,226           |
| Bland (S)             | 800.29            | 367,765           | Balranald (S)           | 1,229.85          | 289,486           | Lithgow (C)       | 166.23            | 233,227           |

| LGA                  | GPC \$ Per Capita | TOTAL \$ Increase | LGA                           | GPC \$ Per Capita | TOTAL \$ Increase | LGA                          | GPC \$ Per Capita | TOTAL \$ Increase |
|----------------------|-------------------|-------------------|-------------------------------|-------------------|-------------------|------------------------------|-------------------|-------------------|
| Moree Plains (S)     | 378.59            | 358,455           | Edward River                  | 457.08            | 285,401           | Narromine (S)                | 462.82            | 231,608           |
| Federation           | 383.74            | 353,131           | Hills (S)*                    | 21.09             | 280,436           | Queanbeyan-Palerang Regional | 61.81             | 230,246           |
| Walgett (S)          | 760.16            | 352,978           | Hay (S)                       | 765.55            | 277,703           | Glen Innes Severn            | 324.65            | 229,732           |
| Tamworth Regional    | 102.18            | 352,262           | Tenterfield (S)               | 493.41            | 277,279           | Blue Mountains (C)           | 95.45             | 227,482           |
| Clarence Valley      | 150.63            | 347,543           | Cootamundra-Gundagai Regional | 335.78            | 274,734           | Orange (C)                   | 84.45             | 218,295           |
| Mid-Western Regional | 167.78            | 344,374           | Greater Hume (S)              | 314.94            | 274,365           | Sutherland (S)*              | 21.09             | 214,449           |
| Tweed (S)            | 82.20             | 333,336           | Bega Valley (S)               | 153.13            | 271,292           | Northern Beaches*            | 21.09             | 211,112           |
| Warrumbungle (S)     | 508.62            | 328,006           | Coonamble (S)                 | 677.94            | 270,396           | Ballina (S)                  | 72.20             | 210,494           |
| Broken Hill (C)      | 252.43            | 327,962           | Bogan (S)                     | 1,071.06          | 266,350           | Bellingen (S)                | 225.80            | 207,934           |
| Newcastle (C)        | 65.24             | 326,096           | Upper Hunter (S)              | 223.16            | 262,212           | Temora (S)                   | 378.54            | 207,662           |
| Hilltops             | 286.50            | 324,189           | Berrigan (S)                  | 400.68            | 261,449           | Liverpool Plains (S)         | 315.49            | 207,311           |
| Parkes (S)           | 291.98            | 320,867           | Wentworth (S)                 | 611.10            | 257,664           | Maitland (C)                 | 68.72             | 204,639           |
| Wagga Wagga (C)      | 110.31            | 319,692           | Eurobodalla (S)               | 142.61            | 257,009           |                              |                   |                   |

Nil councils received decreases in their overall grant in 2019-20, however in years prior to the transition, around 10 or so councils received reduced general purpose grants due to the horizontal fiscal equalisation national principle.

| Key                |     |
|--------------------|-----|
| City               | (C) |
| Municipality       | (M) |
| Shire              | (S) |
| Per capita minimum | *   |

The ten council areas receiving the greatest percentage increases in their overall grant in 2019-20 are:

| LGA                 | % change | LGA                | % change |
|---------------------|----------|--------------------|----------|
| Brewarrina (S)      | 9.9%     | Balranald (S)      | 7.3%     |
| Hay (S)             | 9.8%     | Broken Hill (C)    | 7.0%     |
| Walcha              | 8.0%     | Warren (S)         | 7.0%     |
| Central Darling (S) | 7.7%     | Murrumbidgee (new) | 6.9%     |
| Bourke (S)          | 7.4%     | Coonamble (S)      | 6.8%     |

### General Purpose Component - Overview

The overall approach used to determine the general purpose component of the grant has not changed since last year. The Commission attempts to equalise (horizontal fiscal equalisation) the financial capacity of councils. The methodology considers cost disabilities in the provision of services on the one hand (expenditure allowances) and revenue raising capacity on the other (revenue allowances). This approach is objective and excludes, as far as practicable, councils' policies and practices (effort neutral).

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.

In 2019-20, the NSW estimated entitlement was \$561,526,802, which equates to a 32% share of the national general purpose allocation and an increase of \$21,344,737 on the previous year's final allocation. The State's share of the national allocation has slightly decreased by -0.005% from 2018-19, as a result of NSW's relative decrease in its share of the national population.

In 2019-20, 72% of the grants went to non-metropolitan areas, which account for almost 35% of the State's population. The metropolitan area (the Greater Sydney Statistical Area) received the remaining 28% of the grant allocation. Over the years, there has been a stable split of 73% to metropolitan councils and 27% to non-metropolitan councils. However, since commencing the transition to the revised expenditure allowance, there has been a shift of the overall general purpose grants of around 1% to councils with greatest relative disadvantage, which is achieving the intent of the Commission.

On average, non-metropolitan councils received an increase of 4.8% in their general purpose component grants. The overall average increase for metropolitan councils was 1.9%.

### Capping +5% to -0%

In an effort to maintain stability in grant outcomes, the Commission has adopted a 0% lower limit (floor) and +5% upper limit (ceiling) to variations in the general purpose component of the grant, from the previous year for individual council grant outcomes. The floor and ceiling have been adjusted for the transition so that councils can plan for changes that may impact grant outcomes when the revised model is fully implemented.

In the years prior to the transition, the floor was -5% and the ceiling was 5-10%. This limit recognises those councils that are most disadvantaged on the one hand and, on the other hand, is fair, reasonable and manageable for those councils that have reductions. In 2017-18, nine councils had entitlements below 0% and were likely to continue on that trajectory but are currently being protected against the negative floor during the transition. This is not sustainable in the long term as those councils are essentially being supported by councils with greater disadvantage. However, while limits are applied, there is a new allowance that falls outside of the capping process; viz the relative disability allowance.

Four councils' grants were increased by, or capped at, 5% in the general purpose component: Hunters Hill (M), Mosman (M), Lane Cove (M) and Burwood. Ten councils were protected by the -0% floor arrangement, as follows:

| General purpose component councils protected by the 0% floor |                |
|--|----------------|
| Parramatta (C)   | Camden         |
| Canterbury-Bankstown   | Blacktown (C)  |
| Cumberland   | Liverpool (C)  |
| Fairfield (C)  | Penrith (C)    |
| Campbelltown (C)   | Hawkesbury (C) |

### Relative Disability Allowance

After calculating the minimum per capita grant for the year, but before the grants are calculated, a proportion of the annual CPI increase is quarantined from the total grant for the relative disability allowance. In 2019-20, the Commission quarantined \$5m (0.89% of the total general purpose grant pool) and applied it after the rest of the general purpose grants had been calculated. Therefore, the allowance was not impacted by any adjustments, including scaling to the available federal funds, for the per capita minimum grant and the application of the 5% ceiling and 0% floor on the prior year's general purpose grant. The relative disability allowance is determined by a council's rate of population decline, length of unsealed local roads and a measure for isolation. As some councils eligible for the relative disability allowance were already on or close to the 5% ceiling, their grant exceeded the 5% ceiling. Other councils exceeding the ceiling were councils on the per capita minimum with population increases causing their grants to increase. The minimum grant is a national principle which overrides the Horizontal Fiscal Equalisation principle.

### Per Capita Minimum

The Federal Act specifies that all councils are entitled to a per capita minimum grant, based on 30% of the general purpose component. In 2019-20, seventeen councils, all located in the Sydney metropolitan area, received the "safety net" minimum entitlement of \$21.09 per capita. They are:

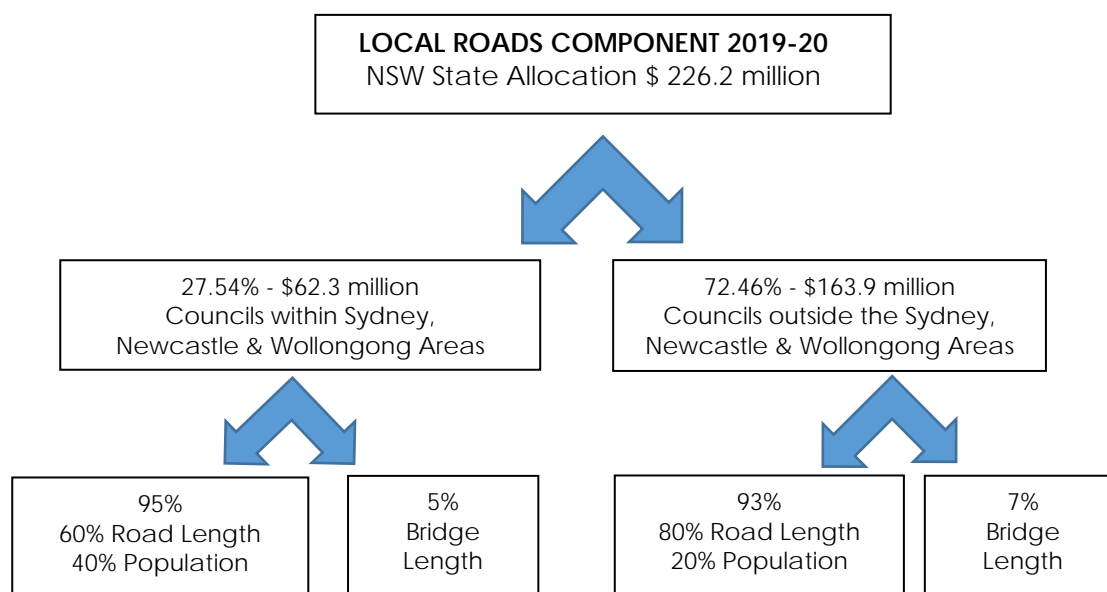
| Councils on the minimum per capita grant |                  |                 |                |
|--|------------------|-----------------|----------------|
| Bayside                                  | Inner West       | Ryde (C)        | Willoughby (C) |
| Canada Bay (C)                           | Ku-ring-gai      | Strathfield (M) | Woollahra (M)  |
| Georges River                            | North Sydney     | Sutherland (S)  |                |
| Hills (S)                                | Northern Beaches | Sydney (C)      |                |
| Hornsby (S)                              | Randwick (C)     | Waverley        |                |



## 2019-20 Local Road Component

The local roads component is calculated according to principles agreed to with local government and is consistent with the national principles. The formula, originally developed by NSW Roads and Maritime Services, is based on each council's proportion of local road and bridge length, as well as resident population numbers. Therefore, annual variations in grant outcomes are the direct result of changes in ABS population estimates or changes in the length of local roads and bridges, as reported by councils.

New South Wales receives a fixed 29% share of the national local roads allocation. The 2019-20 estimated entitlement is \$226,201,773, an increase of \$8,797,267 on last year's final entitlement.



Of the State's \$226.2 million allocation, \$211.6 million is distributed on the basis of councils' local road length and population, and \$14.6 million is distributed on the basis of the length of bridges on local roads.

The councils with the largest percentage increase in the local roads component were Camden (11.7%), Cumberland (9.2%), Oberon (7.0%) and Campbelltown (7.0%). No councils received a decrease in their local roads component.

The largest increase in absolute dollar terms was Mid-Coast (\$191,398), followed by Tamworth Regional (\$184,964), Blacktown (\$176,234) and Camden (\$161,043).

Although the local roads component is separately identified, it forms part of the total financial assistance grants, which are untied. This means that councils are not required to spend the local roads component on local roads and it is up to individual councils to decide how the funds should be spent.

The Commission publishes local road and bridge length data on the OLG website at [www.olg.nsw.gov.au](http://www.olg.nsw.gov.au). The data can be found by following the "Commissions and Tribunals" links.

## How Financial Assistance Grants Operate

### Grant entitlements

Financial assistance grants are provided to local governing bodies (councils), defined in section 4(2) of the Federal 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.”*

### National principles for the allocation of general purpose grants

The national principles relating to the allocation of general purpose grants payable, under section 9 of the *Local Government (Financial Assistance) Act 1995*, are as follows:

#### 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 Federal 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.

#### 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 determinations.

#### Minimum Grant

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

#### 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.

#### 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.

### 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.

### National principles for the allocation of local road grants

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

#### 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 in grant calculations include length, type and usage of roads in each local governing area.

## Considerations in grant calculations

The following are some further considerations of the Commission in determining the expenditure functions and the revenue raising capacity of councils.

### General Purpose Component - 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. Expenditure allowances attempt to compensate councils for the extent of their relative disadvantage resulting from issues that are beyond their control.

The table below sets out the six most significant council functions. Sitting beneath those functions are the expenditure items, as reported to OLG by councils in their annual financial data returns. To streamline the complex and expanding expenditure allowance, and following an analysis by the Consultant, the 20 existing functions were consolidated in to six functions. All pre-existing expenditure items were retained and regrouped accordingly (based on significance testing).

#### Council Functions and Expenditure Items

| Recreation & cultural      | Administration & governance | Community amenity | Community services & education | Roads, bridges & footpaths            | Public order, safety, health & other |
|----------------------------|-----------------------------|-------------------|--------------------------------|---------------------------------------|--------------------------------------|
| Museums                    | Administration              | Public Cemeteries | Administration & Education     | Aerodromes                            | Animal Containment                   |
| Art Galleries              | Governance                  | Public Toilets    | Children's Services            | Urban Roads Local                     | Fire Service Levy                    |
| Community, Centres & Halls |                             | Town Planning     | Aged & Disabled                | Sealed Rural Roads Local              | Noxious Plants & Insects             |
| Performing Arts Venues     |                             | Street Lighting   | Social Protection              | Unsealed Rural Roads Local            | Environment Protection               |
| Other Sport & Recreation   |                             |                   |                                | Bridges on Urban Roads Local          | Stormwater Management                |
| Other Performing Arts      |                             |                   |                                | Bridges on Sealed Rural Roads Local   | Urban Storm Drainage                 |
| Public Libraries           |                             |                   |                                | Bridges on Unsealed Rural Roads Local | Other                                |
| Swimming Pools             |                             |                   |                                | Footpaths                             | Health                               |
| Sporting Grounds           |                             |                   |                                | Parking Areas                         | Enforcement of Regulations           |
| Parks & Gardens            |                             |                   |                                |                                       | Beach Control                        |
|                            |                             |                   |                                |                                       | Building Control                     |
|                            |                             |                   |                                |                                       | Street Cleaning                      |

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

The general formula for the calculation of expenditure allowances, which has not changed, is:

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

No. of units is the measure of use of the function for the council. The number of units is the population.

The state standard cost is calculated using the five year average, gross expenditure for each function. Divided by the state's population, this gives a state average cost per capita for providing each function. This removes the impact of any individual policy decisions by councils. The state standard costs per capita for each function calculated for 2019-20 is shown in the following table.

| Expenditure Function                   | State Standard \$/capita |
|--|--------------------------|
| Recreational & cultural                | 209.17                   |
| Admin & governance                     | 244.46                   |
| Education & community                  | 63.89                    |
| Roads, bridges, footpaths & aerodromes | 206.82                   |
| Public order, health, safety & other   | 162.08                   |
| Housing amenity                        | 68.46                    |

The disability factor 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.

### Disability factors

A disability factor is the Commission's estimate of the additional cost, expressed as a percentage, of providing a standard service due to issues that are beyond a council's control. The measures used are the most significant costs to councils across the state. The factors the Commission is transitioning to now can give better recognition to the most significant costs to councils by not drawing funds away for less significant factors.

For example, cemeteries have no additional cost significance to the state but was included as a disability factor. With a notional state total allowance of almost \$26,000 in 2017-18, the allowance was then scaled back to the available funds, to just \$9,000, then was subject to further scaling for the per capital minimum grant and application of the floor and ceiling. The Commission acknowledges there are costs associated with cemeteries and some other council services but that they are also not significant cost drivers. Inclusion and expansion of less significant factors over time has been drawing funds away from the most significant costs to councils.

Below is a list of the most significant costs to councils and forms the basis for the disability factors:

- population (ABS - size)
- Aboriginal & Torres Strait Islanders Population (ABS - %)
- local road length (council - km)
- environment (ABS - ha environmental land)
- rainfall, topography and drainage (Consultants Willing & Partners - index)

The general approach for calculating a disability factor is unchanged in that the relative disadvantage of each council is calculated and then adjusted by an appropriate weighting reflecting the estimated impact of that factor. However, the mathematical application of these weightings has been slightly adjusted to reflect the mathematical form of statistical testing used to estimate impacts. The following formula takes each disability relating to a function into account:

$$Disability\ Factor = \left( \frac{Council\ Measure}{Standard\ Measure} \right)^{Weighting} - 1$$

Council measure is the individual council’s measure for the disability being assessed, for example, Aboriginal and Torres Strait Islander population.

Standard measure is the state standard (generally the average) measure for the disability being assessed.

The disability factors have been applied to the functions they are most relevant to, which is determined by materiality testing.

The weighting attempts to reflect the impact of the particular measure in terms of its likely cost impact. Previously, weightings were applied with greater discretion across a larger number of factors. This made it difficult to apply the funding where it was most needed. Under the new approach the weightings have been based on an analysis of the relative strength of the disability factor compared to other disability factors using statistical methods (regression analysis). Regression was the method recommended as a robust way to determine the relationship between two or more variables, in this case, the relationship between council expenditure and the disability measures over five years. The methodology still allows for the Commission to apply its discretion to the grant allocations.

| Disability Factors                      | Expenditure Allowance Functions |                             |                       |  |                                      |                 |
|---|---------------------------------|-----------------------------|-----------------------|--|--------------------------------------|-----------------|
|   | Recreation & cultural           | Administration & governance | Education & community | Roads, bridges, footpaths & aerodromes | Public order, safety, health & other | Housing amenity |
| Aboriginal & Torres Strait Islander     | 0.120                           | -                           | -                     | -                                      | -                                    | -               |
| Environment (Ha of environmental lands) | -                               | -                           | -                     | -                                      | 0.037                                | -               |
| Local road length (km)                  | -                               | -                           | -                     | 0.410                                  | -                                    | -               |
| Population                              | -0.121                          | -0.311                      | -0.299                | -0.477                                 | -0.238                               | -0.072          |
| Rainfall, topography and drainage index | -                               | -                           | -                     | -                                      | 0.599                                | -               |

Note: Except for population, disability factor weightings are positive because the higher the council's measure is above the state average, the greater the disability. In the case of population, it is the opposite: the lower the council's measure is below the state average, the greater the disability.

### Revenue allowance

The calculation of revenue allowances involves determining each council's theoretical capacity to raise revenue by comparing a council's land value per property to the state standard (or average) per property land value and applying the state standard (or average) rate-in-the-dollar. Councils with low property values compared to the state average receive a positive outcome and councils with higher property values compared to the state average receive negative outcomes.

$$\text{Revenue Allowance} = \text{No. Council Properties} \times \text{Std Rate in the \$} \\ \times (\text{Std Value Property} - \text{Council's Value per Property})$$

### Property values

The Commission has found that property values provide the most useful State-wide basis data 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.

As a result, 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.

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.

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.

Based on the aggregated land values reported by the Valuer General for base date 1 July 2017, 78 council areas showed "double-digit" percentage increases on the previous year. Councils with the highest increases (above 30.00%) included Muswellbrook (59.62%), Hay (39.48%), Carrathool (32.42%), Singleton (32.29%) and Narrabri (31.00%). A recent review of mining land values resulted in significant increases in some councils, such as Muswellbrook, Singleton and Narrabri. Hay's level of increase was due to earlier undervaluing which was corrected when the Valuer General conducted an ascertainment project which had a flow-on effect on neighbouring Carrathool. There was also a general trend of increasing rural land values. The only council area with a lower land value was Broken Hill (-10.98%).

State-wide, there was an increase in the aggregated land value of 13.85%, compared to the previous year's 14.00% increase.

The changes have generally not translated into significant shifts in grant outcomes, particularly as the Commission has applied a narrow range of an overall ceiling of +5%

and floor of 0% to the general purpose component. The Commission's long-standing approach of averaging values over three years, together with the effect of significant discounting of the revenue assessment, to align it with the expenditure allowance, has also helped to moderate the effect of property value changes on overall grant outcomes.

### Pensioner rebate allowance

A pensioner rebate allowance recognises the differential impact of compulsory pensioner rebates, based on the relative disadvantage to the state average using a standardised rebate.

### Isolation allowance

Weighted isolation allowances are calculated for all non-metropolitan councils. The allowance is calculated using a regression analysis formula based on population, distance from Sydney and distance from the nearest major regional city.

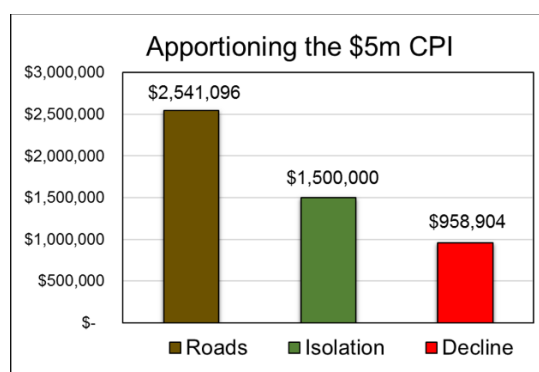
### Relative disability allowance

The relative disability allowance is modelled to recognise councils with the greatest relative need, due to inherent factors. The factors the Commission has focused on are:

- isolation (duplicating the isolation allowance)
- population decline (negative population growth between 2006-2016 - ABS)
- length of unsealed local roads

The allowance is based on a flat amount of \$5 million and is distributed on the basis of greatest relative need for the three disability factors. As it is a flat amount of funding, it is not compressed by the end processes of the calculations.

Of the \$5 million, isolation was allocated \$1.5 million and the remaining \$3.5 million was apportioned based on the number of councils eligible for population decline and unsealed local roads. The following is a table of the breakdown of the distribution.



### Population changes

The source for estimated resident population as at 30 June 2018 (preliminary) is ABS publication *Regional Population Growth, Australia*, released 27 March 2019 (cat. no. 3218.0).

### Efficiency

A council's grant is assessed independent of its policy decisions and efficient councils are not penalised as a result. 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.

### **Standard cost**

To improve the stability of grant outcomes, the Commission uses a five-year rolling average of the annual standard costs. Averaging over five years produces shares that are more stable than annual averages.

### **Specific purpose grant**

Specific purpose grants are 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.

The Commission uses the inclusion approach in the treatment of specific purpose grants, for example, 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.

### **Rate pegging**

Grant calculations are essentially dealing with the extent of relative disadvantage between councils. Since rate pegging affects all councils, it is not specifically considered by the Commission, with the Commission's approach excluding the rating policies of individual councils.

Councils that are given approval by the Independent Pricing and Regulatory Tribunal to increase their rates are not penalised or rewarded in the grants calculation. This is because the calculations are based on the State average rate-in-the-dollar. Similarly, councils that forgo rate increases, or apply increases below the pegging limit, are neither rewarded nor penalised.

### **Non-rateable properties**

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

## **Schedule of 2019-20 Grant Entitlements**

The Commission's recommendations for the distribution of funds to local government in NSW for 2019-20 are set out in the following table.

Information on grant entitlements for previous years is available from the Commission's web page at [www.olg.nsw.gov.au](http://www.olg.nsw.gov.au) and following the "Commissions & Tribunals" links.

| LGA                           | Estimated Resident Population 30/06/2018 | Recommended General Purpose Entitlement 2019-20 | Recommended Local Roads Entitlement 2019-20 | Recommended Total Entitlement 2019-20 |
|-------------------------------|--|---|---|---------------------------------------|
| Albury (C)                    | 53,767                                   | 5,066,127                                       | 1,458,853                                   | 6,524,980                             |
| Armidale Regional             | 30,707                                   | 4,352,742                                       | 2,511,708                                   | 6,864,450                             |
| Ballina (S)                   | 44,208                                   | 3,191,859                                       | 1,461,082                                   | 4,652,941                             |
| Balranald (S)                 | 2,340                                    | 2,877,838                                       | 1,361,565                                   | 4,239,403                             |
| Bathurst Regional             | 43,206                                   | 4,468,198                                       | 2,044,863                                   | 6,513,061                             |
| Bayside                       | 174,378                                  | 3,677,564                                       | 1,178,296                                   | 4,855,860                             |
| Bega Valley (S)               | 34,348                                   | 5,259,640                                       | 1,991,204                                   | 7,250,844                             |
| Bellingen (S)                 | 12,963                                   | 2,927,070                                       | 972,349                                     | 3,899,419                             |
| Berrigan (S)                  | 8,707                                    | 3,488,747                                       | 1,437,807                                   | 4,926,554                             |
| Blacktown (C)                 | 366,534                                  | 13,408,926                                      | 3,539,608                                   | 16,948,534                            |
| Bland (S)                     | 5,985                                    | 4,789,741                                       | 3,023,016                                   | 7,812,757                             |
| Blayney (S)                   | 7,342                                    | 1,877,962                                       | 874,361                                     | 2,752,323                             |
| Blue Mountains (C)            | 79,260                                   | 7,565,620                                       | 1,405,321                                   | 8,970,941                             |
| Bogan (S)                     | 2,621                                    | 2,807,240                                       | 1,489,287                                   | 4,296,527                             |
| Bourke (S)                    | 2,630                                    | 4,204,703                                       | 1,959,730                                   | 6,164,433                             |
| Brewarrina (S)                | 1,655                                    | 2,920,286                                       | 1,340,756                                   | 4,261,042                             |
| Broken Hill (C)               | 17,734                                   | 4,476,652                                       | 504,526                                     | 4,981,178                             |
| Burwood                       | 39,886                                   | 847,957   | 275,556                                     | 1,123,513                             |
| Byron (S)                     | 34,574                                   | 2,060,215                                       | 1,213,148                                   | 3,273,363                             |
| Cabonne                       | 13,680                                   | 2,983,319                                       | 2,114,319                                   | 5,097,638                             |
| Camden                        | 94,159                                   | 2,429,878                                       | 1,536,517                                   | 3,966,395                             |
| Campbelltown (C)              | 168,139                                  | 8,220,832                                       | 1,860,883                                   | 10,081,715                            |
| Canada Bay (C)                | 95,159                                   | 2,006,866                                       | 655,697                                     | 2,662,563                             |
| Canterbury-Bankstown          | 373,931                                  | 8,218,435                                       | 2,734,631                                   | 10,953,066                            |
| Carrathool (S)                | 2,802                                    | 3,774,146                                       | 2,381,050                                   | 6,155,196                             |
| Central Coast                 | 342,047                                  | 21,675,943                                      | 4,506,625                                   | 26,182,568                            |
| Central Darling (S)           | 1,837                                    | 4,152,482                                       | 1,637,469                                   | 5,789,951                             |
| Cessnock (C)                  | 59,101                                   | 5,613,146                                       | 1,772,350                                   | 7,385,496                             |
| Clarence Valley               | 51,647                                   | 7,779,443                                       | 3,360,613                                   | 11,140,056                            |
| Cobar (S)                     | 4,722                                    | 4,211,204                                       | 1,773,468                                   | 5,984,672                             |
| Coffs Harbour (C)             | 76,551                                   | 5,368,426                                       | 2,273,652                                   | 7,642,078                             |
| Coolamon (S)                  | 4,368                                    | 2,511,380                                       | 1,261,549                                   | 3,772,929                             |
| Coonamble (S)                 | 4,014                                    | 2,721,240                                       | 1,518,952                                   | 4,240,192                             |
| Cootamundra-Gundagai Regional | 11,260                                   | 3,780,849                                       | 1,610,551                                   | 5,391,400                             |
| Cowra (S)                     | 12,767                                   | 3,305,679                                       | 1,491,699                                   | 4,797,378                             |
| Cumberland                    | 236,893                                  | 6,396,130                                       | 1,784,758                                   | 8,180,888                             |
| Dubbo Regional                | 53,240                                   | 8,181,369                                       | 3,447,799                                   | 11,629,168                            |

| LGA                   | Estimated Resident Population 30/06/2018 | Recommended General Purpose Entitlement 2019-20 | Recommended Local Roads Entitlement 2019-20 | Recommended Total Entitlement 2019-20 |
|-----------------------|--|---|---|---------------------------------------|
| Dungog (S)            | 9,346                                    | 1,751,210                                       | 945,640                                     | 2,696,850                             |
| Edward River          | 8,995                                    | 4,111,465                                       | 1,566,246                                   | 5,677,711                             |
| Eurobodalla (S)       | 38,288                                   | 5,460,389                                       | 1,701,050                                   | 7,161,439                             |
| Fairfield (C)         | 210,612                                  | 7,414,047                                       | 1,758,930                                   | 9,172,977                             |
| Federation            | 12,462                                   | 4,782,221                                       | 2,282,559                                   | 7,064,780                             |
| Forbes (S)            | 9,910                                    | 3,593,378                                       | 1,998,603                                   | 5,591,981                             |
| Georges River         | 158,411                                  | 3,340,826                                       | 1,171,361                                   | 4,512,187                             |
| Gilgandra (S)         | 4,226                                    | 2,627,015                                       | 1,382,591                                   | 4,009,606                             |
| Glen Innes Severn     | 8,908                                    | 2,892,010                                       | 1,426,229                                   | 4,318,239                             |
| Goulburn Mulwaree     | 30,852                                   | 3,483,270                                       | 1,755,080                                   | 5,238,350                             |
| Greater Hume (S)      | 10,686                                   | 3,365,495                                       | 2,117,426                                   | 5,482,921                             |
| Griffith (C)          | 26,882                                   | 4,026,350                                       | 1,687,694                                   | 5,714,044                             |
| Gunnedah (S)          | 12,661                                   | 3,056,621                                       | 1,650,702                                   | 4,707,323                             |
| Gwydir (S)            | 5,349                                    | 2,837,140                                       | 1,918,827                                   | 4,755,967                             |
| Hawkesbury (C)        | 67,083                                   | 2,703,428                                       | 1,765,985                                   | 4,469,413                             |
| Hay (S)               | 2,979                                    | 2,280,561                                       | 831,311                                     | 3,111,872                             |
| Hills (S)             | 172,473                                  | 3,637,431                                       | 1,970,843                                   | 5,608,274                             |
| Hilltops              | 18,782                                   | 5,381,114                                       | 2,867,441                                   | 8,248,555                             |
| Hornsby (S)           | 150,752                                  | 3,179,340                                       | 1,414,364                                   | 4,593,704                             |
| Hunters Hill (M)      | 14,909                                   | 331,297   | 150,780                                     | 482,077                               |
| Inner West            | 198,024                                  | 4,176,249                                       | 1,389,253                                   | 5,565,502                             |
| Inverell (S)          | 16,844                                   | 4,062,707                                       | 2,116,346                                   | 6,179,053                             |
| Junee (S)             | 6,631                                    | 2,003,825                                       | 957,233                                     | 2,961,058                             |
| Kempsey (S)           | 29,665                                   | 4,355,340                                       | 1,902,833                                   | 6,258,173                             |
| Kiama (M)             | 23,006                                   | 1,213,421                                       | 509,653                                     | 1,723,074                             |
| Ku-ring-gai           | 126,046                                  | 2,658,261                                       | 1,146,468                                   | 3,804,729                             |
| Kyogle                | 8,870                                    | 2,896,900                                       | 1,669,788                                   | 4,566,688                             |
| Lachlan (S)           | 6,151                                    | 5,965,676                                       | 3,478,114                                   | 9,443,790                             |
| Lake Macquarie (C)    | 204,914                                  | 13,690,940                                      | 2,851,728                                   | 16,542,668                            |
| Lane Cove (M)         | 39,486                                   | 839,515   | 293,321                                     | 1,132,836                             |
| Leeton (S)            | 11,438                                   | 3,419,640                                       | 1,071,754                                   | 4,491,394                             |
| Lismore (C)           | 43,843                                   | 4,436,886                                       | 2,006,928                                   | 6,443,814                             |
| Lithgow (C)           | 21,636                                   | 3,596,596                                       | 1,301,468                                   | 4,898,064                             |
| Liverpool (C)         | 223,304                                  | 6,511,545                                       | 2,350,399                                   | 8,861,944                             |
| Liverpool Plains (S)  | 7,893                                    | 2,490,174                                       | 1,417,142                                   | 3,907,316                             |
| Lockhart (S)          | 3,295                                    | 2,295,712                                       | 1,384,699                                   | 3,680,411                             |
| Lord Howe Island (Bd) | 382                                      | 223,671   | -   | 223,671                               |
| Maitland (C)          | 83,203                                   | 5,717,386                                       | 1,433,446                                   | 7,150,832                             |
| Mid-Coast             | 93,288                                   | 12,705,810                                      | 5,526,157                                   | 18,231,967                            |

| LGA                          | Estimated Resident Population 30/06/2018 | Recommended General Purpose Entitlement 2019-20 | Recommended Local Roads Entitlement 2019-20 | Recommended Total Entitlement 2019-20 |
|------------------------------|--|---|---|---------------------------------------|
| Mid-Western Regional         | 25,086                                   | 4,209,025                                       | 2,510,132                                   | 6,719,157                             |
| Moree Plains (S)             | 13,350                                   | 5,054,157                                       | 2,964,405                                   | 8,018,562                             |
| Mosman (M)                   | 30,877                                   | 684,021   | 243,424                                     | 927,445                               |
| Murray River                 | 12,118                                   | 5,504,940                                       | 3,068,785                                   | 8,573,725                             |
| Murrumbidgee (new)           | 3,961                                    | 2,944,030                                       | 1,680,292                                   | 4,624,322                             |
| Muswellbrook (S)             | 16,383                                   | 2,681,570                                       | 942,125                                     | 3,623,695                             |
| Nambucca (S)                 | 19,773                                   | 2,852,768                                       | 1,258,135                                   | 4,110,903                             |
| Narrabri (S)                 | 13,231                                   | 5,023,857                                       | 2,415,321                                   | 7,439,178                             |
| Narrandera (S)               | 5,931                                    | 3,325,526                                       | 1,629,434                                   | 4,954,960                             |
| Narromine (S)                | 6,567                                    | 3,039,368                                       | 1,486,392                                   | 4,525,760                             |
| Newcastle (C)                | 164,104                                  | 10,706,691                                      | 1,861,001                                   | 12,567,692                            |
| North Sydney                 | 74,172                                   | 1,564,258                                       | 495,418                                     | 2,059,676                             |
| Northern Beaches             | 271,278                                  | 5,721,159                                       | 2,273,884                                   | 7,995,043                             |
| Oberon                       | 5,408                                    | 1,844,326                                       | 983,339                                     | 2,827,665                             |
| Orange (C)                   | 42,056                                   | 3,551,817                                       | 1,197,534                                   | 4,749,351                             |
| Parkes (S)                   | 14,894                                   | 4,348,689                                       | 2,184,118                                   | 6,532,807                             |
| Parramatta (C)               | 251,311                                  | 7,320,693                                       | 2,055,144                                   | 9,375,837                             |
| Penrith (C)                  | 209,210                                  | 8,503,888                                       | 2,484,120                                   | 10,988,008                            |
| Port Macquarie-Hastings      | 83,131                                   | 6,449,088                                       | 3,018,625                                   | 9,467,713                             |
| Port Stephens                | 72,695                                   | 5,509,349                                       | 1,274,355                                   | 6,783,704                             |
| Queanbeyan-Palerang Regional | 59,959                                   | 3,706,001                                       | 2,531,328                                   | 6,237,329                             |
| Randwick (C)                 | 154,265                                  | 3,253,389                                       | 1,003,405                                   | 4,256,794                             |
| Richmond Valley              | 23,399                                   | 3,600,758                                       | 1,633,678                                   | 5,234,436                             |
| Ryde (C)                     | 127,446                                  | 2,687,786                                       | 964,529                                     | 3,652,315                             |
| Shellharbour (C)             | 72,240                                   | 4,355,314                                       | 952,504                                     | 5,307,818                             |
| Shoalhaven (C)               | 104,371                                  | 9,059,428                                       | 3,509,316                                   | 12,568,744                            |
| Silverton (VC)               | 50                                       | 34,657  | -   | 34,657                                |
| Singleton                    | 23,422                                   | 2,510,186                                       | 1,329,121                                   | 3,839,307                             |
| Snowy Monaro Regional        | 20,733                                   | 6,907,224                                       | 2,864,370                                   | 9,771,594                             |
| Snowy Valleys                | 14,532                                   | 4,453,487                                       | 1,429,975                                   | 5,883,462                             |
| Strathfield (M)              | 45,143                                   | 952,048   | 305,245                                     | 1,257,293                             |
| Sutherland (S)               | 229,213                                  | 4,834,013                                       | 2,084,278                                   | 6,918,291                             |
| Sydney (C)                   | 240,229                                  | 5,066,336                                       | 1,417,819                                   | 6,484,155                             |
| Tamworth Regional            | 62,156                                   | 6,351,276                                       | 4,356,160                                   | 10,707,436                            |
| Temora (S)                   | 6,274                                    | 2,374,965                                       | 1,352,112                                   | 3,727,077                             |
| Tenterfield (S)              | 6,638                                    | 3,275,266                                       | 1,707,011                                   | 4,982,277                             |
| Tibooburra (VC)              | 134                                      | 77,825  | -   | 77,825                                |

| LGA                    | Estimated Resident Population 30/06/2018 | Recommended General Purpose Entitlement 2019-20 | Recommended Local Roads Entitlement 2019-20 | Recommended Total Entitlement 2019-20 |
|------------------------|--|---|---|---------------------------------------|
| Tweed (S)              | 96,108                                   | 7,900,412                                       | 2,981,043                                   | 10,881,455                            |
| Upper Hunter (S)       | 14,220                                   | 3,173,364                                       | 2,010,175                                   | 5,183,539                             |
| Upper Lachlan (S)      | 7,961                                    | 2,927,203                                       | 1,967,013                                   | 4,894,216                             |
| Uralla (S)             | 6,062                                    | 1,678,468                                       | 973,076                                     | 2,651,544                             |
| Wagga Wagga (C)        | 64,820                                   | 7,150,326                                       | 3,360,046                                   | 10,510,372                            |
| Walcha                 | 3,132                                    | 1,468,799                                       | 973,087                                     | 2,441,886                             |
| Walgett (S)            | 6,051                                    | 4,599,728                                       | 2,016,451                                   | 6,616,179                             |
| Warren (S)             | 2,745                                    | 1,911,821                                       | 1,070,616                                   | 2,982,437                             |
| Warrumbungle (S)       | 9,399                                    | 4,780,546                                       | 2,538,036                                   | 7,318,582                             |
| Waverley               | 74,114                                   | 1,563,035                                       | 451,394                                     | 2,014,429                             |
| Weddin (S)             | 3,636                                    | 1,796,288                                       | 1,038,745                                   | 2,835,033                             |
| Wentworth (S)          | 7,042                                    | 4,303,337                                       | 2,090,032                                   | 6,393,369                             |
| Willoughby (C)         | 80,339                                   | 1,694,318                                       | 607,230                                     | 2,301,548                             |
| Wingecarribee (S)      | 50,493                                   | 3,255,506                                       | 1,950,855                                   | 5,206,361                             |
| Wollondilly (S)        | 52,230                                   | 2,437,124                                       | 1,415,390                                   | 3,852,514                             |
| Wollongong (C)         | 216,071                                  | 16,434,444                                      | 2,506,622                                   | 18,941,066                            |
| Woollahra (M)          | 58,964                                   | 1,243,528                                       | 443,433                                     | 1,686,961                             |
| Yass Valley            | 16,953                                   | 1,754,665                                       | 1,405,685                                   | 3,160,350                             |
| <b>Non-Metro Total</b> | <b>2,757,450</b>                         | <b>404,761,119</b>                              | <b>177,067,464</b>                          | <b>581,828,583</b>                    |
| <b>Metro Total</b>     | <b>5,230,277</b>                         | <b>156,765,683</b>                              | <b>49,134,309</b>                           | <b>205,899,992</b>                    |
| <b>NSW Total</b>       | <b>7,987,727</b>                         | <b>561,526,802</b>                              | <b>226,201,773</b>                          | <b>787,728,575</b>                    |

## Appendix 1: Member Profiles

### **The Hon Jenny Gardiner, B. Bus - Chair**

Ms Gardiner was a Member of the Legislative Council of NSW (1991 to 2015). Ms Gardiner's roles in the NSW Parliament included serving as Deputy President and Chair of Committees in the Legislative Council (2011-2015), Shadow Minister, Assistant Shadow Minister and Shadow Parliamentary Secretary for various portfolios, including Rural Health, Fisheries and Ports, and Deputy Leader of The Nationals in the Legislative Council.

Ms Gardiner chaired and/or served on many parliamentary inquiries including ones that examined local government and NSW elections and electoral law, transport needs in both metropolitan and non-metropolitan NSW, planning and environment, rural and metropolitan health services, privileges and ethics, state and regional development, and the Committees on the Independent Commission Against Corruption and the Offices of the Ombudsman and Police Integrity Commission. Before being elected to the NSW Parliament, Ms Gardiner was General Secretary of the National Party of Australia - NSW.

### **Mr Grant Gleeson - Deputy Chair**

Mr Gleeson BA, LLB, LLM, was appointed as the NSW Office of Local Government's representative on the Commission on 30 June 2017 and, as such, Mr Gleeson assumes the role of Deputy Chair. Accredited Specialist Local Government & Planning Law, Mr Gleeson is Director Legal at OLG, having been appointed to that role in March 2016. Prior to joining OLG, Mr Gleeson was a partner for nearly 30 years with the long established regional law firm, RMB Lawyers. Mr Gleeson worked in the firm's Local Government and Planning Law Division and was the manager of that Division. At the time Mr Gleeson retired from the firm in 2016, he was its senior partner.

### **Mr Alan McCormack, PSM - Commissioner**

Mr McCormack's appointment to the Commission follows a long and distinguished career in local government, including Deputy Shire Clerk at Balranald Council and Lachlan Council and Shire Clerk at Balranald Council and Hay Council. Mr McCormack retired in 2010 following 20 years as General Manager at Parkes Council. Since his retirement, Mr McCormack has been the Acting General Manager at a number of Shire Councils. Mr McCormack has qualifications as a Master of Business in Local Government Management, a Graduate Diploma in Local Government Management, and a Graduate Certificate in Financial Planning. Mr McCormack was awarded a Public Service Medal in 2007 for outstanding service to local government and recently resigned as the Chair of Central West Regional Development Australia.

### **Mr Graeme Fleming, PSM - Commissioner**

Mr Fleming brings to the Commission a wealth of local government knowledge gained through a thirty-nine year career in local government across seven councils in regional NSW. Twenty-five of those 39 years were as General Manger, most recently, before retiring, at Cabonne Council. Mr Fleming's career highlights include Chair of the AR Bluett Trust and Executive Member, NSW Strategic Alliance Network. Mr Fleming has served on a range of regional boards from libraries to noxious weeds, economic development to emergency services, and tourism to mining. Mr Fleming was awarded the Public Service Medal for outstanding service to local government, to name but a few. Mr Fleming is currently Chair of the LG Innovation Fund Assessment Panel.

