

2013-14

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Letter of Submission

October 2014

The Hon Paul Toole MP
Minister for Local Government

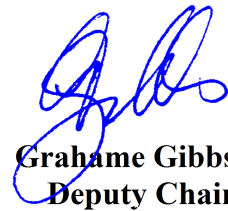
Dear Minister

We present the Annual Report of the New South Wales Local Government Grants Commission covering the Commission's operation during the year ended 30 June 2014 and including the Commission's recommendations for the distribution of financial assistance grants for 2014-15.

Yours faithfully



Richard Colley
Chair



Grahame Gibbs
Deputy Chair

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Foreword

I present this report on behalf of the New South Wales Local Government Grants Commission. The report contains information on the key activities of the Commission during 2013-14 as well as on the distribution of \$711.7 million in grant entitlements to New South Wales' local governing bodies for 2014-15. These funds are paid as unconditional grants under the provisions of the Commonwealth *Local Government (Financial Assistance) Act 1995*.

It was with some concern that the Commission, along with many other local government stakeholders, noted the Australian Government's Budget announcement that it "...will achieve savings of \$925.2 million over four years by pausing indexation of the Local Government Financial Assistance Grants Programme for three years commencing 1 July 2014."

Clearly this decision will have significant and long-term implications for local government nationally. Not only is the sector faced with the immediate impact of no increases to the grants over the next three years, but also the long-term effect of future indexation being applied to a lower base amount. The deficit gap between what is paid and what might have been paid will continue to widen long into the future. Every local community will be affected by the Government's decision.

In 1991-92 the grants represented a little over one per cent of total Commonwealth revenues. By the end of the Government's period of paused indexation the grants are expected to represent one-half of one per cent of total Commonwealth revenues.

While the national picture is bleak, the situation for NSW is worse. The decision to pause indexation is likely to result in decreases in the general purpose component for NSW during the period of paused indexation because the NSW population is likely to increase at rates lower than the national increases.

NSW will continue to receive its 29% fixed share of the local roads component.

In a climate of reducing grant funds the Commission has had to make some difficult decisions in relation to the distribution of the 2014-15 grants.

I reported last year that the Commission had put in place some strategies that deliver improved outcomes to smaller rural communities. We have decided to continue this approach. Accordingly, councils most reliant on grant funding are less impacted by the decision by the Federal Government to freeze the indexation of the grants. The distribution of the general purpose component of the grants will increase grant funding for many non-metropolitan councils when compared to those less reliant on the grant funding.

When compared to 2013-14, the 2014-15 general purpose component grant outcomes results in:

- grants to non-metropolitan councils increasing by 0.7%;
- grants to metropolitan councils are reduced by -2.2%;
- grants to agricultural and remote councils increasing by an average of 3.1%;
- five councils receive double-digit increases in their general purpose component grant: Balranald (10.5%), Bourke (12.2%), Brewarrina (13.0%), Carrathool (11.8%), and Central Darling (11.3%);

- twelve councils being protected by a capped lower limit of a -5% reduction: Ashfield, Bankstown, Blacktown, Canterbury, Fairfield, Hawkesbury, Liverpool, Marrickville, Penrith, Queanbeyan, Sydney and Waverley; and
- the number of minimum grant councils increases by one to twenty-four, with a further two councils expected to move to the minimum grant in 2015-16.

To improve outcomes for smaller rural communities, which is consistent with the Commission observations as well as the views of the Independent Local Government Review Panel, the modelling has been adjusted:

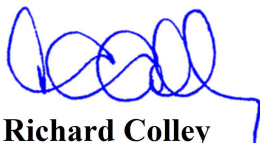
- for a second year the standard cost for unsealed local roads in the general purpose component has been weighted to reflect the inability of small rural councils to adequately fund these roads;
- replacing the population growth measure with a measure for below average population growth in the administration function;
- removing the population growth measure from the planning and building control function;
- reviewing and in many cases removing a number of “other” disability factors across a range of expenditure functions;
- correcting an error in the duplication of playing fields disability factor modelling, which affects a number of fringe metropolitan councils; and
- relaxing of the upper capping limit to facilitate the effect of the grant changes for rural remote councils.

The grants to individual councils will continue to fluctuate during this period of paused indexation as the Commission continues to make its annual assessment of relative need. In the context of declining funding levels all councils are urged to exercise extreme caution with their financial assistance grants budget forecasts.

In last year’s annual report I commented on the Commonwealth’s *review into the equity and efficiency of the current funding provided through the Financial Assistance Grants program*.

As required by the terms of reference for the review the Commonwealth Grants Commission reported to the Treasurer in mid-December 2013 on tangible measures for improving the impact of the local government financial assistance grants on the effectiveness of local governments and their ability to provide services to their residents within the current funding envelope. However, the report has not yet been publicly released.

In conclusion, I would like to thank my fellow commissioners, Grahame Gibbs, Gae Swain and Graeme Fleming, for their valuable and insightful input during 2013-14. I would also like to thank the Commission’s Executive Officer, Bruce Wright, for his continued assistance.



Richard Colley
Chair

Function, Membership and Staff

Function

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

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

Membership

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

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

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

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

The part-time members of the Commission to 30 June 2014 were:

- Mr Richard Colley, Chair
- Mr Grahame Gibbs, Deputy Chair
- Clr Gae Swain, Commissioner
- Mr Graeme Fleming, Commissioner

Member profiles are included in Appendices.

Staff

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

- Bruce Wright, Executive Officer

The Commission acknowledges the substantial contributions of Mr Wright.

Summary of Activities and Issues

Executive Officers' Meeting

In anticipation of the release of the Commonwealth Grants Commission's report into the equity and efficiency of the current funding provided through the Financial Assistance Grants program the annual meeting of executive officers from the states' grants commissions was postponed until October 2014.

Council Meetings

As required by Section 11 of the Commonwealth Act, the Commission held public hearings and permitted local authorities and their associations to make submissions concerning the grant recommendations. During the 2013-14 year the Commission held thirty-three public hearings, involving thirty-five councils. Details are shown in appendix 2.

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

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

Data Collection Returns

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

Submissions

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

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

2013-14 Cash Payments

During 2013-14 cash payments to local authorities totalled \$353,703,464. This amount was made up of the 2013-14 estimated entitlement of \$708,687,545 **less** an advance payment equal to one-half of the preliminary estimated entitlement for 2013-14 of \$353,867,000, which was paid to local authorities on 6 June 2013, and **less** an adjustment for an overpayment that occurred in 2012-13 of \$1,117,081. The adjustment for the overpayment in 2012-13 was necessary because the actual population state shares and movements in CPI figures for 2012-13 varied from the estimates used. The total payments to local governing bodies are summarised below:

16 September 2013	\$88,425,865
18 November 2013	\$88,425,865
19 February 2014	\$88,425,865
16 May 2014	\$88,425,869
Total	\$353,703,464

Highlights for the 2014-15 Grants

The 2014-15 estimated entitlements for New South Wales compared to the 2013-14 CPI/population adjusted amounts are:

Component	2013-14 Entitlement	2014-15 Estimated Entitlement	% Change
General Purpose	508,608,083	507,579,529	-0.202%
Local Roads	204,088,788	204,087,313	-0.001%
Total	712,696,871	711,666,842	-0.145%

General Purpose Component - 2014-15

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

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

Population Changes

The source for estimated resident population as at 30 June 2013 (preliminary) is ABS publication *Regional Population Growth, Australia, 2012-13* (cat. no. 3218.0).

Population changes directly affect the grant calculations for expenditure allowances.

When comparing the preliminary 2013 population figures to the preliminary 2012 figures, which were used in last year's grant calculations, the NSW population increased by 1.65%. Individual council variations ranged from a reduction of -2.95% for Central Darling Shire Council to an increase for Camden Council of 4.63%.

Changes In Standard Costs And Disability Measures

standard costs

Special Schedule 1 information (net operating costs) from the financial data returns, lodged with the Office of Local Government, for all councils is used to calculate the State average standard costs. Individual council's expenditure patterns or methods of accounting have little impact on their grant.

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

Annual variations in the standard costs will affect grant outcomes. Changes in standard costs reflect changes in expenditure patterns across local government

generally. When the relativities between the standard costs for the functions assessed by the Commission change the relativities between each council's total of expenditure allowances also changes.

annual fluctuations

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

disability factors

In an attempt to deliver improved outcomes to smaller rural communities the modelling has been adjusted:

- the standard cost for unsealed local roads in the general purpose component has been weighted to reflect the inability of small rural councils to adequately fund these roads;
- replacing the population growth measure with a measure for below average population growth in the administration function;
- removing the population growth measure from the planning and building control function;
- reviewing and in many cases removing a number of "other" disability factors across a range of expenditure functions;
- correcting an error in the duplication of playing fields disability factor modelling, which affects a number of fringe metropolitan councils; and
- relaxing of the upper capping limit to facilitate the effect of the grant changes for rural remote councils.

Local Road and Bridge Length Variations

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

State-wide the local road length reported by councils has decreased by 23 km, compared with the previous year's 259 km increase. The aggregate of the length of bridges on local roads increased by 1,299 m, compared with last year's 732 m increase.

Variations for individual council's road lengths range from an increase of 83 km to a reduction of 151 km. Changes to reported bridge length ranged from an increase of 460 m to a 175 m decrease.

Changes in Property Values

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

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

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

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

General Purpose Component Highlights

Note: comparisons are based on the 2013-14 CPI/population adjusted entitlements and category references are based on the Australian Classification of Local Government.

New South Wales' general purpose estimated entitlement for 2014-15 is \$507,579,529.

NSW's share of the general purpose component is 32.02%, which is down on last year because NSW's share of the national population has decreased.

The decrease in the general purpose grant to NSW is -0.202%, compared to the national decrease of -0.001%.

Because of concerns about data quality and in the interests of grant stability, the Commission has limited changes in the general purpose component to a maximum decrease of 5%.

Eighty-six (86) of the state's one hundred and fifty-five (155) local authorities (includes Lord Howe Island, Silverton, and Tibooburra) received increases in their general purpose component grant.

Councils receiving the greatest increase in their general purpose component grant include Brewarrina (13.0%), Bourke (12.2%), Carrathool (11.8%), Central Darling (11.3%), and Balranald (10.5%).

Councils receiving the greatest reductions in their general purpose component grant are Ashfield, Bankstown, Blacktown, Canterbury, Fairfield, Hawkesbury, Liverpool, Marrickville, Penrith, Queanbeyan, Sydney, and Waverley, each with reductions limited to -5%.

Metropolitan (the Greater Sydney Statistical Area)

The average decrease for metropolitan councils is -2.2%, compared to the overall state decrease of -0.2%.

Twenty-six of the forty-three metropolitan councils received decreases in their general purpose component grants.

Fifteen of the twenty-four minimum grant councils received increases above the state average increase, which reflects population growth in these areas.

Eleven metropolitan councils received reductions limited to -5.0%.

Camden receives the highest increase of 3.5%, followed by Gosford and Wollondilly council areas each with increases of 1.7%.

The overall results for metropolitan councils generally reflect overall negative result in the grants (-0.2%) and the Commission's strategy to improve grant outcomes to small rural councils.

Non-metropolitan (outside the Greater Sydney Statistical Area)

The average increase for non-metropolitan councils is 0.7%, compared with the state decrease of -0.2%.

Five non-metropolitan councils (Balranald, Bourke, Brewarrina, Carrathool, and Central Darling) receive "double-digit" increases in their general purpose component grant.

Forty-three of the one-hundred and twelve non-metropolitan councils received reduced grants.

As a group the remote councils receive an average increase of 9.3%. Central Darling (11.3%) and Cobar (8.1%) receive the highest for this group.

All four councils in the rural agricultural small group recorded increases averaging 6.7%.

Rural agricultural medium and rural agricultural large councils received average increases of 5.1% and 3.1% respectively.

As broad groups the urban regional small, medium, large, and very large categories received decreases averaging -0.96%.

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

Changes in General Purpose Grants

Range	No. of Councils	% of Councils
-5% to -2.5%	21	13.5%
-2.5% to 0%	48	31.0%
0% to 2.5%	51	32.9%
2.5% to 5%	19	12.3%
5% to 7.5%	3	1.9%
7.5% to 10%	8	5.2%
>10%	5	3.2%
	*155	100.0%

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

Per Capita Minimum

The Commonwealth Act specifies that all councils are entitled to a per capita minimum grant, based on 30% of the general purpose component.

Twenty-four councils, all located in the Sydney metropolitan area, receive the “safety net” minimum entitlement. The council areas on the per capita minimum of \$20.55 are: Burwood, Botany Bay, Canada Bay, Hornsby, Hills, Hunters Hill, Hurstville, Kogarah, Ku-ring-gai, Lane Cove, Leichhardt, Manly, Mosman, North Sydney, Pittwater, Randwick, Rockdale, Ryde, Strathfield, Sutherland, Warringah, Waverley, Willoughby, and Woollahra.

Of the twenty-four minimum grant councils, fifteen receive above average increases because of population increases.

Local Roads Component – 2014-15

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

Local Roads Component Highlights

Note: comparisons are based on the 2013-14 CPI/population adjusted entitlement.

New South Wales’ estimated entitlement for 2014-15 is \$204,087,313, a decrease of -0.001% on last year's entitlement.

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

The method of distribution has remained unchanged.

There were no physical road and bridge audits undertaken by the Commission during 2013-14. A small number of councils were asked to provide evidence of their changed road data.

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

Changes in Local Roads Grants

Range	No. of Councils	% of Councils
>-10%	1	0.7%
-10% to -5%	1	0.7%
-5% to 0%	55	36.2%
0% to 5%	94	61.8%
5% to 7.5%	1	0.7%
	*152	100.0%

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

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

Reported road length data used in 2014-15 decreased by 23 km, compared with the previous year's 259 km increase. Bridge length increased by 1,299 m, compared with last year's 732 m increase.

Variations for individual council's road lengths range from an increase of 83 km to a reduction of 151 km. Changes to reported bridge length ranged from an increase of 460 m to a 175 m decrease.

Total Grants – 2014-15

Local government financial assistance grants to New South Wales for 2014-15 total \$711,666,842, a decrease on the 2013-14 entitlement of -0.145%, compared to the national decrease of -0.001%.

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

Changes in Total Grant

Range	No. of Councils	% of Councils
-5% to -2.5%	16	10.3%
-2.5% to 0%	54	34.8%
0% to 2.5%	63	40.7%
2.5% to 5%	15	9.7%
5% to 7.5%	6	3.9%
>7.5%	1	0.7%
	*155	100.0%

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

Commonly Asked Questions

What are local government financial assistance grants?

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

Who decides how much each council should receive?

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

Who is entitled to receive the funds?

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

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

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

In NSW, as at 30 June 2014, there were 152 general purpose councils, as well as the Lord Howe Island Board, and the Village Committees of Silverton and Tibooburra, that each receive grant funding.

How much money is involved and how is it distributed?

The estimated national entitlement for 2014-15 is \$2.289 billion. This is made up of a general purpose component (\$1.585 billion) and a local roads component (\$703 million).

The general purpose component is distributed on a basis that takes into account each state's share of the national population. NSW receives \$507.6 million, or 32.02% 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 \$204.1 million (29% of the national funds).

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

2014-15 Estimated Entitlements

State/ Territory	General Purpose Component	Share %	Identified Road Component	Share %	Total	Share %
NSW	507,579,529	32.02	204,087,313	29.01	711,666,842	31.09
Vic	393,729,711	24.84	145,021,962	20.62	538,751,673	23.54
Qld	318,935,215	20.12	131,797,136	18.74	450,732,351	19.69
WA	173,434,056	10.94	107,555,584	15.29	280,989,640	12.28
SA	114,036,315	7.19	38,658,279	5.50	152,694,594	6.67
Tas	34,943,827	2.20	37,276,854	5.30	72,220,681	3.16
NT	16,492,551	1.04	16,477,739	2.34	32,970,290	1.44
ACT	26,118,175	1.65	22,555,808	3.21	48,673,983	2.13
TOTAL	1,585,269,379	100.00	703,430,675	100.00	2,288,700,054	100.00

How are the grants paid to councils?

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

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

An underpayment occurred for the amount paid in 2013-14. The underpayment amounted to \$12.775 million nationally. NSW was underpaid \$4,009,326, which was made up of \$2,870,196 for the general purpose component and \$1,139,130 for the local roads component. The underpayment occurred because the final CPI and States' population shares varied from the Commonwealth estimates upon which the estimated entitlements were based. These adjustments are made proportionally across councils' 2014-15 grant payments.

How should councils spend the money?

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

How does the Grants Commission distribute the money?

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

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

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

are unconditional the methodology is objective and excludes, as far as practicable, councils' policies and practices (the effort neutral principle).

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

What about the local roads component?

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

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

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

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

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

Can you tell me more about expenditure allowances?

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

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

How does the Commission calculate expenditure allowances?

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

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

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

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

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

Can you tell me more about disability factors?

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

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

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

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

Where:

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

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

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

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

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

Using Library Service as an example:

The unit of use is population. Council A has a population of 10,000. The standard cost of library service is \$32.56 per capita.

It is assumed that a council with a population of 10,000 would spend \$325,600 on library services (ie. 10,000 x \$32.56).

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

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

non-resident borrowers:

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

aged:

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

students:

recognises students as a major user group of library services.

non-English speaking background:

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

population distribution:

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

other:

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

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

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

$$10,000 \times \$32.56 \times 0.2 = \$65,120$$

In other words, it is estimated that it would cost the council \$65,120 more than the standard council because of its inherent disabilities. \$65,120 becomes Council A's notional expenditure allowance for libraries.

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

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

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

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

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

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

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

What about the revenue allowance of the general purpose component?

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

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

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

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

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

In developing the methodology the Commission was concerned that influence of the Sydney property values would distort results if the natural weighting were applied. That is, the revenue allowances would have substantially more significant than the expenditure allowances. This issue was discussed with the

Australian Government and the approved principles provide that “*revenue allowances may be discounted to achieve equilibrium with the expenditure allowances.*” As a result both allowances are given equal weight.

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

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

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

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

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

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

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

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

Do all councils receive a grant?

Yes. Section 6(2)(b) of the Commonwealth Act requires that for the general purpose component every local governing body should receive a minimum amount. This is an amount, which would be allocated if 30% of the funds available were distributed among councils on a per capita basis. Minimum entitlements for the 2014-15 grants have been determined by the Commission using Australian Bureau of Statistics population estimates (preliminary) for each council area, at 30 June 2013. The 2013-14 per capita minimum is \$20.55. There are twenty-four councils that receive the per capita minimum general purpose component of the grant.

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

The Commission's calculation of *general purpose grants* is initially made without reference to the total of funds available from the Australian Government. The *notional general purpose grant* to each council must be re-scaled, firstly to the available funds, and secondly to bring those councils below the *per capita minimum* (\$20.55 for 2014-15) up to that level, as required in the federal legislation. Councils above the per capita minimum receive about half of the amount assessed as need, based on the Commission's calculations.

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

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

How is capital expenditure treated?

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

What about water and sewerage schemes?

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

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

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

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

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

What about a council's money making venture?

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

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

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

What about debt servicing?

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

What about poor decisions of the past?

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

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

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

What about efficiency? Are councils rewarded in some way?

Yes! Because a council's grant is assessed independent of its policy decisions, a council that provides a cost effective service still receives grant funding which it

can allocate to other areas according to its priorities. Efficient councils will benefit from their efficiencies.

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

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

What happens in the event of council amalgamations?

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

Schedule of Grant Entitlements

The Commission's recommendations for the distribution of funds to local government in New South Wales for 2014-15, together with the actual entitlements for 2013-14 and 2012-13, are set out in the accompanying table. The recommendations have been determined in accordance with the provisions of the *Commonwealth Local Government (Financial Assistance) Act 1995*; the *NSW Local Government Act 1993*; and the methodology as set out in this report.

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

Entitlements for 2013-14 and 2012-13 have been adjusted for variations in the estimates of CPI and the States' shares of the national population. Adjustments are made across councils proportionally. An underpayment occurred for the amount paid in 2013-14. The underpayment amounted to \$12.775 million nationally and \$4.009 million for NSW. There was also an overpayment in 2012-13, which amounted to \$8.122 million nationally and \$1.117 million for NSW.

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

Local Governing Body	2012-13				2013-14				2014-15			
	Estimated Resident Population as at 30/6/11	General Purpose Component	Local Roads Component	Total	Estimated Resident Population as at 30/6/12	General Purpose Component	Local Roads Component	Total	Estimated Resident Population as at 30/6/13	General Purpose Component	Local Roads Component	Total
Albury (C)	51,359	5,133,846	1,208,371	6,342,217	49,645	5,092,794	1,259,174	6,351,968	50,243	4,934,737	1,262,588	6,197,325
Armidale Dumaresq	26,005	2,758,132	1,266,089	4,024,221	25,379	2,736,076	1,324,333	4,060,409	25,343	2,658,546	1,395,116	4,053,662
Ashfield	43,152	994,544	283,625	1,278,169	43,786	984,185	298,027	1,282,212	44,175	934,976	295,833	1,230,809
Auburn (C)	80,352	2,823,446	565,093	3,388,539	80,892	2,947,964	590,960	3,538,924	83,367	2,893,804	597,486	3,491,290
Ballina (S)	42,922	2,263,344	1,190,774	3,454,118	40,993	2,358,805	1,256,394	3,615,199	41,335	2,437,983	1,259,443	3,697,426
Balranald (S)	2,438	1,571,497	1,172,720	2,744,217	2,350	1,867,316	1,227,472	3,094,788	2,371	2,064,220	1,229,250	3,293,470
Bankstown (C)	191,460	5,737,713	1,461,004	7,198,717	193,085	5,677,952	1,527,329	7,205,281	196,974	5,394,054	1,510,541	6,904,595
Bathurst Regional	40,187	4,485,520	1,744,278	6,229,798	40,209	4,520,581	1,841,695	6,362,276	41,051	4,420,677	1,857,421	6,278,098
Bega Valley (S)	34,035	4,929,802	1,746,061	6,675,863	33,112	4,974,977	1,824,611	6,799,588	33,313	4,910,269	1,823,268	6,733,537
Bellingen (S)	13,490	2,438,979	819,474	3,258,453	12,775	2,501,316	851,332	3,352,648	12,854	2,490,599	851,522	3,342,121
Berrigan (S)	8,618	2,930,566	1,219,213	4,149,779	8,318	3,032,196	1,275,080	4,307,276	8,365	3,022,233	1,276,343	4,298,576
Blacktown (C)	313,057	16,496,637	2,868,873	19,365,510	317,575	16,324,821	3,042,935	19,367,756	325,185	15,508,580	3,054,442	18,563,022
Bland (S)	6,432	3,092,443	2,616,335	5,708,778	6,049	3,544,723	2,744,840	6,289,563	6,010	3,832,141	2,745,287	6,577,428
Blayney (S)	7,322	1,552,183	750,155	2,302,338	7,241	1,609,188	786,669	2,395,857	7,330	1,607,629	787,147	2,394,776
Blue Mountains (C)	78,060	6,877,063	1,275,784	8,152,847	78,489	6,974,797	1,340,379	8,315,176	79,225	6,858,998	1,327,065	8,186,063
Bogan (S)	2,995	1,623,020	1,302,018	2,925,038	3,036	1,861,361	1,315,601	3,176,962	3,037	2,009,882	1,315,943	3,325,825
Bombala	2,612	1,061,603	641,167	1,702,770	2,397	1,132,096	668,763	1,800,859	2,401	1,159,548	668,722	1,828,270
Boorowa	2,482	833,844	607,116	1,440,960	2,514	892,076	637,013	1,529,089	2,558	923,769	608,748	1,532,517
Botany Bay (C)	40,871	821,236	269,371	1,090,607	42,467	888,878	288,282	1,177,160	43,292	889,659	287,997	1,177,656
Bourke (S)	3,096	2,189,941	1,692,856	3,882,797	3,058	2,654,882	1,772,987	4,427,869	2,996	2,979,965	1,772,772	4,752,737
Brewarrina (S)	1,911	1,408,044	1,158,328	2,566,372	1,893	1,723,458	1,213,143	2,936,601	1,940	1,947,404	1,214,326	3,161,730
Broken Hill (C)	19,703	4,237,979	467,220	4,705,199	19,067	4,204,090	486,570	4,690,660	19,048	4,031,205	483,788	4,514,993
Burwood	34,079	684,763	236,572	921,335	34,781	728,002	249,252	977,254	35,298	725,381	248,298	973,679
Byron (S)	32,661	1,336,570	1,094,663	2,431,233	31,059	1,361,241	1,132,830	2,494,071	31,612	1,455,837	1,141,372	2,597,209
Cabonne	13,446	2,369,225	1,878,829	4,248,054	13,451	2,479,628	1,971,301	4,450,929	13,695	2,486,071	1,974,053	4,460,124
Camden	58,306	1,671,964	910,061	2,582,025	60,451	2,001,506	994,689	2,996,195	63,248	2,070,644	1,017,947	3,088,591
Campbelltown (C)	154,551	8,738,227	1,548,785	10,287,012	152,584	8,793,966	1,619,351	10,413,317	154,538	8,588,854	1,621,702	10,210,556
Canada Bay (C)	80,954	1,626,638	558,432	2,185,070	81,997	1,716,281	590,085	2,306,366	84,906	1,744,834	593,905	2,338,739
Canterbury (C)	146,930	4,532,510	975,293	5,507,803	146,314	4,485,302	1,013,951	5,499,253	148,853	4,261,037	1,011,031	5,272,068
Carrathool (S)	2,938	2,038,237	2,046,343	4,084,580	2,686	2,469,128	2,139,773	4,608,901	2,792	2,760,345	2,142,457	4,902,802
Central Darling (S)	2,008	2,200,748	1,409,193	3,609,941	2,133	2,645,837	1,478,181	4,124,018	2,070	2,944,280	1,480,917	4,425,197
Cessnock (C)	52,610	5,411,336	1,546,083	6,957,419	53,270	5,480,367	1,612,981	7,093,348	54,313	5,383,791	1,601,747	6,985,538

Local Governing Body	2012-13				2013-14				2014-15			
	Estimated Resident Population as at 30/6/11	General Purpose Component	Local Roads Component	Total	Estimated Resident Population as at 30/6/12	General Purpose Component	Local Roads Component	Total	Estimated Resident Population as at 30/6/13	General Purpose Component	Local Roads Component	Total
Clarence Valley	52,816	7,127,283	2,943,839	10,071,122	51,285	7,219,447	3,078,324	10,297,771	51,043	7,132,478	3,064,997	10,197,475
Cobar (S)	5,145	2,605,758	1,533,414	4,139,172	4,946	2,995,894	1,604,397	4,600,291	5,024	3,238,440	1,606,011	4,844,451
Coffs Harbour (C)	73,296	5,080,584	1,860,038	6,940,622	70,916	5,100,785	1,941,488	7,042,273	71,798	4,981,863	1,965,778	6,947,641
Conargo (S)	1,678	1,297,877	1,098,618	2,396,495	1,576	1,422,428	1,149,314	2,571,742	1,543	1,481,173	1,149,350	2,630,523
Coolamon (S)	4,211	1,717,641	1,155,421	2,873,062	4,264	1,881,649	1,212,169	3,093,818	4,276	1,961,999	1,212,608	3,174,607
Cooma-Monaro (S)	10,524	2,417,345	1,015,130	3,432,475	10,114	2,513,269	1,060,212	3,573,481	10,073	2,517,489	1,058,627	3,576,116
Coonamble (S)	4,291	1,845,983	1,312,827	3,158,810	4,281	2,045,013	1,375,845	3,420,858	4,279	2,134,350	1,375,984	3,510,334
Cootamundra (S)	7,782	1,962,122	659,180	2,621,302	7,571	2,018,766	689,587	2,708,353	7,625	2,005,550	687,951	2,693,501
Corowa (S)	11,818	2,918,085	1,307,329	4,225,414	11,355	3,077,745	1,366,817	4,444,562	11,410	3,119,340	1,363,347	4,482,687
Cowra (S)	12,940	2,800,484	1,296,802	4,097,286	12,619	2,890,262	1,357,336	4,247,598	12,551	2,872,531	1,355,125	4,227,656
Deniliquin	7,591	2,092,229	249,514	2,341,743	7,338	2,102,512	260,096	2,362,608	7,376	2,055,705	259,732	2,315,437
Dubbo (C)	42,108	5,154,478	1,670,133	6,824,611	40,822	5,158,902	1,745,879	6,904,781	40,975	5,028,630	1,728,901	6,757,531
Dungog (S)	8,762	1,385,130	800,245	2,185,375	8,683	1,420,732	840,185	2,260,917	8,884	1,421,273	846,436	2,267,709
Eurobodalla (S)	37,846	4,858,046	1,489,928	6,347,974	36,940	4,989,839	1,559,920	6,549,759	37,234	4,974,819	1,563,354	6,538,173
Fairfield (C)	197,749	9,261,155	1,587,973	10,849,128	198,381	9,164,696	1,657,101	10,821,797	201,427	8,706,461	1,649,475	10,355,936
Forbes (S)	9,818	2,818,982	1,717,314	4,536,296	9,523	2,963,902	1,796,019	4,759,921	9,664	3,009,209	1,798,677	4,807,886
Gilgandra (S)	4,680	1,538,735	1,190,715	2,729,450	4,494	1,756,454	1,278,542	3,034,996	4,488	1,916,674	1,299,237	3,215,911
Glen Innes Severn	9,306	2,236,627	1,226,099	3,462,726	8,931	2,313,728	1,281,744	3,595,472	8,905	2,328,778	1,279,812	3,608,590
Gloucester (S)	5,272	1,252,614	813,483	2,066,097	4,996	1,329,092	848,770	2,177,862	4,974	1,354,770	852,226	2,206,996
Gosford (C)	168,787	7,130,232	1,997,232	9,127,464	168,807	8,052,505	2,097,161	10,149,666	170,752	8,187,368	2,079,135	10,266,503
Goulburn Mulwaree	28,924	3,221,243	1,504,433	4,725,676	28,628	3,274,592	1,598,692	4,873,284	29,230	3,225,564	1,604,343	4,829,907
Great Lakes	36,171	5,103,477	1,506,991	6,610,468	35,777	5,209,150	1,581,849	6,790,999	36,312	5,129,373	1,586,186	6,715,559
Greater Hume (S)	10,423	3,020,275	1,810,202	4,830,477	10,099	3,017,347	1,897,307	4,914,654	10,176	2,938,617	1,897,850	4,836,467
Greater Taree (C)	49,453	4,755,627	2,372,230	7,127,857	48,188	4,895,659	2,494,785	7,390,444	48,846	4,909,866	2,499,946	7,409,812
Griffith (C)	26,001	3,066,688	1,442,733	4,509,421	25,372	3,247,411	1,512,202	4,759,613	25,425	3,301,576	1,510,336	4,811,912
Gundagai (S)	3,878	1,113,438	736,875	1,850,313	3,752	1,190,479	771,623	1,962,102	3,747	1,217,086	771,232	1,988,318
Gunnedah (S)	12,353	2,428,541	1,401,327	3,829,868	12,588	2,562,308	1,477,863	4,040,171	12,688	2,584,786	1,490,904	4,075,690
Guyra (S)	4,567	1,105,992	842,741	1,948,733	4,573	1,148,411	884,870	2,033,281	4,645	1,157,701	884,880	2,042,581
Gwydir (S)	5,391	1,762,611	1,787,498	3,550,109	5,080	2,013,887	1,868,540	3,882,427	5,104	2,183,653	1,870,231	4,053,884
Harden (S)	3,679	1,321,322	759,361	2,080,683	3,695	1,372,067	796,528	2,168,595	3,762	1,377,141	797,410	2,174,551
Hawkesbury (C)	64,312	2,792,509	1,590,243	4,382,752	64,440	2,846,024	1,661,052	4,507,076	65,114	2,703,723	1,637,309	4,341,032
Hay (S)	3,315	1,675,700	721,019	2,396,719	3,013	1,815,192	751,499	2,566,691	2,962	1,859,609	750,801	2,610,410
Hills (S)	182,007	3,657,132	1,818,574	5,475,706	180,094	3,769,550	1,903,868	5,673,418	183,563	3,772,253	1,920,241	5,692,494

Local Governing Body	2012-13				2013-14				2014-15			
	Estimated Resident Population as at 30/6/11	General Purpose Component	Local Roads Component	Total	Estimated Resident Population as at 30/6/12	General Purpose Component	Local Roads Component	Total	Estimated Resident Population as at 30/6/13	General Purpose Component	Local Roads Component	Total
Holroyd (C)	104,013	3,532,390	838,298	4,370,688	105,772	3,495,598	880,297	4,375,895	108,889	3,327,470	895,710	4,223,180
Hornsby (S)	164,934	3,314,078	1,453,276	4,767,354	165,091	3,455,522	1,517,416	4,972,938	166,855	3,428,901	1,500,304	4,929,205
Hunters Hill (M)	14,663	294,630	139,049	433,679	14,115	295,442	142,754	438,196	14,491	297,794	142,720	440,514
Hurstville (C)	81,428	1,636,162	582,349	2,218,511	83,386	1,745,354	614,454	2,359,808	84,859	1,743,869	614,557	2,358,426
Inverell (S)	16,953	3,195,674	1,831,549	5,027,223	16,682	3,345,017	1,919,444	5,264,461	16,727	3,423,747	1,918,724	5,342,471
Jerilderie (S)	1,658	1,100,901	904,113	2,005,014	1,521	1,220,470	945,091	2,165,561	1,504	1,286,143	946,109	2,232,252
Junee (S)	6,327	1,720,797	820,447	2,541,244	6,083	1,772,177	857,540	2,629,717	6,227	1,765,499	863,956	2,629,455
Kempsey (S)	29,581	3,843,297	1,621,187	5,464,484	29,244	3,919,088	1,726,757	5,645,845	29,361	3,867,240	1,723,985	5,591,225
Kiama (M)	21,139	851,069	491,110	1,342,179	20,843	930,607	510,383	1,440,990	21,047	964,760	447,665	1,412,425
Kogarah (C)	59,999	1,205,582	424,868	1,630,450	59,774	1,251,131	441,876	1,693,007	60,411	1,241,458	439,370	1,680,828
Ku-ring-gai	116,389	2,338,646	1,035,531	3,374,177	116,569	2,439,908	1,079,695	3,519,603	119,027	2,446,027	1,078,002	3,524,029
Kyogle	9,891	2,228,951	1,478,078	3,707,029	9,520	2,311,128	1,545,272	3,856,400	9,538	2,327,029	1,547,856	3,874,885
Lachlan (S)	6,856	3,624,002	3,103,892	6,727,894	6,789	4,257,403	3,255,410	7,512,813	6,748	4,622,104	3,147,504	7,769,608
Lake Macquarie (C)	202,347	13,407,163	2,563,995	15,971,158	197,338	13,518,405	2,662,334	16,180,739	200,796	13,211,860	2,639,336	15,851,196
Lane Cove (M)	33,976	682,692	248,968	931,660	33,673	704,810	258,267	963,077	33,996	698,625	256,691	955,316
Leeton (S)	11,932	2,814,928	925,644	3,740,572	11,492	2,878,932	966,778	3,845,710	11,539	2,851,965	988,894	3,840,859
Leichhardt (M)	56,303	1,131,317	399,677	1,530,994	56,288	1,178,166	416,430	1,594,596	57,266	1,176,827	415,254	1,592,081
Lismore (C)	46,091	4,539,207	1,787,259	6,326,466	44,396	4,502,909	1,863,128	6,366,037	44,637	4,347,631	1,860,827	6,208,458
Lithgow (C)	21,164	3,402,099	1,117,696	4,519,795	20,938	3,454,119	1,174,303	4,628,422	21,118	3,417,380	1,178,149	4,595,529
Liverpool (C)	188,577	6,897,746	1,885,186	8,782,932	191,142	7,716,673	1,989,106	9,705,779	195,355	7,330,598	2,013,549	9,344,147
Liverpool Plains (S)	7,997	1,808,292	1,224,187	3,032,479	7,788	1,943,677	1,281,211	3,224,888	7,763	1,997,868	1,279,371	3,277,239
Lockhart (S)	3,279	1,768,834	1,422,781	3,191,615	3,064	1,932,261	1,488,182	3,420,443	3,021	2,014,043	1,489,581	3,503,624
Lord Howe Island (Bd)	364	174,586	0	174,586	375	182,902	0	182,902	393	190,601	0	190,601
Maitland (C)	71,653	5,336,453	1,170,400	6,506,853	71,547	5,370,339	1,235,731	6,606,070	73,447	5,283,401	1,249,876	6,533,277
Manly	42,775	859,494	297,531	1,157,025	43,059	901,269	311,157	1,212,426	44,232	908,976	312,093	1,221,069
Marrickville	79,478	2,555,552	550,067	3,105,619	82,021	2,528,934	583,092	3,112,026	82,523	2,402,487	578,305	2,980,792
Mid-Western Regional	23,007	3,629,920	2,109,104	5,739,024	23,461	3,767,415	2,223,247	5,990,662	23,843	3,731,689	2,226,691	5,958,380
Moree Plains (S)	14,465	3,191,952	2,575,440	5,767,392	14,286	3,583,275	2,697,670	6,280,945	14,250	3,807,793	2,697,225	6,505,018
Mosman (M)	29,414	591,027	220,131	811,158	29,716	621,987	233,307	855,294	29,983	616,157	231,831	847,988
Murray (S)	7,347	2,274,867	1,381,313	3,656,180	7,284	2,449,782	1,410,091	3,859,873	7,418	2,517,168	1,408,866	3,926,034
Murrumbidgee (S)	2,558	1,046,024	545,073	1,591,097	2,402	1,103,751	569,257	1,673,008	2,503	1,120,900	570,854	1,691,754
Muswellbrook (S)	16,923	2,496,568	826,717	3,323,285	16,679	2,526,437	869,427	3,395,864	16,851	2,485,267	871,670	3,356,937
Nambucca (S)	19,416	2,454,282	1,076,642	3,530,924	19,362	2,514,824	1,132,737	3,647,561	19,529	2,490,998	1,132,700	3,623,698

Local Governing Body	2012-13				2013-14				2014-15			
	Estimated Resident Population as at 30/6/11	General Purpose Component	Local Roads Component	Total	Estimated Resident Population as at 30/6/12	General Purpose Component	Local Roads Component	Total	Estimated Resident Population as at 30/6/13	General Purpose Component	Local Roads Component	Total
Narrabri (S)	13,769	3,637,262	2,068,350	5,705,612	13,564	3,929,319	2,222,015	6,151,334	13,685	4,072,052	2,224,174	6,296,226
Narrandera (S)	6,291	2,283,066	1,370,512	3,653,578	6,076	2,498,881	1,433,929	3,932,810	6,030	2,605,083	1,433,287	4,038,370
Narromine (S)	6,830	2,389,039	1,256,412	3,645,451	6,945	2,526,418	1,319,783	3,846,201	6,872	2,558,824	1,318,568	3,877,392
Newcastle (C)	157,663	11,426,444	1,677,955	13,104,399	156,533	11,335,073	1,745,154	13,080,227	158,553	10,882,935	1,737,232	12,620,167
North Sydney	65,318	1,312,458	431,503	1,743,961	67,977	1,422,828	459,994	1,882,822	69,248	1,423,060	459,354	1,882,414
Oberon	5,461	1,365,463	845,577	2,211,040	5,209	1,443,346	881,602	2,324,948	5,270	1,470,587	873,339	2,343,926
Orange (C)	40,062	3,644,599	965,025	4,609,624	40,149	3,615,455	1,039,657	4,655,112	40,869	3,476,066	1,056,819	4,532,885
Palerang	14,834	1,550,260	1,233,241	2,783,501	15,053	1,634,932	1,304,957	2,939,889	15,306	1,644,987	1,309,097	2,954,084
Parkes (S)	15,267	3,441,466	1,781,877	5,223,343	15,148	3,601,759	1,869,418	5,471,177	15,087	3,622,205	1,868,386	5,490,591
Parramatta (C)	176,355	7,442,405	1,447,641	8,890,046	178,226	7,812,972	1,515,578	9,328,550	184,622	7,843,329	1,519,700	9,363,029
Penrith (C)	188,082	8,941,706	2,088,914	11,030,620	186,937	9,431,847	2,180,141	11,611,988	190,428	8,961,972	2,219,588	11,181,560
Pittwater	60,684	1,219,346	557,024	1,776,370	60,974	1,276,248	581,506	1,857,754	62,070	1,275,551	605,351	1,880,902
Port Macquarie-Hastings	77,045	6,219,830	2,487,108	8,706,938	75,693	6,277,862	2,615,912	8,893,774	76,563	6,211,347	2,630,590	8,841,937
Port Stephens	68,503	4,564,254	1,111,903	5,676,157	67,746	4,761,207	1,162,310	5,923,517	68,935	4,951,933	1,167,447	6,119,380
Queanbeyan (C)	41,686	2,099,706	837,633	2,937,339	40,026	2,082,915	869,299	2,952,214	40,568	1,978,769	874,193	2,852,962
Randwick (C)	133,945	2,691,405	863,681	3,555,086	139,260	2,914,853	923,432	3,838,285	142,310	2,924,497	923,748	3,848,245
Richmond Valley	23,213	3,198,793	1,423,488	4,622,281	22,671	3,223,208	1,491,655	4,714,863	22,749	3,177,930	1,478,520	4,656,450
Rockdale (C)	103,369	2,077,031	746,736	2,823,767	104,529	2,187,899	782,638	2,970,537	106,712	2,192,952	781,661	2,974,613
Ryde (C)	107,307	2,156,158	827,592	2,983,750	110,390	2,310,575	874,325	3,184,900	112,545	2,312,821	872,242	3,185,063
Shellharbour (C)	68,339	3,971,689	791,351	4,763,040	66,597	3,957,815	833,156	4,790,971	67,797	3,909,721	826,891	4,736,612
Shoalhaven (C)	98,076	8,033,818	2,955,604	10,989,422	96,717	8,187,343	3,111,502	11,298,845	97,694	8,201,411	3,113,636	11,315,047
Silverton (VC)	57	28,762	0	28,762	57	29,895	0	29,895	57	30,096	0	30,096
Singleton	24,331	2,168,536	1,097,404	3,265,940	23,705	2,208,188	1,162,636	3,370,824	23,751	2,192,997	1,165,461	3,358,458
Snowy River (S)	8,255	2,245,317	822,259	3,067,576	7,894	2,327,352	857,331	3,184,683	8,087	2,321,760	861,335	3,183,095
Strathfield (M)	37,045	744,359	256,437	1,000,796	37,547	785,898	269,172	1,055,070	38,358	788,265	268,953	1,057,218
Sutherland Shire (S)	220,798	4,436,572	1,880,928	6,317,500	220,534	4,616,000	1,960,261	6,576,261	223,192	4,586,636	1,956,794	6,543,430
Sydney (C)	185,422	4,347,610	1,135,930	5,483,540	187,679	4,302,327	1,192,496	5,494,823	191,918	4,087,211	1,191,533	5,278,744
Tamworth Regional	60,167	6,235,338	3,699,504	9,934,842	59,016	6,300,961	3,875,710	10,176,671	59,743	6,186,865	3,882,963	10,069,828
Temora (S)	6,218	1,832,614	1,095,228	2,927,842	5,941	1,936,803	1,144,671	3,081,474	5,995	1,960,530	1,145,333	3,105,863
Tenterfield (S)	7,118	2,397,086	1,496,661	3,893,747	7,027	2,544,739	1,557,793	4,102,532	6,973	2,606,812	1,560,607	4,167,419
Tibooburra (VC)	128	64,588	0	64,588	128	67,131	0	67,131	128	67,584	0	67,584
Tumbarumba (S)	3,766	1,329,417	519,896	1,849,313	3,471	1,375,599	540,955	1,916,554	3,521	1,380,269	542,243	1,922,512
Tumut (S)	11,501	2,481,395	740,805	3,222,200	11,284	2,537,395	777,134	3,314,529	11,316	2,506,683	776,452	3,283,135

Local Governing Body	2012-13				2013-14				2014-15			
	Estimated Resident Population as at 30/6/11	General Purpose Component	Local Roads Component	Total	Estimated Resident Population as at 30/6/12	General Purpose Component	Local Roads Component	Total	Estimated Resident Population as at 30/6/13	General Purpose Component	Local Roads Component	Total
Tweed (S)	90,542	6,512,881	2,498,279	9,011,160	88,848	6,662,452	2,623,914	9,286,366	90,114	6,718,770	2,637,959	9,356,729
Upper Hunter (S)	14,373	2,350,532	1,730,906	4,081,438	14,502	2,499,629	1,820,242	4,319,871	14,650	2,569,225	1,823,143	4,392,368
Upper Lachlan (S)	7,592	2,108,450	1,741,541	3,849,991	7,499	2,280,150	1,780,399	4,060,549	7,586	2,346,853	1,770,653	4,117,506
Uralla (S)	6,315	1,257,827	863,590	2,121,417	6,297	1,340,168	906,013	2,246,181	6,370	1,368,891	906,128	2,275,019
Urana (S)	1,251	1,004,918	698,987	1,703,905	1,174	1,065,840	731,085	1,796,925	1,157	1,082,012	731,104	1,813,116
Wagga Wagga (C)	63,906	7,134,974	2,886,884	10,021,858	61,441	7,177,909	3,022,718	10,200,627	62,149	7,023,004	3,028,650	10,051,654
Wakool (S)	4,362	2,026,066	1,301,468	3,327,534	4,038	2,163,766	1,358,837	3,522,603	3,979	2,208,653	1,360,295	3,568,948
Walcha	3,279	788,347	822,049	1,610,396	3,090	904,177	858,739	1,762,916	3,087	983,582	858,558	1,842,140
Walgett (S)	7,171	3,160,883	1,874,739	5,035,622	6,858	3,591,997	1,976,562	5,568,559	6,785	3,756,936	1,834,762	5,591,698
Warren (S)	2,844	1,270,954	924,165	2,195,119	2,914	1,395,577	969,588	2,365,165	2,910	1,452,422	969,599	2,422,021
Warringham	147,047	2,954,667	1,182,402	4,137,069	149,378	3,126,633	1,241,108	4,367,741	152,636	3,136,698	1,239,475	4,376,173
Warrumbungle (S)	10,295	3,548,935	2,192,019	5,740,954	9,857	3,830,085	2,291,898	6,121,983	9,778	3,944,295	2,291,349	6,235,644
Waverley	70,238	1,545,449	410,311	1,955,760	69,264	1,529,352	423,835	1,953,187	70,706	1,453,022	423,876	1,876,898
Weddin (S)	3,801	1,448,232	901,634	2,349,866	3,703	1,492,760	943,900	2,436,660	3,711	1,482,849	944,107	2,426,956
Wellington	8,725	2,287,992	1,217,056	3,505,048	8,919	2,414,803	1,280,402	3,695,205	8,955	2,453,591	1,280,445	3,734,036
Wentworth (S)	7,065	2,750,064	1,797,599	4,547,663	6,767	3,146,347	1,882,794	5,029,141	6,832	3,395,634	1,884,054	5,279,688
Willoughby (C)	70,705	1,420,701	543,652	1,964,353	72,400	1,515,406	573,064	2,088,470	73,155	1,503,349	569,030	2,072,379
Wingecarribee (S)	47,294	2,605,407	1,620,049	4,225,456	46,308	2,747,421	1,703,059	4,450,480	47,054	2,780,328	1,717,783	4,498,111
Wollondilly (S)	44,790	2,012,286	1,214,424	3,226,710	45,093	2,120,982	1,272,658	3,393,640	46,295	2,142,081	1,270,476	3,412,557
Wollongong (C)	204,025	14,689,239	2,195,528	16,884,767	202,062	15,062,790	2,324,896	17,387,686	205,231	15,064,939	2,328,274	17,393,213
Woollahra (M)	56,906	1,143,433	407,467	1,550,900	56,962	1,192,273	424,814	1,617,087	57,677	1,185,274	422,323	1,607,597
Wyong (S)	152,758	9,791,372	2,062,400	11,853,772	155,342	10,587,948	2,101,808	12,689,756	157,358	10,654,413	2,152,281	12,806,694
Yass Valley	15,450	1,620,220	1,175,034	2,795,254	15,873	1,660,507	1,240,772	2,901,279	16,270	1,631,085	1,251,728	2,882,813
Young (S)	13,135	2,287,485	1,147,252	3,434,737	12,590	2,368,869	1,200,150	3,569,019	12,699	2,361,808	1,200,630	3,562,438
TOTAL	7,301,607	489,045,833	194,724,812	683,770,645	7,289,779	508,608,083	204,088,788	712,696,871	7,409,856	507,579,529	204,087,313	711,666,842

Population Sources:

Australian Bureau of Statistics' estimated resident population (preliminary) data used. Totals exclude the unincorporated area. For estimated resident population (preliminary) as at 30 June 2011 see ABS publication *Regional Population Growth, Australia, 2010-11* (cat. no. 3218.0); for 30 June 2012 see *Regional Population Growth, Australia, 2011-12* (cat. no. 3218.0); and for 30 June 2013 see *Regional Population Growth, Australia, 2012-13* (cat. no. 3218.0).

Schedule of Local Road Lengths

The following schedule shows the local road lengths used in the Commission's calculation of the 2014-15 grants for each council. The information represents local road lengths reported to the Commission by councils. Additional local road and bridge length information is available from the Grants Commission's web page at www.olg.nsw.gov.au (follow the "Commissions & Tribunals" links).

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

Local Governing Body	Urban Local Roads (km)	Non-Urban Sealed Local Roads (km)	Non-Urban Unsealed Local Roads (km)	Total Local Roads (km)
Albury (C)	352	103	51	506
Armidale Dumaresq	168	194	657	1,020
Ashfield	91	0	0	91
Auburn (C)	199	0	0	199
Ballina (S)	229	265	110	605
Balranald (S)	34	110	1,184	1,328
Bankstown (C)	541	0	0	541
Bathurst Regional	273	475	447	1,195
Bega Valley (S)	238	284	649	1,171
Bellingen (S)	94	243	195	532
Berrigan (S)	124	385	753	1,261
Blacktown (C)	1,112	95	16	1,223
Bland (S)	84	470	2,371	2,925
Blayney (S)	78	239	364	681
Blue Mountains (C)	566	92	61	719
Bogan (S)	57	183	1,112	1,352
Bombala	30	92	507	629
Boorowa	36	173	399	608
Botany Bay (C)	90	0	0	90
Bourke (S)	37	11	1,835	1,883
Brewarrina (S)	21	18	1,233	1,272
Broken Hill (C)	189	15	7	211
Burwood	82	0	0	82
Byron (S)	166	295	91	551
Cabonne	96	506	1,230	1,832
Camden	321	141	1	463
Campbelltown (C)	577	78	2	657
Canada Bay (C)	189	0	0	189
Canterbury (C)	313	0	0	313
Carrathool (S)	43	259	1,998	2,300
Central Darling (S)	39	22	1,541	1,602
Cessnock (C)	381	257	266	904

Local Governing Body	Urban Local Roads (km)	Non-Urban Sealed Local Roads (km)	Non-Urban Unsealed Local Roads (km)	Total Local Roads (km)
Clarence Valley	332	799	924	2,055
Cobar (S)	72	141	1,481	1,693
Coffs Harbour (C)	331	313	120	764
Conargo (S)	15	471	743	1,229
Coolamon (S)	74	247	954	1,275
Cooma-Monaro (S)	89	119	726	934
Coonamble (S)	67	176	1,150	1,393
Cootamundra (S)	99	215	256	571
Corowa (S)	151	373	760	1,284
Cowra (S)	142	353	708	1,203
Deniliquin	69	30	52	152
Dubbo (C)	260	479	433	1,171
Dungog (S)	45	285	268	598
Eurobodalla (S)	316	216	426	958
Fairfield (C)	568	40	1	608
Forbes (S)	112	565	1,068	1,745
Gilgandra (S)	71	231	991	1,293
Glen Innes Severn	97	239	749	1,085
Gloucester (S)	30	217	402	649
Gosford (C)	701	203	62	966
Goulburn Mulwaree	222	523	403	1,148
Great Lakes	262	260	440	962
Greater Hume (S)	120	643	1,011	1,775
Greater Taree (C)	252	420	939	1,611
Griffith (C)	192	377	675	1,244
Gundagai (S)	42	256	396	694
Gunnedah (S)	120	288	958	1,366
Guyra (S)	36	269	537	842
Gwydir (S)	64	302	1,532	1,898
Harden (S)	59	301	408	768
Hawkesbury (C)	215	425	257	896
Hay (S)	46	137	594	777
Hills (S)	628	203	24	855
Holroyd (C)	321	0	0	321
Hornsby (S)	480	117	27	624
Hunters Hill (M)	61	0	0	61
Hurstville (C)	213	0	0	213
Inverell (S)	147	331	1,267	1,745
Jerilderie (S)	24	293	681	999
Junee (S)	70	432	323	825
Kempsey (S)	164	320	576	1,060
Kiama (M)	117	98	5	220
Kogarah (C)	153	0	0	153
Ku-ring-gai	444	0	0	444
Kyogle	54	224	807	1,084
Lachlan (S)	93	365	2,881	3,339

Local Governing Body	Urban Local Roads (km)	Non-Urban Sealed Local Roads (km)	Non-Urban Unsealed Local Roads (km)	Total Local Roads (km)
Lake Macquarie (C)	1,027	185	51	1,262
Lane Cove (M)	93	0	0	93
Leeton (S)	110	293	498	901
Leichhardt (M)	140	0	0	140
Lismore (C)	185	481	418	1,083
Lithgow (C)	222	249	408	879
Liverpool (C)	599	196	8	803
Liverpool Plains (S)	98	249	848	1,195
Lockhart (S)	100	378	1,010	1,488
Maitland (C)	424	199	18	641
Manly	105	0	0	105
Marrickville	193	0	0	193
Mid-Western Regional	186	483	1,239	1,907
Moree Plains (S)	161	486	1,993	2,640
Mosman (M)	86	0	0	86
Murray (S)	93	202	1,039	1,333
Murrumbidgee (S)	27	180	383	590
Muswellbrook (S)	107	378	96	581
Nambucca (S)	101	218	347	666
Narrabri (S)	134	388	1,656	2,178
Narrandera (S)	88	277	1,098	1,463
Narromine (S)	59	532	746	1,337
Newcastle (C)	728	19	1	747
North Sydney	143	0	0	143
Oberon	33	308	508	849
Orange (C)	226	162	50	437
Palerang	67	344	654	1,064
Parkers (S)	154	377	1,266	1,797
Parramatta (C)	517	0	0	517
Penrith (C)	742	235	11	988
Pittwater	249	0	0	249
Port Macquarie-Hastings	404	371	456	1,232
Port Stephens	364	213	62	639
Queanbeyan (C)	190	74	7	270
Randwick (C)	277	0	0	277
Richmond Valley	139	330	532	1,001
Rockdale (C)	264	0	0	264
Ryde (C)	308	0	0	308
Shellharbour (C)	319	36	13	368
Shoalhaven (C)	722	512	363	1,597
Singleton	131	513	92	737
Snowy River (S)	67	229	465	761
Strathfield (M)	86	0	0	86
Sutherland Shire (S)	776	13	0	789
Sydney (C)	301	0	0	301
Tamworth Regional	415	675	1,850	2,939

Local Governing Body	Urban Local Roads (km)	Non-Urban Sealed Local Roads (km)	Non-Urban Unsealed Local Roads (km)	Total Local Roads (km)
Temora (S)	72	254	809	1,134
Tenterfield (S)	84	289	1,087	1,460
Tumbarumba (S)	41	187	237	465
Tumut (S)	92	272	216	580
Tweed (S)	448	480	159	1,087
Upper Hunter (S)	110	316	1,155	1,580
Upper Lachlan (S)	100	483	1,149	1,732
Uralla (S)	42	260	516	818
Urana (S)	60	209	498	767
Wagga Wagga (C)	558	491	1,065	2,114
Wakool (S)	37	324	919	1,281
Walcha	30	149	628	807
Walgett (S)	75	44	1,698	1,817
Warren (S)	28	303	633	964
Warringah	421	37	2	460
Warrumbungle (S)	126	476	1,674	2,276
Waverley	113	0	0	113
Weddin (S)	33	388	547	968
Wellington	83	255	897	1,234
Wentworth (S)	48	209	1,687	1,944
Willoughby (C)	199	0	0	199
Wingecarribee (S)	397	368	279	1,044
Wollondilly (S)	175	450	78	703
Wollongong (C)	856	88	5	950
Woollahra (M)	140	0	0	140
Wyong (S)	688	256	84	1,028
Yass Valley	76	392	585	1,053
Young (S)	108	284	668	1,060
Total	32,288	34,350	79,554	146,191

Apparent discrepancies are due to rounding.

Appendices

Appendix 1: Member profiles

Mr Richard Colley - Chair

Prior to retirement Mr Colley was the General Manager at Bankstown City Council from 1999 to 2007, having joined the council in 1995 as Group Manager of Service, Planning and Commission. Mr Colley conducted a public inquiry into Shellharbour City Council (2008) and was an administrator at Wollongong City Council (2010-11). Before embarking on a career in local government Mr Colley was executive director of the Newspaper Advertising Bureau. He spent 14 years with Coca-Cola Coy in finance and marketing, 10 years as the marketing director at Tooheys and five years as marketing director at National Foods.

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

Mr Gibbs is the Divisional representative on the Commission and as such he assumes the role of Deputy Chair. Mr Gibbs has been with the Office of Local Government since 1994, where he is the Manager, Investigations & Performance Group.

Clr Gae Swain - Commissioner

Clr Swain is the Deputy Mayor and a former Mayor of Gunnedah Shire Council. Clr Swain was first elected to Council in 1991. Clr Swain is also a member of the Gunnedah Aged Care Services Committee; Chair, Werris Creek Coal Mine Consultative Committee; and a representative of Anglican Church, in the Armidale Diocese.

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-nine 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; 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; and awarded the Public Service Medal for outstanding service to Local Government, to name but a few.

Appendix 2: Public hearings

Council	Date
Boorowa	25 July 2013
Upper Lachlan Shire	25 July 2013
Harden Shire	26 July 2013
Wingecarribee Shire	23 August 2013
Wollondilly Shire	23 August 2013
Glen Innes Severn Shire	21 October 2013
Richmond Valley	21 October 2013
Kyogle	22 October 2013
Lismore City	22 October 2013
Tweed Shire	22 October 2013
Ballina Shire	23 October 2013
Byron Shire	23 October 2013
Clarence Valley	24 October 2013
Kempsey Shire	24 October 2013
Port Macquarie-Hastings	25 October 2013
Griffith City	5 May 2014
Leeton Shire	5 May 2014
Narrandera Shire	5 May 2014
Jerilderie Shire	6 May 2014
Murrumbidgee Shire	6 May 2014
Berrigan Shire	7 May 2014
Deniliquin, Conargo Shire and Murray Shire*	7 May 2014
Lockhart Shire	8 May 2014
Corowa Shire	8 May 2014
Urana Shire	8 May 2014
Albury City of	23 June 2014
Greater Hume Shire	23 June 2014
Wagga Wagga City	23 June 2014
Wakool Shire	24 June 2014
Hay Shire	25 June 2014
Balranald Shire	25 June 2014
Carrathool Shire	26 June 2014
Weddin Shire	26 June 2014

* A joint meeting attended by representative from Deniliquin, Conargo Shire and Murray Shire Councils.

Appendix 3: Standards used in calculation of expenditure allowances – 2014-15

Standard Costs are based on a five year average of the annual average net expenditures, per unit, by all councils in the State, using the 2008-09 to 2012-13 Financial Reports, Special Schedule 1.

1. Administration	administration: corporate support; other support services; governance: governance	\$184.72
2. Aerodromes	transport & communication: aerodromes	\$2.94
3. Aged Persons' Services	community services & education: aged & disabled	\$1.03
4. Animal Control	public order & safety: animal control	\$2.40
5. Cemeteries	housing & community amenities: public cemeteries	\$0.42
6. Children's Services	health: immunisation community services & education: family day care; child care; other families & children	\$3.78
7. Community Services	community services & education: administration; education; migrant services; aboriginal services; other community amenities.	\$12.44
8. Cultural Facilities	recreation & culture: museums; art galleries; public halls; other cultural services	\$17.21
9. Fire Control and Emergency Services	public order & safety: fire protection; emergency services; statutory contributions to fire service levy	\$15.83
10. Health and Safety	health: administration & inspection; food control; insect/vermin control; health centres; other health services housing & community amenities: public conveniences public order & safety: enforcement of local government regulations; other	\$8.88
11. Libraries	recreation & culture: public libraries	\$32.56
12. Noxious Plants and Pest Control (per non-urban property)	health: noxious plants	\$127.39

13. Planning and Building Services	housing & community amenities: town planning mining, manufacturing & construction: building control	\$30.25
14. Recreation	public order & safety: beach control recreation & culture: community centres; swimming pools; sporting grounds; parks & gardens; other sport & recreation community services & education: youth services	\$94.56
15. Stormwater Drainage and Flood Control (per urban property)	housing & community amenities: environmental protection; urban stormwater drainage	\$72.89
16. Street and Gutter Cleaning (per urban property)	housing & community amenities: street cleaning	\$37.07
17. Street Lighting (per urban property)	transport & communication: street lighting	\$32.75
18. Maintenance – Urban Local Roads	(a) cost per length (km) of local roads in the urban/built up areas for which the council is financially responsible.	\$17,250.43
	(b) urban length (m) per urban properties.	11.2m
	(c) cost of maintenance of bridges and culverts per network km of roads.	\$302.34
19. Maintenance – Sealed Rural Local Roads	(a) cost per length (km) of sealed local roads in the rural/non-built up areas for which the council is financially responsible.	\$4,873.95
	(b) sealed rural length (m) per non-urban properties.	294.2m
	(c) cost of maintenance of bridges and culverts per network km of roads.	\$449.79
20. Maintenance – Unsealed Rural Local Roads	(a) cost per length (km) of unsealed local roads in the rural/non-built up areas for which the council is financially responsible.	\$1,867.41
	(b) urban length (m) per non-urban properties.	681.3m
	(c) cost of maintenance of bridges and culverts per network km of roads.	\$74.99

Note: Unless otherwise shown, costs are per capita.

Appendix 4: Summary of formulae used in the calculation of expenditure and revenue allowances – 2014-15

Expenditure allowances

General

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

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

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

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

Road length allowances

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

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

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

Isolation allowances

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

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

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

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

Specific purpose payments

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

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

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

Revenue allowances

General

The general formula for the calculation of revenue allowances is:

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

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

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

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

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

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

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

Pensioner rebates allowances

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

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

where

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

The standardised rebate for the council (R_c) is:

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

where

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

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

Appendix 5: Details of calculation of expenditure disability factors – 2014-15

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

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

Administration

Aboriginal or Torres Strait Islander

Recognises:	additional costs for councils with a significant aboriginal population.
Measure:	proportion of the population Aboriginal or Torres Strait Islander.
Source:	Australian Bureau of Statistics (ABS), Census 2011, usual residents profile.
Standard:	2.49%
Weighting:	0.005

Economies of Scale

Recognises:	higher per capita costs of administration for councils with small populations.
Measure:	a population based score of 100 to 225 is used with councils whose population is greater than 20,000 receiving nil disability and those whose population is less than 1,250 receiving the maximum disability score.
Source:	ABS, Regional Population Growth, Australia, 2012-13.
Standard:	100
Weighting:	1.1

Non-English Speaking Background

Recognises:	additional costs of information provision.
Measure:	proportion of population born in non-English speaking countries.
Source:	ABS, Census 2011, usual residents profile.
Standard:	18.45%
Weighting:	0.01

Population Distribution

Recognises:	costs of staff travel and duplication of services.
Measure:	the larger of: (a) the sum of the population of centres greater than 200 multiplied by their distance from council headquarters(km) divided by the overall council population; or (b) according to population: between 50,000 and 100,000 3.65 between 100,000 and 150,000 4.87 greater than 150,000 7.30
Source:	ABS, Census 2011, Census counts for small areas (place of enumeration).
Standard:	2.43
Weighting:	0.006

Population Decline

Recognises: additional cost relativities resulting from below average growth.
 Measure: annual average percentage change in population over the previous five years.
 Source: ABS, Regional Population Growth, Australia, 2012-13.
 Standard: 1.31%
 Weighting: 0.012

Sparsity

Recognises: additional costs due to large council areas.
 Measure: area (sq km) per capita (excl. Greater Sydney Area).
 Source: ABS, Regional Population Growth, Australia, 2012-13.
 Standard: 0.262
 Weighting: 0.01

Aerodromes

Net Expenditure: Aerodromes

Recognises: above average expenditure, which is generally beyond council control.
 Measure: adjusted net expenditure per capita averaged over 5 years.
 Source: Office of Local Government (OLG), Special Schedule 1 (2008-09 to 2012-13); ABS Regional Population Growth, Australia, 2012-13.
 Standard: 2.94
 Weighting: 1.0 (maximum DF of 544)

Aged Persons' Services

Aged Persons (60 years and over)

Recognises: additional need for services.
 Measure: proportion of the population aged 60 years and over.
 Source: ABS, Population by Age and Sex – 30 June 2012.
 Standard: 20.36%
 Weighting: 1.0

Pensioners

Recognises: additional council responsibility for aged services.
 Measure: proportion of the population receiving the aged pension, and mature age allowances.
 Source: Centrelink, Customers by Postcodes - June 2008, (Recipients of Pensions, Benefits and Family Payments).

Postcode data adjusted for council boundaries using ABS concordance.

Standard: 13.23%
 Weighting: 1.2

Population Distribution

Recognises: costs of staff travel and duplication of services.
 Measure: as for Administration.
 Source: ABS, Census 2011, census counts for small areas.
 Standard: 2.43
 Weighting: 0.002

Animal Control

Population Distribution

Recognises: costs of staff travel and duplication of services.
 Measure: as for Administration.
 Source: ABS, Census 2011, census counts for small areas.
 Standard: 2.43
 Weighting: 0.070

Cemeteries

Population Distribution

Recognises: costs of staff travel and duplication of services.
 Measure: as for Administration.
 Source: ABS, Census 2011, census counts for small areas.
 Standard: 2.43
 Weighting: 0.015

Children's Services

One Parent Families

Recognises: additional need for child care facilities.
 Measure: proportion of families classified as "one parent family".
 Source: ABS, Census 2011, family type by local government area.
 Standard: 16.28%
 Weighting: 0.815

Population Distribution

Recognises: costs of staff travel and duplication of services.
 Measure: as for Administration.
 Source: ABS, Census 2011, census counts for small areas.
 Standard: 2.43
 Weighting: 0.001

Pre-School Children (0-4 years)

Recognises: additional need for services targeted at this age group which makes up the bulk of local government involvement in children's services.
 Measure: proportion of the population in 0-4 years age group.
 Source: ABS, Population by Age and Sex – 30 June 2012.
 Standard: 6.50%
 Weighting: 1.0

Community Services**Aboriginal or Torres Strait Islander**

Recognises: additional costs for councils with a significant aboriginal population.
 Measure: proportion of the population Aboriginal or Torres Strait Islander.
 Source: ABS, Census 2011, usual residents profile.
 Standard: 2.49%
 Weighting: 0.116

Non-English Speaking Background

Recognises: additional costs of information provision.
 Measure: proportion of population born in non-English speaking countries.
 Source: ABS, Census 2011, usual residents profile.
 Standard: 18.45%
 Weighting: 0.125

Occupation

Recognises: additional council responsibility for community services in areas of low socio-economic status.
 Measure: proportion of the employed persons in lower socio-economic occupational groups.
 Source: ABS, Census 2011, usual residents profile.
 Standard: 24.51%
 Weighting: 0.750

Pension and Benefit Recipients

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

Population Distribution

Recognises: costs of staff travel and duplication of services.
 Measure: as for Administration.
 Source: ABS, Census 2011, census counts for small areas.
 Standard: 2.43
 Weighting: 0.001

Youth (15-24 years)

Recognises: youth as a target group for community services.
 Measure: proportion of population in the 15-24 years age group.
 Source: ABS, Population by Age and Sex – 30 June 2012.
 Standard: 13.20%
 Weighting: 0.200

Cultural Facilities**Duplication of Halls**

Recognises: the additional costs related to the provision of facilities in a number of centres of less than optimum population size.
 Measure: number of licensed halls multiplied by the standard net loss per hall divided by the LGA population for non-metropolitan councils.
 Source: Grants Commission Return, 2012-13; OLG, Special Schedule 1, 2012-13; Regional Population Growth, Australia, 2012-13.
 Standard: 10.35
 Weighting: 0.1 (maximum DF of 25)

Non-Resident Use - Cultural Facilities

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

Fire Control and Emergency Services

Duplication of SES Units

Recognises: cost of duplication of SES units.
 Measure: index based on the population of each centre with an SES unit located more than 10 km from the administrative centre multiplied by its distance from the administrative centre divided by the total population of the LGA.
 Source: SES Headquarters; ABS, Census 2011, census counts for small areas.
 Standard: 1.0
 Weighting: 0.002

Flood Boats

Recognises: requirement for flood rescue in non-urban areas.
 Measure: number of SES registered flood boats per thousand of population.
 Source: Grants Commission return, 2012-13; ABS, Regional Population Growth, Australia, 2012-13.
 Standard: 0.052
 Weighting: 0.026

Flood Prone Buildings

Recognises: flood rescue as the major area of SES expenditure.
 Measure: number of buildings subject to mainstream flooding (1 in 100 years) per thousand of population.
 Source: Grants Commission return, 2012-13; ABS, Regional Population Growth, Australia, 2012-13.
 Standard: 22.48
 Weighting: 0.027

Rural Fire Fighting Contributions

Recognises: contributions to the rural fire fighting fund.
 Measure: average contributions to the NSW Rural Fire Service for a five year period, per capita (2008-09 - 2012-13).
 Source: Ministry for Police and Emergency Services, 2012-13.
 Standard: 4.01
 Weighting: 0.3

Urban Fire Levy

Recognises: payment of this levy is the major local government expenditure item.
 Measure: per capita NSW Fire Rescue contributions.

Source: Ministry for Police and Emergency Services, 2012-13.
 Standard: 9.29
 Weighting: 0.8

Health and Safety

Food Premises

Recognises: additional inspection costs in areas with high proportions of food premises.
 Measure: proportion of food premises per thousand of population.
 Source: Grants Commission return, 2012-13.
 Standard: 5.95
 Weighting: 0.751 (maximum DF of 110)

Non-English Speaking Background

Recognises: population of non-English speaking backgrounds as a target group for health services.
 Measure: proportion of population born in non-English speaking countries.
 Source: ABS, Census 2011, usual residents profile.
 Standard: 18.45%
 Weighting: 0.100

Population Distribution

Recognises: costs of staff travel and duplication of services.
 Measure: as for Administration.
 Source: ABS, Census 2011, census counts for small areas.
 Standard: 2.43
 Weighting: 0.015

Public Toilets

Recognises: significant variation in Council expenditure related to non-resident use.
 Measure: score based on expenditure and Commission's assessment of need to provide public toilets.
 Source: OLG, Special Schedule 1, 2012-13.
 Standard: 100
 Weighting: 0.25

Vandalism and Crime

Recognises: additional costs associated with repairing damage to public property.
 Measure: malicious damage to property incidents per capita.
 Source: NSW Bureau of Crime Statistics and Research, 2012.
 Standard: 1.13%
 Weighting: 0.022

Libraries

Aged Persons (60 years and over)

Recognises: additional cost of providing specialist services and materials.
 Measure: proportion of the population aged 60 years and over.
 Source: ABS, Population by Age and Sex – 30 June 2012.
 Standard: 20.36%
 Weighting: 0.26

Non-English Speaking Background

Recognises: additional costs of information provision.
 Measure: proportion of population born in non-English speaking countries.
 Source: ABS, Census 2011, usual residents profile.
 Standard: 18.45%
 Weighting: 0.1

Non-Resident Borrowers

Recognises: additional cost of providing services for non-residents.
 Measure: percentage of non-resident borrowers plus 100.
 Source: State Library of NSW, 2011-12.
 Standard: 116.59
 Weighting: 1.0 (maximum DF of 10)

Population Distribution

Recognises: costs of staff travel and duplication of services.
 Measure: as for Administration.
 Source: ABS, Census 2011, census counts for small areas.
 Standard: 2.43
 Weighting: 0.018

Students: Full Time

Recognises: students as a major user group of library services.
 Measure: proportion of the population attending an educational institution full time.
 Source: ABS Census 2011, usual residents profile.
 Standard: 19.45%
 Weighting: 0.195

Planning and Building Services

Development Activity

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

The formula is:

$$R = 52.65 + (1042.40 \times a) + (0.00216 \times b)$$

Source: OLG, Special Schedule 1, 2012-13; ABS, Building Approvals, June 2013.
 Standard: 52.65
 Weighting: 0.25 (maximum DF of 45)

Environmental Sensitivity

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

Heritage

Recognises: additional costs due to greater complexity in plan preparation and development control.
 Measure: councils are divided into 5 categories on the basis of heritage considerations and environmentally sensitive areas, as assessed by the Commission (extreme 11%, very high 8%, high 6%, above average 3%, average and below 0).
 Source: Heritage Council, in consultation with the Grants Commission.
 Standard: 1
 Weighting: 0.028

Non-English Speaking Background

Recognises: additional costs of information provision.
 Measure: proportion of population born in non-English speaking countries.
 Source: ABS, Census 2011, usual residents profile.
 Standard: 18.45%
 Weighting: 0.04

Non-Residential Urban Properties

Recognises: greater complexity of processing development applications.
 Measure: number of urban properties which are classified as "business" per hundred of population.
 Source: OLG, Rating Return, 2012-13.
 Standard: 2.59
 Weighting: 0.2 (maximum DF of 30)

Population Distribution

Recognises: costs of staff travel and duplication of services.
 Measure: as for Administration.
 Source: ABS, Census 2011, census counts for small areas.
 Standard: 2.43
 Weighting: 0.017

Population Growth

The population growth measure removed for 2014-15.

Regional Centres and Secondary CBDs

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

Recreation**Age Structure (5-29 years)**

Recognises: additional need for facilities due to a high proportion of population in the sport-playing age group.
 Measure: proportion of the population in the 5-29 years age group.
 Source: ABS, Population by Age and Sex – 30 June 2012.
 Standard: 32.78%
 Weighting: 1.0

Beach Lifesaving

Recognises: cost of additional facilities associated with beaches, principally lifesavers.
 Measure: score based on Commission assessment.
 Source: OLG, Special Schedule 1, 2012-13.
 Standard: 100
 Weighting: 1.0

Climate Measure

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

Day Trippers

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

Duplication of Playing Fields

Recognises: additional costs related to the provision of facilities in a number of centres of less than optimum population size.
 Measure: index based on the per capita area of playing fields that should be provided taking each urban centre above 200 population in turn, based on Research Study 1, Sydney Region Open Space Survey, NSW Planning and Environment Commission, 1975.
 Source: ABS, Census 2011, census counts for small areas.
 Standard: 1.115
 Weighting: 0.460

Duplication of Pools

Recognises: additional costs related to the provision of facilities in a number of centres of less than optimum population size.
 Measure: number of pool complexes operated by council multiplied by the standard net loss per pool divided by population.
 Source: Grants Commission return, 2012-13; OLG, Special Schedule 1, 2012-13; Regional Population Growth, Australia, 2012-13.
 Standard: 11.33
 Weighting: 0.06

Non-Resident Use - Recreation

Recognises: costs of additional services required in regional and tourist centres.
 Measure: index generally in range 100-125 determined by the Commission based on a sampling of councils.
 Source: Grants Commission.
 Standard: 100
 Weighting: 1.0

Non-Urban Measure

Recognises: cost advantages of councils whose residents have the opportunity to use facilities provided in adjacent centres.
 Measure: index in a range 80-100 determined by the Commission based on a sampling of councils (negatives are calculated).
 Source: Grants Commission.
 Standard: 100
 Weighting: 1.0

Population Distribution

Recognises: cost of staff travel and duplication of services.
 Measure: as for Administration.
 Source: ABS, Census 2011, census counts for small areas.
 Standard: 2.43
 Weighting: 0.003

Tidal/Rock Pools

Recognises: additional maintenance costs associated with tidal rock pools.
 Measure: number of rock/tidal pools operated by the councils multiplied by the stand net loss per pool divided by population.
 Source: Grants Commission return, 2012-13; ABS, Regional Population Growth, Australia, 2012-13.
 Standard: 1.21
 Weighting: 0.005

Stormwater Drainage and Flood Control***Flood Prone Urban Buildings***

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

Source: Grants Commission return, 2012-13.
 Standard: 1.0
 Weighting: 1.81

Levee Measure

Recognises: expenses incurred during construction and maintenance of levee banks.
 Measure: number of metres of levee banks per urban property.
 Source: Grants Commission return, 2012-13.
 Standard: 0.204
 Weighting: 0.01

Stormwater Drainage Index

Recognises: variation in cost of construction and maintenance related to a number of variables considered to be most significant.
 Measure: index provided by consultants after studying rainfall, urban land use and impervious area, ground slope, associated construction costs, soil and geology, and the age of the stormwater system.
 Source: Stormwater drainage return, 1987.
 Standard: 1.0
 Weighting: 1.0

Street and Gutter Cleaning***Non-Residential Urban Properties***

Recognises: increased amounts of litter collected from commercial areas.
 Measure: proportion of urban properties classified as "business". The measure excludes non-metropolitan councils.
 Source: OLG, Rating Return, 2012-13.
 Standard: 6.72%
 Weighting: 0.5 (maximum DF of 20)

Urban Density

Recognises: additional maintenance costs of facilities in densely populated areas.
 Measure: population divided by the total area of LGA in square kilometres.
 Source: ABS, Regional Population Growth, Australia, 2012-13.
 Standard: 1,250
 Weighting: 0.2 (maximum DF of 20)

Street Lighting

Net Expenditure: Street Lighting

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

Measure: adjusted net expenditure per urban property averaged over 4 years.

Source: OLG, Rating Return, 2012-13; OLG, Special Schedule 1, 2008-09 - 2012-13; Roads and Maritime Services traffic route lighting subsidy scheme, 2012-13.

Standard: 100

Weighting: 1.0

Noxious Plants and Pest Control

Infestation

Recognises: increased costs in areas of high weed infestation.

Measure: a disability factor determined by the Commission based on a Noxious Plant Advisory Board index.

Source: Department of Agriculture

Standard: Low

Weighting: N/A

Terrain

Recognises: additional costs related to access and constraints on using machinery in mountainous areas.

Measure: disability factors based on the proportion of council areas classified “mountainous” or “hilly”.

Source: CSIRO

Standard: N/A

Weighting: N/A

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

A. General Purpose Grants

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

1. Horizontal Equalisation

General purpose grants will be allocated to local governing bodies, as far as practicable, on a full horizontal equalisation basis as defined by the Act. This is a basis that ensures each local governing body in the State or Territory is able to function, by reasonable effort, at a standard not lower than the average standard of other local governing bodies in the State or Territory. It takes account of differences in the expenditure required by those local governing bodies in the performance of their functions and in the capacity of those local governing bodies to raise revenue.

2. Effort Neutrality

An effort or policy neutral approach will be used in assessing the expenditure requirements and revenue-raising capacity of each local governing body. This means as far as practicable, that policies of individual local governing bodies in terms of expenditure and revenue effort will not affect grant determination.

3. Minimum Grant

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

4. Other Grant Support

Other relevant grant support provided to local governing bodies to meet any of the expenditure needs assessed should be taken into account using an inclusion approach.

5. Aboriginal Peoples and Torres Strait Islanders

Financial assistance shall be allocated to councils in a way which recognises the needs of Aboriginal peoples and Torres Strait Islanders within their boundaries.

6. Council Amalgamation

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

B. Identified Local Road Grants

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

1. Identified Road Component

The identified road component of the financial assistance grants should be allocated to local governing bodies as far as practicable on the basis of the relative needs of each local governing body for roads expenditure and to preserve its road assets. In assessing road needs, relevant considerations include length, type and usage of roads in each local governing area.

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

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

The agreed principles are:-

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

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

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

The agreed principles are:-

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

1. Urban [metropolitan] Area

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

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

2. Rural [non-metropolitan] Area

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

3. Initial Distribution

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

4. Local Roads Grant in Urban Areas

Funds will be allocated:

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

5. Local Roads Grant in Rural Areas

Funds will be allocated:

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

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

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

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

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

Appendix 9: Information data returns

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

130 Councils submitted their General Return by the due date.

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

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

Albury	Cootamundra	Ku-ring-gai	Richmond Valley
Ashfield	Corowa	Lake Macquarie	Ryde
Auburn	Cowra	Leichhardt	Shellharbour
Balranald	Dubbo	Lismore	Shoalhaven
Bankstown	Eurobodalla	Lithgow	Snowy River
Bathurst Regional	Fairfield	Liverpool	Sutherland
Bega Valley	Forbes	Liverpool Plains	Sydney
Bellingen	Glen Innes Severn	Lockhart	Tamworth Regional
Berrigan	Gosford	Maitland	Tenterfield
Blacktown	Goulburn Mulwaree	Manly	Tumut
Bombala	Great Lakes	Moree Plains	Tweed
Bourke	Greater Hume	Mosman	Upper Hunter
Brewarrina	Griffith	Murray	Upper Lachlan
Broken Hill	Gunnedah	Murrumbidgee	Uralla
Burwood	Guyra	Muswellbrook	Urana
Byron	Harden	Nambucca	Wagga Wagga
Cabonne	Hawkesbury	Narromine	Wakool
Camden	Hills	Newcastle	Walcha
Campbelltown	Holroyd	North Sydney	Warren
Carrathool	Hornsby	Oberon	Warringah
Central Darling	Hunters Hill	Orange	Waverley
Clarence Valley	Hurstville	Palerang	Weddin
Cobar	Inverell	Parramatta	Wellington
Coffs Harbour	Jerilderie	Penrith	Wentworth
Conargo	Junee	Port Macquarie-Hastings	Wollondilly
Coolamon	Kempsey	Port Stephens	Woollahra
Cooma-Monaro	Kiama	Queanbeyan	Wyong
Coonamble	Kogarah	Randwick	Yass Valley

Appendix 10: A brief history of financial assistance grants

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

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

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

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

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

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

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

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

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

- *June 2000* – the Commonwealth Minister announced the review into the *Local Government (Financial Assistance) Act 1995*. The Commonwealth Grants Commission was commissioned to undertake the review, which was to be completed by June 2001.
- *June 2001* – the Commonwealth Minister received the report from the Commonwealth Grants Commission into the operations of the 1995 Act.
- *May 2002* – the Minister for Regional Services, Territories and Local Government, the Wilson Tuckey MP, announced an inquiry into the financial position of local government in Australia (the Cost Shifting Inquiry). The House of Representatives Standing Committee on Economics, Finance and Public Administration inquiry, chaired by David Hawker MP, focused on cost shifting to local government by State governments and issues surrounding constitutional recognition of local government.
- *February 2003* – the Cost Shifting Inquiry issued a discussion paper *At the Crossroads*.
- *October 2003* – the Cost Shifting Inquiry released its *Rates and Taxes: A Fair Share for Responsible Local Government, Final Report*.
- *March 2004* – the Prime Minister announced \$26.25 million (over three years) in financial assistance to Local Government in South Australia to supplement the Identified Local Road Grants.
- *June 2005* – the Government released its response to the Cost Shifting Inquiry.
- *September 2005* – the Commonwealth Grants Commission was asked by the Government to review the interstate distribution of the identified local road grant component of the financial assistance grants.
- *November 2005* – an issues paper *Review of the Interstate Distribution of Local Road Grants* was circulated by the Commonwealth Grants Commission.
- *April 2006* – representatives from all three spheres of government signed an intergovernmental agreement to help counter cost shifting.
- *June 2006* – the Commonwealth Grants Commission presented its report and recommendations to the Government into the interstate distribution of the Identified Local Road Grants.

- *September 2006* – a motion to recognise the role of local government in Australian federalism was passed in both houses of federal parliament.
- *May 2007* – in response the Commonwealth Grants Commission’s recommendations regarding the interstate distribution of Local Road Grants the Australian Government announces, largely because of data concerns, that it “*has decided to retain the existing interstate distribution and continue the supplementary funding for South Australian councils.*”
- *June 2009* – the Australian Government brings forward the first quarterly payment of the 2009-10 financial assistance grants. The payment was allocated between councils based on the 2008-09 entitlement relativities. The balance of the 2009-10 payments, with adjustments for the advance payment, was paid in four instalments commencing in September 2009.
- *June 2010* – as in 2009 the Australian Government brings forward the first quarterly payment of the 2010-11 financial assistance grants.
- *May 2011* – as part of the May federal budget the Australian Government announced that it “*will conduct a review into the equity and efficiency of the current funding provided through the Financial Assistance Grants program.*” The Commonwealth Grants Commission is to report by December 2013
- *June 2011* – for the third year the Australian Government brings forward the first quarterly payment of the 2011-12 financial assistance grants.
- *June 2012* – the Australian Government brings forward one-half of the estimated payment of the 2012-13 financial assistance grants.
- *June 2013* – the Australian Government brings forward one-half of the estimated payment of the 2013-14 financial assistance grants.
- *December 2013* - the Commonwealth Grants Commission reports to the Treasurer on its review of the grants scheme. The report is yet to be released.
- *May 2014* – as part of its Budget the Australian Government announces that it “*...will achieve savings of \$925.2 million over four years by pausing indexation of the Local Government Financial Assistance Grants Programme for three years commencing 1 July 2014.*”

The Government also announced that the advance payment arrangements, which applied from 2009, have ceased.

Appendix 11: Glossary

Cash payment

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

Disability

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

Disability factor

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

Effort neutral

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

Effort positive

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

Equalisation component

See general purpose component.

Estimated entitlement

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

Exclusion method

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

Financial assistance grant

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

Function

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

General purpose component (equalisation component)

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

Horizontal equalisation

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

Inclusion method

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

Local Government Grants Commission

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

Local roads component

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

Overpayments and underpayments

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

Per capita minimum

Section 6(2)(b) of the Commonwealth Act requires that for the general purpose component every local governing body should receive a minimum amount. This is an amount, which would be allocated if 30% of the funds available were distributed among councils on a per capita basis. This entitlement only becomes effective when a council's grant based on the horizontal equalisation calculation falls below this minimum entitlement.

Specific purpose grant

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

Standard cost

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

Standardised revenue and expenditure

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

Unit cost

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

Units

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

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

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