

2014-15

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Letter of Submission

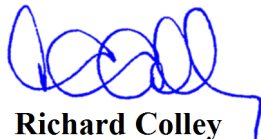
October 2015

The Hon Paul Toole MP
Minister for Local Government

Dear Minister

I present the Annual Report of the New South Wales Local Government Grants Commission covering the Commission's operation during the year ended 30 June 2015 and including the Commission's recommendations for the distribution of financial assistance grants for 2015-16.

Yours faithfully



Richard Colley
Chair

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Foreword

I am pleased to present this report on behalf of the New South Wales Local Government Grants Commission. The report contains information on the key activities of the Commission during 2014-15 as well as on the distribution of \$711.5 million in grant entitlements to New South Wales' local governing bodies for 2015-16. These funds are paid as unconditional grants under the provisions of the Commonwealth *Local Government (Financial Assistance) Act 1995*.

Along with other local government stakeholders the Commission remains concerned at the Australian Government's 2014-15 Budget decision to pause indexation on the grants for three years. This decision will have ongoing implications for local government because the indexation, when it is restored, will be off a significantly reduced base amount.

The overall 2015-16 estimated grant entitlement for NSW is down by over \$815,000 on the 2014-15 entitlement. This is principally because the NSW population growth is not keeping pace with the national growth rate. As a result the NSW share of the general purpose component of the grant is less than for 2014-15.

Not only are the grants reducing but we estimate that NSW has loss well over \$50 million in foregone increases over the past two years because of the pausing of indexation.

It is in this context that the Commission has had to make some difficult decisions in relation to the distribution of the 2015-16 grants.

As I have reported in the previous two annual reports the Commission has put in place some strategies to deliver improved outcomes to smaller rural communities. Accordingly, councils most reliant on grant funding are less impacted by the decision by the Australian Government to freeze indexation. As a result the distribution of the general purpose component of the grants will continue to see modest increases in grant funding for many smaller non-metropolitan councils when compared to those council areas which are less reliant on grant funding.

When compared to 2014-15, the 2015-16 general purpose component grant outcomes result in:

- grants to non-metropolitan councils have increased on average by 0.6%;
- grants to metropolitan councils are reduced by 1.9%;
- the grants to remote councils have increased on average by 7%, while all four councils in the rural agricultural small group recorded increases averaging 5.1%:
- the top ten general purpose component increases are for: Byron (10.5%), Brewarrina (9.7%), Bourke (9.2%), Carrathool (8.6%), Central Darling (8.3%), Balranald (8.0%), Walcha (7.8%), Gwydir (7.2%), Gilgandra (6.9%), and Bogan (6.6%).;

- eight councils are protected by a capped lower limit reduction of 5%: Auburn, Bankstown, Blacktown, Canterbury, Fairfield, Hawkesbury, Marrickville and Queanbeyan; and
- as forecast last year the number of minimum grant councils has increased by two to twenty-six, which represents 31% of the State's population.

To deliver these improved outcomes to smaller rural communities, which is consistent with our observations as well as the views of the Independent Local Government Review Panel, the modelling has been adjusted, including:

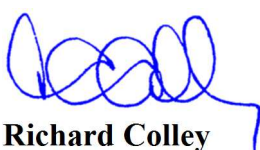
- the standard cost for unsealed local roads in the general purpose component has been weighted to reflect the inability of small rural councils to adequately fund these roads;
- increasing the weighting that applies to economies of scale;
- replacing the population growth measure with a measure for below average growth in the administration function;
- an ongoing review of a number of "other" disability factors for a range of expenditure functions; and
- relaxing the upper capping limit to more quickly move the grant changes to rural remote councils.

I continue to remind councils that the grants will continue to fluctuate during this period of paused indexation as the Commission continues with its annual assessment of relative need. Therefore, I strongly urged all councils to exercise extreme caution with their financial assistance grants budget forecasts.

I would also mention that as part of the Fit for the Future announcements there has been mention of a review the grants distribution model. This follows the Independent Local Government Review Panel's recommendation 8 that "*subject to any legal constraints, seek to redistribute federal Financial Assistance Grants... in order to channel additional support to councils and communities with the greatest needs.*"

In a sense the Commission has pre-empted this announcement with our strategies to move funds to smaller rural councils. Nevertheless, KPMG have been engaged to review our methodology to see if there's more that can be done within the framework of the legislation and national principles. KPMG have provided an interim report. Their final report is expected in the coming months.

In conclusion, I would like to thank my fellow commissioners, Grahame Gibbs, Gae Swain and Graeme Fleming, for their valuable and insightful input during 2014-15. 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 2015 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

The Commission's Executive Officer attended a meeting of executive officers from the states' grants commissions on 28-29 October 2014. The meeting, which was held in Canberra, was hosted by Commonwealth Department of Infrastructure and Regional Development. Travel and accommodation expenses were met by each state's grants commission.

The conference agenda included reports from each state's grants commission on their activities during the year. Representatives of Commonwealth Treasury, the Australian Bureau of Statistics, and the Bureau of Infrastructure, Transport and Regional Economics also made presentations on their activities.

Hearings

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 2014-15 year the Commission held twenty-two public hearings. 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 (LGNSW) is an important aspect of the consultative approach taken by the Commission.

The Chair and the Executive Officer also made a presentation about the grant scheme at a LGNSW *Rural and Regional Issues Workshop* on 4 June 2015.

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.

2014-15 Cash Payments

During 2014-15 cash payments to local authorities totalled \$715,676,168. This amount was made up of the 2014-15 estimated entitlement of \$711,666,842 **plus** an adjustment for an underpayment that occurred in 2013-14 of \$4,009,326. The adjustment for the 2013-14 was necessary because the actual population state shares and movements in CPI figures for 2013-14 varied from the estimates used. The total payments to local governing bodies are summarised below:

19 August 2014	\$178,919,041
18 November 2014	\$178,919,041
17 February 2015	\$178,919,041
18 May 2015	\$178,919,045
Total	\$715,676,168

Highlights for the 2015-16 Grants

The 2015-16 estimated entitlements for New South Wales compared to the 2014-15 final entitlements are:

Component	2014-15 Entitlement	2015-16 Estimated Entitlement	% Change
General Purpose	508,237,232	507,430,007	-0.159%
Local Roads	204,084,131	204,076,047	-0.004%
Total	712,321,363	711,666,842	-0.114%

General Purpose Component - 2015-16

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 2014 (preliminary) is ABS publication *Regional Population Growth, Australia, 2013-14* (cat. no. 3218.0).

Population changes directly affect the grant calculations for expenditure allowances.

When comparing the preliminary 2014 population figures to the preliminary 2013 figures (those used in last year's grant calculations) the NSW population increased by 1.46%. Individual council variations ranged from a reduction of 1.14% for Narrandera Shire to an increase for Camden of 6.07%.

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, including:

- 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;
- increasing the weighting that applies to economies of scale;
- replacing the population growth measure with a measure for below average growth in the administration function;
- an ongoing review of a number of "other" disability factors for a range of expenditure functions; and
- relaxing the upper capping limit to more quickly move the grant changes to 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 increased by 137 km, compared with the previous year's 23 km decrease. The aggregate of the length of bridges on local roads increased by 845 m, compared with last year's 1,299 m increase.

Variations for individual council's road lengths range from an increase of 32 km to a reduction of 55 km. Changes to reported bridge length ranged from an increase of 380 m to a 298 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 2014-15 final entitlements and category references are based on the Australian Classification of Local Government.

New South Wales' general purpose estimated entitlement for 2015-16 is \$507,430,007.

NSW's share of the general purpose component is 32.01%, 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 \$807,225 or 0.159%, compared to the national decrease of 0.004%.

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-two (82) 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 Byron (10.5%), Brewarrina (9.7%), Bourke (9.2%), Carrathool (8.6%), Central Darling (8.3%), and Balranald (8.0%).

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

Metropolitan (the Greater Sydney Statistical Area)

The average decrease for metropolitan councils is 1.9%, compared to the overall state decrease of 0.2%.

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

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

Seven metropolitan councils received reductions limited to 5.0%. Camden receives the highest increase of 2.3%, followed by Gosford with an increase of 2.2%.

The overall results for metropolitan councils generally reflect overall negative result in the grants (down 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 0.6%, compared with the state decrease of 0.2%.

The top ten general purpose component increases for non-metropolitan councils are: Byron (10.5%), Brewarrina (9.7%), Bourke (9.2%), Carrathool (8.6%), Central Darling (8.3%), Balranald (8.0%), Walcha (7.8%), Gwydir (7.2%), Gilgandra (6.9%), and Bogan (6.6%).

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 7.0%. Central Darling (8.3%) and Cobar (6.4%) receive the highest for this group.

All four councils in the rural agricultural small group recorded increases averaging 5.1%.

Rural agricultural medium and rural agricultural large councils received average increases of 4.1% and 2.5% respectively.

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-six councils, all located in the Sydney metropolitan area receive the “safety net” minimum entitlement.

The council areas on the per capita minimum of \$20.25 are: Ashfield, Botany Bay, Burwood, Canada Bay, Hornsby, Hills, Hunters Hill, Hurstville, Kogarah, Ku-ring-gai, Lane Cove, Leichhardt, Manly, Mosman, North Sydney, Pittwater, Randwick, Rockdale, Ryde, Strathfield, Sutherland, Sydney, Warringah, Waverley, Willoughby, and Woollahra.

Changes in General Purpose Grants

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

Range	No. of Councils	% of Councils
-5% to -2.5%	18	11.6%
-2.5% to 0%	53	34.2%
0% to 2.5%	53	34.2%
2.5% to 5%	15	9.7%
5% to 7.5%	9	5.8%
7.5% to 10%	6	3.9%
>10%	1	0.6%
	*155	100.0%

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

Local Roads Component – 2015-16

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 2014-15 final entitlement.

New South Wales' estimated entitlement for 2015 16 is \$204,076,047, a decrease of \$8,084 on last year's entitlement.

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

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 2015 16 increased by 137 km, compared with the previous year's 23 km increase. Bridge length increased by 845 m, compared with last year's 1,299 m increase.

Variations for individual council's road lengths range from an increase of 32 km to a reduction of 55 km. Changes to reported bridge length ranged from an increase of 380 m to a 298 m decrease.

The largest percentage increase in the local roads component grant was Walcha, up 4.7%. Narrabri recorded the largest decrease, down 2.1%.

There were no physical road and bridge audits undertaken by the Commission during 2014-15. However, a small number of councils were asked to provide evidence of their changed road data.

Changes in Local Roads Grants

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

Range	No. of Councils	% of Councils
-2.5 to 0%	94	61.8%
0% to 2.5%	56	36.8%
2.5% to 5%	2	1.3%
	*152	100.0%

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

Total Grants – 2015-16

The total estimated entitlement to New South Wales for 2015 16 is \$711,506,054, a decrease on the 2014 15 adjusted entitlement of \$815,309 or 0.114%, compared to the national decrease of 0.004%.

Changes in Total Grant

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

Range	No. of Councils	% of Councils
-5% to -2.5%	17	11.0%
-2.5% to 0%	56	36.1%
0% to 2.5%	62	40.0%
2.5% to 5%	14	9.0%
5% to 7.5%	6	3.9%
	*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 2015, 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 2015-16 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 \$507.4 million, or 32.01% 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 (29.01% 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.

2015-16 Estimated Entitlements

State/ Territory	General Purpose Component	Share %	Identified Road Component	Share %	Total	Share %
NSW	507,430,007	32.01	204,076,047	29.01	711,506,054	31.09
Vic	394,781,661	24.90	145,013,958	20.62	539,795,619	23.59
Qld	318,722,146	20.11	131,789,861	18.74	450,512,007	19.69
WA	173,830,734	10.97	107,549,648	15.29	281,380,382	12.30
SA	113,400,384	7.15	38,656,146	5.50	152,056,530	6.64
Tas	34,543,821	2.18	37,274,796	5.30	71,818,617	3.14
NT	16,464,343	1.04	16,476,830	2.34	32,941,173	1.44
ACT	26,008,781	1.64	22,554,563	3.21	48,563,344	2.12
TOTAL	1,585,181,877	100.00	703,391,849	100.00	2,288,573,726	100.00

How are the grants paid to councils?

The payments are generally made in quarterly instalments, starting in mid-August each year. However, the Australian Government brought forward the first two instalments of the estimated 2015-16 financial assistance grants and the funds were paid to NSW local authorities on 1 July 2015.

The Commonwealth legislation provides for annual indexation of the national funding pool that takes into account CPI and population estimates, with subsequent adjustments for actuals.

However, as part of the 2014-15 Federal Budget the Government announced 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.” Accordingly, there will be no adjustments to the overall national funding pool for CPI and population growth until the 2017-18 year, although minor annual adjustments for each year’s *final factor* are still required.

It should also be noted that the estimated entitlements, during the period of paused indexation, are based on jurisdictional population projections. If the projections are not realised then adjustments are made.

A small overpayment occurred for the amount paid in 2014-15. The overpayment amounted to \$35,683 nationally. However, NSW was underpaid \$657,703 for the general purpose component and overpaid \$3,182 for the local roads component – a net underpayment of \$654,521. These adjustments are taken into account as part of the 2015-16 quarterly payment instalments being made to local authorities during 2015-16.

How should councils spend the money?

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

How does the Grants Commission distribute the money?

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

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

The Grants Commission attempts assess the extent of relative disadvantage between councils. The approach taken considers cost disadvantage in the provision of services on the one hand (expenditure allowances) and an assessment of revenue raising capacity on the other (revenue allowances). Because the grants are unconditional the methodology is objective and excludes, as far as practicable, councils' policies and practices (the effort neutral principle).

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

What about the local roads component?

The allocation method was developed by 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 \$33.44 per capita.

It is assumed that a council with a population of 10,000 would spend \$334,400 on library services (ie. 10,000 x \$33.44).

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:

$$10,000 \times \$33.44 \times 0.2 = \$66,880$$

In other words, it is estimated that it would cost the council \$66,880 more than the standard council because of its inherent disabilities. \$66,880 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 2015-16 grants have been determined by the Commission using Australian Bureau of Statistics population estimates (preliminary) for each council area, at 30 June 2014. The 2015-16 per capita minimum is \$20.25. 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* (\$20.25 for 2015-16) 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 then Local Government & Shires Associations 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 2015-16, together with the actual entitlements for 2014-15 and 2013-14, 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 2014-15 and 2013-14 have been adjusted for variations in the estimates of CPI and the States' shares of the national population. Adjustments are made across councils proportionally.

A small overpayment occurred for the amount paid in 2014-15. The overpayment amounted to \$35,683 nationally. However, NSW was underpaid \$657,703 for the general purpose component and overpaid \$3,182 for the local roads component – a net underpayment of \$654,521. These adjustments are taken into account as part of the 2015-16 quarterly payment instalments being made to local authorities during 2015-16.

An underpayment occurred for the amount paid in 2013-14. The underpayment amounted to \$12.775 million nationally and \$4.009 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	2013-14				2014-15				2015-16			
	Estimated Resident Population as at 30/6/12	General Purpose Component	Local Roads Component	Entitlement Total	Estimated Resident Population as at 30/6/13	General Purpose Component	Local Roads Component	Entitlement Total	Estimated Resident Population as at 30/6/14	General Purpose Component	Local Roads Component	Entitlement Total
Albury (C)	49,645	5,092,794	1,259,174	6,351,968	50,243	4,941,131	1,262,568	6,203,699	51,082	4,834,458	1,272,184	6,106,642
Armidale Dumaresq	25,379	2,736,076	1,324,333	4,060,409	25,343	2,661,991	1,395,094	4,057,085	25,327	2,615,454	1,392,708	4,008,162
Ashfield	43,786	984,185	298,027	1,282,212	44,175	936,188	295,828	1,232,016	44,498	901,032	293,566	1,194,598
Auburn (C)	80,892	2,947,964	590,960	3,538,924	83,367	2,897,554	597,477	3,495,031	85,446	2,752,676	598,480	3,351,156
Ballina (S)	40,993	2,358,805	1,256,394	3,615,199	41,335	2,441,142	1,259,423	3,700,565	41,644	2,568,922	1,259,286	3,828,208
Balranald (S)	2,350	1,867,316	1,227,472	3,094,788	2,371	2,066,895	1,229,231	3,296,126	2,400	2,233,124	1,229,211	3,462,335
Bankstown (C)	193,085	5,677,952	1,527,329	7,205,281	196,974	5,401,043	1,510,517	6,911,560	200,357	5,130,991	1,509,322	6,640,313
Bathurst Regional	40,209	4,520,581	1,841,695	6,362,276	41,051	4,426,405	1,857,392	6,283,797	41,682	4,329,786	1,862,733	6,192,519
Bega Valley (S)	33,112	4,974,977	1,824,611	6,799,588	33,313	4,916,632	1,823,240	6,739,872	33,468	4,852,948	1,821,257	6,674,205
Bellingen (S)	12,775	2,501,316	851,332	3,352,648	12,854	2,493,826	851,509	3,345,335	13,032	2,487,103	851,785	3,338,888
Berrigan (S)	8,318	3,032,196	1,275,080	4,307,276	8,365	3,026,149	1,276,323	4,302,472	8,413	3,018,620	1,276,662	4,295,282
Blacktown (C)	317,575	16,324,821	3,042,935	19,367,756	325,185	15,528,674	3,054,394	18,583,068	332,424	14,752,240	3,075,813	17,828,053
Bland (S)	6,049	3,544,723	2,744,840	6,289,563	6,010	3,837,107	2,745,244	6,582,351	5,994	4,058,797	2,743,785	6,802,582
Blayney (S)	7,241	1,609,188	786,669	2,395,857	7,330	1,609,712	787,135	2,396,847	7,409	1,617,154	786,981	2,404,135
Blue Mountains (C)	78,489	6,974,797	1,340,379	8,315,176	79,225	6,867,886	1,327,044	8,194,930	79,688	6,807,575	1,319,214	8,126,789
Bogan (S)	3,036	1,861,361	1,315,601	3,176,962	3,037	2,012,486	1,315,922	3,328,408	3,076	2,144,818	1,315,745	3,460,563
Bombala	2,397	1,132,096	668,763	1,800,859	2,401	1,161,050	668,712	1,829,762	2,422	1,180,210	668,380	1,848,590
Boorowa	2,514	892,076	637,013	1,529,089	2,558	924,966	608,739	1,533,705	2,602	951,368	608,911	1,560,279
Botany Bay (C)	42,467	888,878	288,282	1,177,160	43,292	890,812	287,993	1,178,805	44,742	905,972	290,063	1,196,035
Bourke (S)	3,058	2,654,882	1,772,987	4,427,869	2,996	2,983,826	1,772,744	4,756,570	2,973	3,257,015	1,771,651	5,028,666
Brewarrina (S)	1,893	1,723,458	1,213,143	2,936,601	1,940	1,949,927	1,214,307	3,164,234	1,931	2,138,491	1,213,607	3,352,098
Broken Hill (C)	19,067	4,204,090	486,570	4,690,660	19,048	4,036,428	483,780	4,520,208	19,048	3,884,491	481,299	4,365,790
Burwood	34,781	728,002	249,252	977,254	35,298	726,321	248,294	974,615	36,053	730,031	248,292	978,323
Byron (S)	31,059	1,361,241	1,132,830	2,494,071	31,612	1,457,723	1,141,354	2,599,077	32,119	1,611,415	1,161,282	2,772,697
Cabonne	13,451	2,479,628	1,971,301	4,450,929	13,695	2,489,292	1,974,022	4,463,314	13,776	2,486,573	1,972,802	4,459,375
Camden	60,451	2,001,506	994,689	2,996,195	63,248	2,073,327	1,017,931	3,091,258	67,084	2,121,789	1,048,117	3,169,906
Campbelltown (C)	152,584	8,793,966	1,619,351	10,413,317	154,538	8,599,983	1,621,677	10,221,660	156,572	8,311,948	1,616,785	9,928,733
Canada Bay (C)	81,997	1,716,281	590,085	2,306,366	84,906	1,747,095	593,896	2,340,991	87,480	1,771,365	596,667	2,368,032
Canterbury (C)	146,314	4,485,302	1,013,951	5,499,253	148,853	4,266,558	1,011,015	5,277,573	150,626	4,053,230	1,005,824	5,059,054
Carrathool (S)	2,686	2,469,128	2,139,773	4,608,901	2,792	2,763,922	2,142,424	4,906,346	2,795	3,001,771	2,141,708	5,143,479
Central Darling (S)	2,133	2,645,837	1,478,181	4,124,018	2,070	2,948,095	1,480,894	4,428,989	2,065	3,193,569	1,480,324	4,673,893
Cessnock (C)	53,270	5,480,367	1,612,981	7,093,348	54,313	5,390,767	1,601,722	6,992,489	54,979	5,293,003	1,594,000	6,887,003

Local Governing Body	2013-14				2014-15				2015-16			
	Estimated Resident Population as at 30/6/12	General Purpose Component	Local Roads Component	Entitlement Total	Estimated Resident Population as at 30/6/13	General Purpose Component	Local Roads Component	Entitlement Total	Estimated Resident Population as at 30/6/14	General Purpose Component	Local Roads Component	Entitlement Total
Clarence Valley	51,285	7,219,447	3,078,324	10,297,771	51,043	7,141,720	3,064,949	10,206,669	51,003	7,080,228	3,056,823	10,137,051
Cobar (S)	4,946	2,995,894	1,604,397	4,600,291	5,024	3,242,636	1,605,986	4,848,622	5,111	3,448,851	1,606,427	5,055,278
Coffs Harbour (C)	70,916	5,100,785	1,941,488	7,042,273	71,798	4,988,318	1,965,747	6,954,065	72,382	4,890,076	1,965,764	6,855,840
Conargo (S)	1,576	1,422,428	1,149,314	2,571,742	1,543	1,483,092	1,149,332	2,632,424	1,535	1,527,473	1,163,121	2,690,594
Coolamon (S)	4,264	1,881,649	1,212,169	3,093,818	4,276	1,964,541	1,212,589	3,177,130	4,308	2,032,172	1,212,369	3,244,541
Cooma-Monaro (S)	10,114	2,513,269	1,060,212	3,573,481	10,073	2,520,751	1,058,610	3,579,361	10,216	2,529,119	1,059,111	3,588,230
Coonamble (S)	4,281	2,045,013	1,375,845	3,420,858	4,279	2,137,116	1,375,963	3,513,079	4,292	2,202,143	1,375,212	3,577,355
Cootamundra (S)	7,571	2,018,766	689,587	2,708,353	7,625	2,008,149	687,940	2,696,089	7,749	1,998,983	688,538	2,687,521
Corowa (S)	11,355	3,077,745	1,366,817	4,444,562	11,410	3,123,382	1,363,326	4,486,708	11,455	3,145,119	1,364,043	4,509,162
Cowra (S)	12,619	2,890,262	1,357,336	4,247,598	12,551	2,876,253	1,355,104	4,231,357	12,574	2,862,822	1,353,372	4,216,194
Deniliquin	7,338	2,102,512	260,096	2,362,608	7,376	2,058,369	259,728	2,318,097	7,437	2,016,238	259,643	2,275,881
Dubbo (C)	40,822	5,158,902	1,745,879	6,904,781	40,975	5,035,146	1,728,874	6,764,020	41,573	4,834,889	1,729,640	6,564,529
Dungog (S)	8,683	1,420,732	840,185	2,260,917	8,884	1,423,115	846,423	2,269,538	9,108	1,431,407	847,912	2,279,319
Eurobodalla (S)	36,940	4,989,839	1,559,920	6,549,759	37,234	4,981,265	1,563,330	6,544,595	37,643	4,938,495	1,546,068	6,484,563
Fairfield (C)	198,381	9,164,696	1,657,101	10,821,797	201,427	8,717,743	1,649,449	10,367,192	203,109	8,281,856	1,640,633	9,922,489
Forbes (S)	9,523	2,963,902	1,796,019	4,759,921	9,664	3,013,108	1,798,649	4,811,757	9,759	3,037,101	1,798,311	4,835,412
Gilgandra (S)	4,494	1,756,454	1,278,542	3,034,996	4,488	1,919,158	1,299,217	3,218,375	4,440	2,051,548	1,297,874	3,349,422
Glen Innes Severn	8,931	2,313,728	1,281,744	3,595,472	8,905	2,331,796	1,279,792	3,611,588	8,966	2,361,871	1,278,771	3,640,642
Gloucester (S)	4,996	1,329,092	848,770	2,177,862	4,974	1,356,525	852,213	2,208,738	5,064	1,390,584	852,475	2,243,059
Gosford (C)	168,807	8,052,505	2,097,161	10,149,666	170,752	8,197,977	2,079,103	10,277,080	171,992	8,380,605	2,071,071	10,451,676
Goulburn Mulwaree	28,628	3,274,592	1,598,692	4,873,284	29,230	3,229,744	1,604,318	4,834,062	29,376	3,156,167	1,581,914	4,738,081
Great Lakes	35,777	5,209,150	1,581,849	6,790,999	36,312	5,136,019	1,586,161	6,722,180	36,499	5,045,017	1,578,794	6,623,811
Greater Hume (S)	10,099	3,017,347	1,897,307	4,914,654	10,176	2,942,425	1,897,820	4,840,245	10,258	2,899,001	1,902,336	4,801,337
Greater Taree (C)	48,188	4,895,659	2,494,785	7,390,444	48,846	4,916,228	2,499,907	7,416,135	48,941	4,918,095	2,530,400	7,448,495
Griffith (C)	25,372	3,247,411	1,512,202	4,759,613	25,425	3,305,854	1,510,312	4,816,166	25,811	3,341,585	1,512,731	4,854,316
Gundagai (S)	3,752	1,190,479	771,623	1,962,102	3,747	1,218,663	771,220	1,989,883	3,755	1,232,078	770,418	2,002,496
Gunnedah (S)	12,588	2,562,308	1,477,863	4,040,171	12,688	2,588,135	1,490,881	4,079,016	12,826	2,606,350	1,490,903	4,097,253
Guyra (S)	4,573	1,148,411	884,870	2,033,281	4,645	1,159,201	884,866	2,044,067	4,619	1,178,495	884,445	2,062,940
Gwydir (S)	5,080	2,013,887	1,868,540	3,882,427	5,104	2,186,482	1,870,202	4,056,684	5,080	2,344,153	1,868,614	4,212,767
Harden (S)	3,695	1,372,067	796,528	2,168,595	3,762	1,378,925	797,398	2,176,323	3,751	1,376,014	792,347	2,168,361
Hawkesbury (C)	64,440	2,846,024	1,661,052	4,507,076	65,114	2,707,226	1,637,283	4,344,509	65,527	2,571,850	1,633,063	4,204,913
Hay (S)	3,013	1,815,192	751,499	2,566,691	2,962	1,862,019	750,789	2,612,808	2,989	1,895,350	750,697	2,646,047
Hills (S)	180,094	3,769,550	1,903,868	5,673,418	183,563	3,777,141	1,920,211	5,697,352	187,703	3,800,760	1,924,681	5,725,441

Local Governing Body	2013-14				2014-15				2015-16			
	Estimated Resident Population as at 30/6/12	General Purpose Component	Local Roads Component	Entitlement Total	Estimated Resident Population as at 30/6/13	General Purpose Component	Local Roads Component	Entitlement Total	Estimated Resident Population as at 30/6/14	General Purpose Component	Local Roads Component	Entitlement Total
Holroyd (C)	105,772	3,495,598	880,297	4,375,895	108,889	3,331,782	895,696	4,227,478	111,100	3,320,558	896,805	4,217,363
Hornsby (S)	165,091	3,455,522	1,517,416	4,972,938	166,855	3,433,344	1,500,281	4,933,625	168,614	3,414,230	1,497,120	4,911,350
Hunters Hill (M)	14,115	295,442	142,754	438,196	14,491	298,180	142,718	440,898	14,689	297,435	142,040	439,475
Hurstville (C)	83,386	1,745,354	614,454	2,359,808	84,859	1,746,129	614,547	2,360,676	85,886	1,739,089	611,534	2,350,623
Inverell (S)	16,682	3,345,017	1,919,444	5,264,461	16,727	3,428,183	1,918,694	5,346,877	16,846	3,461,817	1,918,253	5,380,070
Jerilderie (S)	1,521	1,220,470	945,091	2,165,561	1,504	1,287,810	946,094	2,233,904	1,519	1,342,500	945,909	2,288,409
Junee (S)	6,083	1,772,177	857,540	2,629,717	6,227	1,767,787	863,943	2,631,730	6,297	1,759,086	863,997	2,623,083
Kempsey (S)	29,244	3,919,088	1,726,757	5,645,845	29,361	3,872,251	1,723,958	5,596,209	29,643	3,830,515	1,722,585	5,553,100
Kiama (M)	20,843	930,607	510,383	1,440,990	21,047	966,010	447,658	1,413,668	21,314	972,272	446,036	1,418,308
Kogarah (C)	59,774	1,251,131	441,876	1,693,007	60,411	1,243,067	439,363	1,682,430	61,030	1,235,785	436,788	1,672,573
Ku-ring-gai	116,569	2,439,908	1,079,695	3,519,603	119,027	2,449,196	1,077,985	3,527,181	120,978	2,449,659	1,074,321	3,523,980
Kyogle	9,520	2,311,128	1,545,272	3,856,400	9,538	2,330,044	1,547,832	3,877,876	9,531	2,356,293	1,538,878	3,895,171
Lachlan (S)	6,789	4,257,403	3,255,410	7,512,813	6,748	4,628,093	3,147,455	7,775,548	6,775	4,925,674	3,146,429	8,072,103
Lake Macquarie (C)	197,338	13,518,405	2,662,334	16,180,739	200,796	13,228,979	2,639,295	15,868,274	202,676	12,932,448	2,624,956	15,557,404
Lane Cove (M)	33,673	704,810	258,267	963,077	33,996	699,530	256,687	956,217	34,807	704,801	256,919	961,720
Leeton (S)	11,492	2,878,932	966,778	3,845,710	11,539	2,855,660	988,879	3,844,539	11,595	2,851,984	972,838	3,824,822
Leichhardt (M)	56,288	1,178,166	416,430	1,594,596	57,266	1,178,352	415,248	1,593,600	58,136	1,177,185	413,817	1,591,002
Lismore (C)	44,396	4,502,909	1,863,128	6,366,037	44,637	4,353,265	1,860,798	6,214,063	44,629	4,212,254	1,827,402	6,039,656
Lithgow (C)	20,938	3,454,119	1,174,303	4,628,422	21,118	3,421,808	1,178,131	4,599,939	21,249	3,399,824	1,177,038	4,576,862
Liverpool (C)	191,142	7,716,673	1,989,106	9,705,779	195,355	7,340,097	2,013,518	9,353,615	199,928	7,061,143	2,027,545	9,088,688
Liverpool Plains (S)	7,788	1,943,677	1,281,211	3,224,888	7,763	2,000,457	1,279,351	3,279,808	7,819	2,053,516	1,278,714	3,332,230
Lockhart (S)	3,064	1,932,261	1,488,182	3,420,443	3,021	2,016,653	1,489,558	3,506,211	3,080	2,081,510	1,489,464	3,570,974
Lord Howe Island (Bd)	375	182,902	0	182,902	393	190,848	0	190,848	396	194,040	0	194,040
Maitland (C)	71,547	5,370,339	1,235,731	6,606,070	73,447	5,290,247	1,249,857	6,540,104	75,170	5,265,505	1,254,407	6,519,912
Manly	43,059	901,269	311,157	1,212,426	44,232	910,154	312,088	1,222,242	44,786	906,863	310,632	1,217,495
Marrickville	82,021	2,528,934	583,092	3,112,026	82,523	2,405,600	578,296	2,983,896	83,356	2,285,320	574,850	2,860,170
Mid-Western Regional	23,461	3,767,415	2,223,247	5,990,662	23,843	3,736,524	2,226,656	5,963,180	24,017	3,685,093	2,227,638	5,912,731
Moree Plains (S)	14,286	3,583,275	2,697,670	6,280,945	14,250	3,812,727	2,697,183	6,509,910	14,092	3,993,437	2,691,607	6,685,044
Mosman (M)	29,716	621,987	233,307	855,294	29,983	616,955	231,827	848,782	30,276	613,053	230,421	843,474
Murray (S)	7,284	2,449,782	1,410,091	3,859,873	7,418	2,520,430	1,408,844	3,929,274	7,466	2,594,040	1,409,863	4,003,903
Murrumbidgee (S)	2,402	1,103,751	569,257	1,673,008	2,503	1,122,352	570,845	1,693,197	2,528	1,137,388	570,823	1,708,211
Muswellbrook (S)	16,679	2,526,437	869,427	3,395,864	16,851	2,488,487	871,656	3,360,143	17,045	2,430,457	873,787	3,304,244
Nambucca (S)	19,362	2,514,824	1,132,737	3,647,561	19,529	2,494,226	1,132,682	3,626,908	19,655	2,466,154	1,131,960	3,598,114

Local Governing Body	2013-14				2014-15				2015-16			
	Estimated Resident Population as at 30/6/12	General Purpose Component	Local Roads Component	Entitlement Total	Estimated Resident Population as at 30/6/13	General Purpose Component	Local Roads Component	Entitlement Total	Estimated Resident Population as at 30/6/14	General Purpose Component	Local Roads Component	Entitlement Total
Narrabri (S)	13,564	3,929,319	2,222,015	6,151,334	13,685	4,077,328	2,224,139	6,301,467	13,764	4,185,611	2,177,202	6,362,813
Narrandera (S)	6,076	2,498,881	1,433,929	3,932,810	6,030	2,608,459	1,433,265	4,041,724	5,961	2,718,815	1,463,550	4,182,365
Narromine (S)	6,945	2,526,418	1,319,783	3,846,201	6,872	2,562,140	1,318,547	3,880,687	6,854	2,582,038	1,317,189	3,899,227
Newcastle (C)	156,533	11,335,073	1,745,154	13,080,227	158,553	10,897,037	1,737,205	12,634,242	160,021	10,448,343	1,751,393	12,199,736
North Sydney	67,977	1,422,828	459,994	1,882,822	69,248	1,424,904	459,347	1,884,251	71,025	1,438,171	460,635	1,898,806
Oberon	5,209	1,443,346	881,602	2,324,948	5,270	1,472,493	873,325	2,345,818	5,327	1,496,001	873,293	2,369,294
Orange (C)	40,149	3,615,455	1,039,657	4,655,112	40,869	3,480,570	1,056,803	4,537,373	41,431	3,329,922	1,062,544	4,392,466
Palerang	15,053	1,634,932	1,304,957	2,939,889	15,306	1,647,119	1,309,077	2,956,196	15,510	1,642,425	1,310,495	2,952,920
Parkes (S)	15,148	3,601,759	1,869,418	5,471,177	15,087	3,626,899	1,868,357	5,495,256	15,217	3,631,284	1,868,086	5,499,370
Parramatta (C)	178,226	7,812,972	1,515,578	9,328,550	184,622	7,853,492	1,519,676	9,373,168	189,932	7,718,268	1,522,538	9,240,806
Penrith (C)	186,937	9,431,847	2,180,141	11,611,988	190,428	8,973,585	2,219,553	11,193,138	194,134	8,598,125	2,257,478	10,855,603
Pittwater	60,974	1,276,248	581,506	1,857,754	62,070	1,277,204	605,342	1,882,546	63,338	1,282,519	603,938	1,886,457
Port Macquarie-Hastings	75,693	6,277,862	2,615,912	8,893,774	76,563	6,219,395	2,630,549	8,849,944	77,481	6,125,410	2,638,441	8,763,851
Port Stephens	67,746	4,761,207	1,162,310	5,923,517	68,935	4,958,350	1,167,429	6,125,779	69,728	5,185,589	1,163,602	6,349,191
Queanbeyan (C)	40,026	2,082,915	869,299	2,952,214	40,568	1,981,333	874,179	2,855,512	40,858	1,882,266	877,767	2,760,033
Randwick (C)	139,260	2,914,853	923,432	3,838,285	142,310	2,928,286	923,734	3,852,020	143,776	2,911,291	918,272	3,829,563
Richmond Valley	22,671	3,223,208	1,491,655	4,714,863	22,749	3,182,048	1,478,497	4,660,545	22,983	3,147,818	1,481,181	4,628,999
Rockdale (C)	104,529	2,187,899	782,638	2,970,537	106,712	2,195,794	781,649	2,977,443	108,072	2,188,328	777,924	2,966,252
Ryde (C)	110,390	2,310,575	874,325	3,184,900	112,545	2,315,818	872,228	3,188,046	114,598	2,320,472	870,283	3,190,755
Shellharbour (C)	66,597	3,957,815	833,156	4,790,971	67,797	3,914,787	826,878	4,741,665	68,762	3,901,619	826,603	4,728,222
Shoalhaven (C)	96,717	8,187,343	3,111,502	11,298,845	97,694	8,212,038	3,113,587	11,325,625	99,016	8,237,556	3,093,249	11,330,805
Silverton (VC)	57	29,895	0	29,895	57	30,135	0	30,135	57	30,153	0	30,153
Singleton	23,705	2,208,188	1,162,636	3,370,824	23,751	2,195,839	1,165,443	3,361,282	23,884	2,193,061	1,173,294	3,366,355
Snowy River (S)	7,894	2,327,352	857,331	3,184,683	8,087	2,324,768	861,322	3,186,090	8,069	2,314,224	862,394	3,176,618
Strathfield (M)	37,547	785,898	269,172	1,055,070	38,358	789,286	268,949	1,058,235	39,481	799,443	270,049	1,069,492
Sutherland Shire (S)	220,534	4,616,000	1,960,261	6,576,261	223,192	4,592,579	1,956,763	6,549,342	225,070	4,557,396	1,951,787	6,509,183
Sydney (C)	187,679	4,302,327	1,192,496	5,494,823	191,918	4,092,507	1,191,514	5,284,021	198,331	4,015,964	1,200,606	5,216,570
Tamworth Regional	59,016	6,300,961	3,875,710	10,176,671	59,743	6,194,882	3,882,904	10,077,786	60,495	6,089,065	3,890,414	9,979,479
Temora (S)	5,941	1,936,803	1,144,671	3,081,474	5,995	1,963,070	1,145,315	3,108,385	6,050	1,970,343	1,130,172	3,100,515
Tenterfield (S)	7,027	2,544,739	1,557,793	4,102,532	6,973	2,610,190	1,560,583	4,170,773	6,980	2,675,083	1,558,360	4,233,443
Tibooburra (VC)	128	67,131	0	67,131	128	67,672	0	67,672	128	67,712	0	67,712
Tumbarumba (S)	3,471	1,375,599	540,955	1,916,554	3,521	1,382,058	542,235	1,924,293	3,578	1,382,155	542,310	1,924,465
Tumut (S)	11,284	2,537,395	777,134	3,314,529	11,316	2,509,931	776,440	3,286,371	11,375	2,539,648	777,906	3,317,554

Local Governing Body	2013-14				2014-15				2015-16			
	Estimated Resident Population as at 30/6/12	General Purpose Component	Local Roads Component	Entitlement Total	Estimated Resident Population as at 30/6/13	General Purpose Component	Local Roads Component	Entitlement Total	Estimated Resident Population as at 30/6/14	General Purpose Component	Local Roads Component	Entitlement Total
Tweed (S)	88,848	6,662,452	2,623,914	9,286,366	90,114	6,727,476	2,637,918	9,365,394	91,210	6,840,245	2,643,800	9,484,045
Upper Hunter (S)	14,502	2,499,629	1,820,242	4,319,871	14,650	2,572,554	1,823,115	4,395,669	14,658	2,624,488	1,821,997	4,446,485
Upper Lachlan (S)	7,499	2,280,150	1,780,399	4,060,549	7,586	2,349,894	1,770,625	4,120,519	7,761	2,405,286	1,782,200	4,187,486
Uralla (S)	6,297	1,340,168	906,013	2,246,181	6,370	1,370,665	906,114	2,276,779	6,408	1,396,554	905,480	2,302,034
Urana (S)	1,174	1,065,840	731,085	1,796,925	1,157	1,083,414	731,093	1,814,507	1,147	1,092,401	730,606	1,823,007
Wagga Wagga (C)	61,441	7,177,909	3,022,718	10,200,627	62,149	7,032,104	3,028,603	10,060,707	62,799	6,925,984	3,038,458	9,964,442
Wakool (S)	4,038	2,163,766	1,358,837	3,522,603	3,979	2,211,515	1,360,274	3,571,789	3,990	2,244,718	1,359,187	3,603,905
Walcha	3,090	904,177	858,739	1,762,916	3,087	984,856	858,545	1,843,401	3,098	1,061,800	898,853	1,960,653
Walgett (S)	6,858	3,591,997	1,976,562	5,568,559	6,785	3,761,804	1,834,733	5,596,537	6,840	3,874,170	1,832,326	5,706,496
Warren (S)	2,914	1,395,577	969,588	2,365,165	2,910	1,454,304	969,584	2,423,888	2,921	1,493,999	969,027	2,463,026
Warringham	149,378	3,126,633	1,241,108	4,367,741	152,636	3,140,762	1,239,456	4,380,218	155,289	3,144,415	1,236,032	4,380,447
Warrumbungle (S)	9,857	3,830,085	2,291,898	6,121,983	9,778	3,949,406	2,291,313	6,240,719	9,786	4,035,224	2,294,851	6,330,075
Waverley	69,264	1,529,352	423,835	1,953,187	70,706	1,454,905	423,869	1,878,774	71,769	1,453,236	422,614	1,875,850
Weddin (S)	3,703	1,492,760	943,900	2,436,660	3,711	1,484,770	944,092	2,428,862	3,709	1,472,786	943,402	2,416,188
Wellington	8,919	2,414,803	1,280,402	3,695,205	8,955	2,456,770	1,280,425	3,737,195	9,054	2,490,918	1,280,258	3,771,176
Wentworth (S)	6,767	3,146,347	1,882,794	5,029,141	6,832	3,400,034	1,884,025	5,284,059	6,884	3,607,272	1,883,576	5,490,848
Willoughby (C)	72,400	1,515,406	573,064	2,088,470	73,155	1,505,297	569,021	2,074,318	74,166	1,501,773	566,494	2,068,267
Wingecarribee (S)	46,308	2,747,421	1,703,059	4,450,480	47,054	2,783,931	1,717,756	4,501,687	47,584	2,940,065	1,722,141	4,662,206
Wollondilly (S)	45,093	2,120,982	1,272,658	3,393,640	46,295	2,144,857	1,270,456	3,415,313	47,084	2,143,039	1,270,595	3,413,634
Wollongong (C)	202,062	15,062,790	2,324,896	17,387,686	205,231	15,084,460	2,328,238	17,412,698	206,794	15,161,068	2,318,685	17,479,753
Woollahra (M)	56,962	1,192,273	424,814	1,617,087	57,677	1,186,810	422,316	1,609,126	58,619	1,186,965	421,044	1,608,009
Wyong (S)	155,342	10,587,948	2,101,808	12,689,756	157,358	10,668,219	2,152,247	12,820,466	159,015	10,830,090	2,128,189	12,958,279
Yass Valley	15,873	1,660,507	1,240,772	2,901,279	16,270	1,633,199	1,251,708	2,884,907	16,433	1,570,780	1,255,784	2,826,564
Young (S)	12,590	2,368,869	1,200,150	3,569,019	12,699	2,364,868	1,200,611	3,565,479	12,641	2,371,251	1,195,152	3,566,403
TOTAL	7,289,779	508,608,083	204,088,788	712,696,871	7,409,856	508,237,232	204,084,131	712,321,363	7,517,931	507,430,007	204,076,047	711,506,054

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 2012 see ABS publication *Regional Population Growth, Australia, 2011-12* (cat. no. 3218.0); for 30 June 2013 see *Regional Population Growth, Australia, 2012-13* (cat. no. 3218.0); and for 30 June 2014 see *Regional Population Growth, Australia, 2013-14* (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 2015-16 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)	359	100	51	510
Armidale Dumaresq	169	197	655	1,021
Ashfield	91	0	0	91
Auburn (C)	199	0	0	199
Ballina (S)	230	265	110	606
Balranald (S)	34	111	1,183	1,328
Bankstown (C)	543	0	0	543
Bathurst Regional	274	478	444	1,196
Bega Valley (S)	238	286	648	1,172
Bellingen (S)	94	243	195	532
Berrigan (S)	124	385	753	1,262
Blacktown (C)	1,133	93	16	1,242
Bland (S)	84	470	2,371	2,925
Blayney (S)	78	239	364	681
Blue Mountains (C)	573	87	60	720
Bogan (S)	57	189	1,106	1,352
Bombala	30	92	507	629
Boorowa	35	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)	185	294	90	570
Cabonne	96	515	1,221	1,832
Camden	335	140	1	477
Campbelltown (C)	580	79	2	660
Canada Bay (C)	189	0	0	189
Canterbury (C)	313	0	0	313
Carrathool (S)	43	265	1,992	2,300
Central Darling (S)	39	22	1,541	1,602
Cessnock (C)	373	252	260	885

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	334	798	924	2,057
Cobar (S)	72	141	1,481	1,693
Coffs Harbour (C)	332	313	120	765
Conargo (S)	15	464	766	1,245
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)	152	373	760	1,286
Cowra (S)	142	353	708	1,203
Deniliquin	69	30	52	152
Dubbo (C)	243	479	446	1,168
Dungog (S)	45	285	268	598
Eurobodalla (S)	310	215	415	939
Fairfield (C)	569	39	1	610
Forbes (S)	112	565	1,068	1,745
Gilgandra (S)	71	231	991	1,293
Glen Innes Severn	96	239	750	1,085
Gloucester (S)	35	206	408	649
Gosford (C)	705	202	65	971
Goulburn Mulwaree	218	507	400	1,125
Great Lakes	262	263	431	956
Greater Hume (S)	120	646	1,015	1,781
Greater Taree (C)	252	420	951	1,624
Griffith (C)	190	315	740	1,244
Gundagai (S)	42	256	396	694
Gunnedah (S)	120	288	958	1,366
Guyra (S)	36	270	537	843
Gwydir (S)	64	302	1,532	1,898
Harden (S)	59	295	408	761
Hawkesbury (C)	216	426	260	901
Hay (S)	46	137	594	777
Hills (S)	637	209	32	878
Holroyd (C)	321	0	0	321
Hornsby (S)	484	117	27	628
Hunters Hill (M)	61	0	0	61
Hurstville (C)	213	0	0	213
Inverell (S)	136	357	1,264	1,757
Jerilderie (S)	24	294	681	999
Junee (S)	70	432	323	825
Kempsey (S)	164	320	576	1,060
Kiama (M)	118	98	5	221
Kogarah (C)	153	0	0	153
Ku-ring-gai	444	0	0	444
Kyogle	54	224	807	1,084
Lachlan (S)	93	374	2,872	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)	1,023	193	50	1,266
Lane Cove (M)	93	0	0	93
Leeton (S)	116	270	486	873
Leichhardt (M)	140	0	0	140
Lismore (C)	183	482	412	1,077
Lithgow (C)	222	249	408	879
Liverpool (C)	613	196	7	816
Liverpool Plains (S)	98	250	847	1,195
Lockhart (S)	100	378	1,010	1,488
Maitland (C)	429	198	19	646
Manly	105	0	0	105
Marrickville	193	0	0	193
Mid-Western Regional	188	484	1,238	1,910
Moree Plains (S)	161	486	1,993	2,640
Mosman (M)	86	0	0	86
Murray (S)	94	202	1,039	1,335
Murrumbidgee (S)	27	180	383	590
Muswellbrook (S)	107	379	96	583
Nambucca (S)	102	218	347	667
Narrabri (S)	140	365	1,618	2,123
Narrandera (S)	91	282	1,123	1,495
Narromine (S)	59	532	746	1,337
Newcastle (C)	747	19	1	766
North Sydney	143	0	0	143
Oberon	33	308	508	849
Orange (C)	229	162	50	440
Palerang	67	344	654	1,065
Parkers (S)	154	377	1,266	1,797
Parramatta (C)	517	0	0	517
Penrith (C)	760	235	11	1,006
Pittwater	249	0	0	249
Port Macquarie-Hastings	407	372	459	1,238
Port Stephens	366	213	62	641
Queanbeyan (C)	195	74	6	275
Randwick (C)	277	0	0	277
Richmond Valley	141	330	532	1,003
Rockdale (C)	264	0	0	264
Ryde (C)	308	0	0	308
Shellharbour (C)	322	36	13	371
Shoalhaven (C)	719	516	332	1,567
Singleton	134	514	97	746
Snowy River (S)	67	229	468	764
Strathfield (M)	86	0	0	86
Sutherland Shire (S)	782	13	0	795
Sydney (C)	301	0	0	301
Tamworth Regional	418	677	1,850	2,945

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)	75	304	763	1,143
Tenterfield (S)	84	289	1,087	1,460
Tumbarumba (S)	41	187	237	465
Tumut (S)	92	273	215	579
Tweed (S)	452	481	158	1,091
Upper Hunter (S)	110	316	1,155	1,580
Upper Lachlan (S)	100	483	1,149	1,732
Uralla (S)	42	262	514	818
Urana (S)	60	209	498	767
Wagga Wagga (C)	561	502	1,056	2,119
Wakool (S)	37	324	919	1,281
Walcha	28	177	614	820
Walgett (S)	72	44	1,698	1,814
Warren (S)	28	303	633	964
Warringah	421	37	2	460
Warrumbungle (S)	126	477	1,673	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)	401	365	281	1,047
Wollondilly (S)	179	451	78	708
Wollongong (C)	858	88	5	952
Woollahra (M)	140	0	0	140
Wyong (S)	687	254	77	1,018
Yass Valley	76	396	585	1,057
Young (S)	108	287	662	1,057
Total	32,462	34,381	79,481	146,324

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 inquiries into Shellharbour City Council (2008) and Central Darling Shire Council (2014) 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 Office of Local Government's 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, serving as Manager, Finance Branch; Manager, Investigations & Performance Group; and Director, 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; and Chair, Werris Creek Coal Mine Consultative Committee. Clr Swain is the winner of the 2015 Ministers' Awards for Women in Local Government in recognition of her outstanding contributions and achievements in local government. Outside of local government, Clr Swain is 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
Marrickville	8 October 2014
Auburn	9 October 2014
Parramatta City	9 October 2014
Penrith City	10 October 2014
Muswellbrook Shire	18 November 2014
Singleton Shire	19 November 2014
Maitland City	19 November 2014
Camden	20 November 2014
Cabonne Shire	16 March 2015
Orange City	16 March 2015
Blayney Shire	16 March 2015
Parkes Shire	17 March 2015
Wellington	17 March 2015
Cobar Shire	18 March 2015
Central Darling Shire	18 March 2015
Broken Hill City	19 March 2015
Wentworth Shire	19 March 2015
Gunnedah Shire	24 June 2015
Moree Plains Shire	24 June 2015
Inverell Shire	25 June 2015
Gwydir Shire	25 June 2015
Tamworth Regional	26 June 2015
Dubbo City	21 September 2015
Narromine Shire	21 September 2015
Warren Shire	22 September 2015
Bogan Shire	22 September 2015
Bourke Shire	23 September 2015
Brewarrina Shire	23 September 2015
Walgett Shire	24 September 2015

Appendix 3: Standards used in calculation of expenditure allowances

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 2009-10 to 2013-14 Financial Reports, Special Schedule 1.

1. Administration	administration: corporate support; other support services; governance: governance	\$195.62
2. Aerodromes	transport & communication: aerodromes	\$3.03
3. Aged Persons' Services	community services & education: aged & disabled	\$0.94
4. Animal Control	public order & safety: animal control	\$2.50
5. Cemeteries	housing & community amenities: public cemeteries	\$0.40
6. Children's Services	health: immunisation community services & education: family day care; child care; other families & children	\$3.72
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	\$17.70
9. Fire Control and Emergency Services	public order & safety: fire protection; emergency services; statutory contributions to fire service levy	\$16.19
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	\$9.19
11. Libraries	recreation & culture: public libraries	\$33.44
12. Noxious Plants and Pest Control (per non-urban property)	health: noxious plants	\$134.51

13. Planning and Building Services	housing & community amenities: town planning mining, manufacturing & construction: building control	\$29.94
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	\$98.56
15. Stormwater Drainage and Flood Control (per urban property)	housing & community amenities: environmental protection; urban stormwater drainage	\$79.36
16. Street and Gutter Cleaning (per urban property)	housing & community amenities: street cleaning	\$38.48
17. Street Lighting (per urban property)	transport & communication: street lighting	\$35.28
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.	\$19,268.72
	(b) urban length (m) per urban properties.	11.2m
	(c) cost of maintenance of bridges and culverts per network km of roads.	\$330.68
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.	\$5,024.68
	(b) sealed rural length (m) per non-urban properties.	295.0m
	(c) cost of maintenance of bridges and culverts per network km of roads.	\$511.49
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.	\$1,972.87
	(b) urban length (m) per non-urban properties.	681.0m
	(c) cost of maintenance of bridges and culverts per network km of roads.	\$79.10

Note: Unless otherwise shown, costs are per capita.

Appendix 4: Summary of formulae used in the calculation of expenditure and revenue allowances

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

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, 2013-14.
Standard:	100
Weighting:	1.2

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

Below Average Population Growth

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, 2013-14.
 Standard: 1.28%
 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, 2013-14.
 Standard: 0.260
 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 (2009-10 to 2013-14); ABS Regional Population Growth, Australia, 2013-14.
 Standard: 3.03
 Weighting: 1.0 (maximum DF of 548)

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 2013.
 Standard: 20.60%
 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 2013.
 Standard: 6.58%
 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 2013.
 Standard: 13.11%
 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, 2013-14; OLG, Special Schedule 1, 2013-14; Regional Population Growth, Australia, 2013-14.
 Standard: 10.45
 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, 2013-14; ABS, Regional Population Growth, Australia, 2013-14.
 Standard: 0.055
 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, 2013-14; ABS, Regional Population Growth, Australia, 2013-14.
 Standard: 23.28
 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 (2009-10 - 2013-14).
 Source: Ministry for Police and Emergency Services, 2013-14.
 Standard: 4.03
 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, 2013-14.
 Standard: 9.35
 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, 2013-14.
 Standard: 6.00
 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, 2013-14.
 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, 2013.
 Standard: 1.02%
 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 2013.
 Standard: 20.60%
 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, 2012-13.
 Standard: 116.41
 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:

$$R = 54.24 + (711.27 \times a) + (0.00288 \times b)$$

Source: OLG, Special Schedule 1, 2013-14;
 ABS, Building Approvals, June 2014.
 Standard: 54.24
 Weighting: 0.25 (maximum DF of 20)

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, Financial Data Return, 2013-14.
 Standard: 2.56
 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

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 2013.
 Standard: 32.59%
 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, 2013-14.
 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: 1.112
 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, 2013-14; OLG, Special Schedule 1, 2013-14; ABS, Regional Population Growth, Australia, 2013-14.
 Standard: 11.15
 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, 2013-14; ABS, Regional Population Growth, Australia, 2013-14.
 Standard: 1.45
 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, 2013-14.
 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, 2013-14.
 Standard: 0.202
 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, 2013-14.
 Standard: 6.61%
 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, 2013-14.
 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, Financial Data Return, 2013-14; OLG, Special Schedule 1, 2009-10 - 2013-14; Roads and Maritime Services traffic route lighting subsidy scheme, 2013-14.

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 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.

122 Councils submitted their General Return by the due date.

Albury	Coonamble	Lane Cove	Snowy River
Ashfield	Cootamundra	Leeton	Strathfield
Auburn	Corowa	Leichhardt	Sutherland
Ballina	Cowra	Lismore	Sydney
Bathurst Regional	Dubbo	Liverpool	Temora
Bega Valley	Dungog	Lockhart	Tenterfield
Bellingen	Fairfield	Maitland	Tumbarumba
Berrigan	Forbes	Manly	Tumut
Bland	Gilgandra	Marrickville	Tweed
Blue Mountains	Gloucester	Mid-Western Regional	Upper Hunter
Bogan	Goulburn Mulwaree	Moree Plains	Upper Lachlan
Bombala	Greater Hume	Mosman	Urana
Boorowa	Greater Taree	Murray	Wagga Wagga
Bourke	Gunnedah	Muswellbrook	Wakool
Brewarrina	Guyra	Nambucca	Walcha
Broken Hill	Harden	Narrandera	Walgett
Burwood	Hawkesbury	Newcastle	Warren
Byron	Hay	North Sydney	Warringah
Cabonne	Hills	Oberon	Warrumbungle
Camden	Hornsby	Orange	Weddin
Canada Bay	Hunters Hill	Parkes	Wellington
Canterbury	Hurstville	Parramatta	Wentworth
Carrathool	Inverell	Penrith	Willoughby
Central Darling	Jerilderie	Pittwater	Wingecarribee
Cessnock	Junee	Port Macquarie-Hastings	Wollondilly
Clarence Valley	Kempsey	Port Stephens	Wollongong
Cobar	Kiama	Queanbeyan	Woollahra
Coffs Harbour	Kogarah	Randwick	Yass Valley
Conargo	Ku-ring-gai	Richmond Valley	Young
Coolamon	Kyogle	Ryde	
Cooma-Monaro	Lake Macquarie	Shoalhaven	

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

Albury	Dubbo	Lismore	Sutherland
Armidale Dumaresq	Dungog	Lithgow	Sydney
Ashfield	Eurobodalla	Liverpool	Tamworth Regional
Auburn	Fairfield	Liverpool Plains	Tenterfield
Ballina	Forbes	Lockhart	Tumbarumba
Balranald	Glen Innes Severn	Maitland	Tumut
Bathurst Regional	Gloucester	Manly	Tweed
Bellingen	Gosford	Marrickville	Upper Hunter
Berrigan	Goulburn Mulwaree	Mid-Western Regional	Upper Lachlan
Blayney	Great Lakes	Moree Plains	Uralla
Blue Mountains	Gunnedah	Mosman	Urana
Bombala	Guyra	Murray	Wagga Wagga
Boorowa	Gwydir	Muswellbrook	Wakool
Botany Bay	Harden	Nambucca	Walcha
Bourke	Hawkesbury	Newcastle	Warren
Broken Hill	Hay	North Sydney	Warringah
Burwood	Hills	Oberon	Warrumbungle
Byron	Holroyd	Orange	Waverley
Cabonne	Hornsby	Palerang	Weddin
Campbelltown	Hurstville	Parkes	Wellington
Carrathool	Inverell	Parramatta	Wentworth
Central Darling	Jerilderie	Penrith	Willoughby
Cessnock	Junee	Pittwater	Wingecarribee
Clarence Valley	Kempsey	Port Macquarie-Hastings	Wollondilly
Cobar	Kiama	Port Stephens	Wollongong
Conargo	Kogarah	Queanbeyan	Woollahra
Coolamon	Ku-ring-gai	Randwick	Wyong
Cooma-Monaro	Kyogle	Richmond Valley	Yass Valley
Coonamble	Lachlan	Ryde	Young
Cootamundra	Lake Macquarie	Shellharbour	
Corowa	Leeton	Shoalhaven	
Deniliquin	Leichhardt	Snowy River	

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 advance payment arrangements, which applied from 2009, ceases.

- *June-July 2015* – advance payment arrangements are reintroduced with the Australian Government bringing forward one-half of the estimated entitlement for 2015-16, which is paid to the States on 30 June 2015. Some States make the payment to local authorities within their jurisdiction on 30 June, others, including NSW, make the payment on 1 July.

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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