

**New South Wales
Local Government
Grants Commission
Annual Report 1996/97**

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The Hon Ernie Page MP

NSW LOCAL GOVERNMENT GRANTS COMMISSION

Annual Report 1996/97

The Hon. Ernie Page 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, 1997 and including the Commission's recommendations for the distribution of financial assistance grants for 1997/98.

The reporting requirements of the Annual Reports (Departments) Act, 1985, are met by the inclusion of a report by the Commission in the Department of Local Government Annual Report for 1996/97.

Yours faithfully

Cr Barbara Armitage

Chairperson

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Foreword

The activities of the Commission during 1996/97 were conducted under the previous Chairperson, Cr Allan Fifield AM, who retired at the end of June. This report is largely made on his behalf.

The Commission made recommendations on the distribution of \$392.74 million for 1997/98. \$284.58 million of this is for the equalisation component of the grant and \$108.16 for the local roads component. While these components of the grant are separately identified, the total payments to councils are untied.

As reported widely at the time of the May 1997 Federal Budget, the single most significant, and disappointing, aspect of the 1997/98 grants was the Commonwealth's decision not to pass on to local government a real per capita terms increase in funds. This was despite commitments to the contrary. By only applying a CPI increase and not including a population growth factor the Commonwealth saved about \$14.7 million nationally.

On the positive side, the Commission was able to achieve its goal of advising councils of their preliminary grant details within fourteen days of the Budget announcement. The aim was to assist councils with their budgetary commitments. A number of councils have indicated their appreciation of the Commission's efforts.

The small increase in funds (0.8% up on last year's CPI and population adjusted amount) has meant a reduced number of councils have received increases in their total grant - 126 this year compared to 167 last year. Once again, the effects of ongoing drought has generally seen rural councils receive above average increases. Drought conditions have been reflected in falling property values. This in turn has continued the trend of increasing grant funds moving to the rural sector, generally at the expense of middle and fringe metropolitan, and some coastal councils. This serves as a reminder of the hardships being faced by much of rural New South Wales.

As mentioned elsewhere in this report, some of the biggest variations in grants between councils has been caused by changes in reported road and bridge lengths. The principal reason for this has been the reclassification of some regional and local roads. However, a small number of councils have reported changes as a result of the implementation of better asset management systems.

I must report that the poor timeliness of the lodging of financial information is of major concern to the Commission. Special Schedule 1 from councils' statements of accounts is the Commission's principal source of financial data. An aggregation of state-wide data is used to calculate the "standard costs" which, in turn, are the basis for the determination of councils' expenditure allowances. By the end of February some 38 councils (or 20%) had not lodged their 1995/96 financial data. Where councils had failed to lodge the information by that time, their 1994/95 data was used. This reflects poorly on local government.

On behalf of the retired Chairperson I would like to acknowledge the efforts of the Commissioners during 1996/97. Particular thanks goes to Cr Gregory Bartels who also retired at the end of July. I welcome Cr Patricia Dixon to the team and look forward to working with Pat and the other members of the Commission, Mr Tim Rogers and Emeritus Professor Maurice Daly. I would also like to thank the support staff, for their contributions to the Commission over the last year.

Finally, I would take this opportunity to pay tribute to Cr Allan Fifield for his long and distinguished service with the Commission. Cr Fifield was first appointed as a member of the Commission on 1 May 1986 and as Chairperson on 1 July 1992. The high regard in which he is held by all is a testament to his years of dedicated work to the Commission and local government.

Cr Barbara Armitage
Chairperson

Function, Membership, 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 and eligible for reappointment. The members consist of:

- three members nominated by the Minister, one of whom is the Chairperson;
- the Deputy Chairperson, who is an officer of the Department 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 Chairperson who is a full-time officer of the Department of Local Government.

The membership to 30 June 1997 was:

- Councillor Allan Fifield AM, Chairperson
- Tim Rogers, Director/Deputy Chairperson
- Councillor Greg Bartels, Member
- Emeritus Professor Maurice Daly, Member

The membership from 1 July 1997 is:

- Councillor Barbara Armitage, Chairperson
- Tim Rogers, Director/Deputy Chairperson
- Councillor Patricia Dixon, Member
- Emeritus Professor Maurice Daly, Member

(Member profiles are included in Appendix 1).

The part-time members of the Commission are appointed for the following periods:

- Cr Barbara Armitage - to 30 June, 2002
- Cr Patricia Dixon - to 30 June, 2002
- Emeritus Prof. Maurice Daly - to 30 June, 2002

STAFF

The Commission's staff consists of full-time officers of the Department of Local Government:

- Tim Rogers, Director
- Bruce Wright, Executive Officer
- Cary Mather, Project Officer
- Pauline Chan, Clerical Assistant/Typist (to November 1996)

The Commission acknowledges the substantial contribution of the staff to the smooth operation of the Commission and the continuing review of the methodology for the determination of grants.

Summary of Activities 1996-97

RESEARCH PROJECT: ASSESSMENT OF REVENUE RAISING CAPACITY OF LOCAL GOVERNMENT

Discussion Paper #2 (published in October 1994 as part of the Commonwealth's review of the Commonwealth Local Government (Financial Assistance) Act 1986) recommended a review of the States' Grants Commission's *Assessment Of Revenue Raising Capacity Of Local Government*.

The key elements of the review, which was commissioned on behalf of the Local Government Ministers' Conference, were to:-

- review the theory of revenue raising capacity within the context of local government rating powers and practices;
- review the methodology of Local Government Grants Commissions (LGGCs), comparing and contrasting outcomes within and between states;
- develop and test options for assessment of revenue raising capacity, including sensitivity of grant outcomes to different approaches; and
- identify issues to be addressed in ongoing development of methodology, and implications of different approaches to these methodology issues.

The final report was tabled at the Local Government Ministers' Conference in October 1996 and copies were circulated, via e-mail, to all NSW councils.

ANNUAL CONFERENCE

The Victoria Grants Commission hosted the 1996 Annual Conference of State Grants Commissions. The Conference was held in Melbourne, from 7 - 9 October. Those attending included representatives from Grants Commissions; officers of the Commonwealth's National Office of Local Government; and local government representatives. Items considered at the Conference included national competition policy, benchmarking, council amalgamations, and methodological issues.

The Commission takes this opportunity to extend its sympathy to the Victoria Grants Commission and to the family and friends of the late Mrs Simone Servais who passed away in April this year. Simone's contributions as Executive Officer of the Victoria Commission were significant.

EXECUTIVE OFFICERS' MEETINGS

In June 1997 the National Office of Local Government sponsored a meeting of the Executive Officers from each State. The meeting discussed methodological, reporting, and data capture issues facing the Commissions.

ROAD AND BRIDGE LENGTH AUDITS

The Commission continued its program of auditing councils' road and bridge data during 1996/97. The program began in 1992/93 with eight councils being audited. Eleven councils were audited in 1993/94; eight councils during 1994/95; nine in 1995/96, and seven in 1996/97.

A summary of the auditor's report is included in the appendices.

VISITS TO COUNCILS

Thirty-six councils were visited during 1996/97. This compares with thirty-three the previous year. The Commission aims to visit all councils over a four year cycle. Details of councils visited during the year are shown in the appendices.

These visits give councils an opportunity to meet with the Commission and present their particular problems. The Commission's aim has been to demystify the grant determination process as much as possible. Visits are open to the public and act as public hearings in relation to the Commonwealth Act.

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

Summary of Activities 1996-97

RETURN OF FINANCIAL AND GENERAL INFORMATION

Councils were required to complete an annual data returns for use by the Commission in its calculations. The data returns were e-mailed to councils via DLGnet. Completed returns were then e-mailed back for processing.

Response times for the Commission's General Return and the Roads and Bridges Return were significantly better than the previous year. Of concern was the poor response time for the Special Schedule 1 financial data. In past years the Schedule 1 data return was part of the Commission's data collections.

Collections for the 1995/96 financial data (used in the 1997/98 grant calculations) was part of the broader Departmental financial collections. The aim was to reduce councils' reporting requirements.

However, by the end of February some 38 councils (or 20%) had not lodged their financial data. Therefore, where councils had failed to lodge the information by that time, their 1994/95 data was used.

Councils are reminded that accurate and timely statistical and financial information is an essential element to the grant calculations.

SUBMISSIONS

Councils were also invited to make submissions to the Commission highlighting the particular problems arising from their inherent disabilities. The Commission provided detailed guidelines on the preparation of submissions to councils, with a summary of the calculation of expenditure disability factors.

The guidelines and summaries were intended to make the information provided 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.

PAYMENTS 1996/97

During 1996/97 the grants continued to be paid in quarterly instalments.

The total payments to local governing bodies during 1996/97:

16 August 1996	\$98,447,615
18 November 1996	\$98,447,615
18 February 1997	\$98,447,615
16 May 1997	\$98,447,615
Total	*\$393,790,460

*The estimates of the consumer price index and the states' shares of population on which the 1995/96 payments were based was greater than the actual change in the four quarters to March 1996. Therefore, an adjustment was made to the instalments of the 1996/97 grant. The total increase was \$1,576,599. Details of the adjustments to individual authorities were reported in last year's annual report.

In 1996/97 the CPI/population estimates were overstated. Accordingly, adjustments are made to each instalment of the 1997/98 grant payments. The total reduction was \$2,489,050. These adjustments have been made to councils proportionally.

Details of the 1996/97 adjustments to individual bodies are included in the schedules of this report.

MEMBERSHIP

The terms of appointment for Cr Allan Fifield AM, Cr Gregory Bartels and Emeritus Professor Maurice Daly concluded on 30 June 1997.

The Minister appointed Cr Barbara Armitage, Cr Patricia Dixon, and reappointed Emeritus Professor Maurice Daly, to the Commission for five year terms from 1 July 1997.

Highlights for 1997/98 Grants

The total funds for New South Wales, compared to 1996/97:

Component	1996/97 CPI Adjusted Entitlement	1997/98 Estimated Entitlement	% Change
Equalisation	282,395,260	284,579,261	0.8%
Local Roads	107,329,551	108,155,989	0.8%
Total	389,724,811	392,735,250	0.8%

EQUALISATION COMPONENT

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

Movements in the grants year to year are caused by:

Variations in Property Valuations

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

Those councils showing the greatest decrease in grant represent those Local Government Areas (LGAs) where property values have remained stable or are rising, compared to the State average. Councils in the middle and fringe metropolitan areas, and some coastal areas, are most affected.

Councils in rural areas have generally shown increases in their grants. This has been caused by falling property values as a result of continued drought and declining commodity prices.

Changes to Disability Factors

Measures used to calculate disability factors vary from year to year. This has resulted in changed standard measures, as well as changes in the disability factors for some councils.

For some functions, the measures used are sensitive to annual fluctuations. While these fluctuations occur and impact upon the grant outcome, continued use of these measures seems appropriate in addressing disabilities that occur in LGAs on a year to year basis.

Road and Bridge Length Variations

Revised road and bridge length data have been collected from all councils. Variations in this data affects the distribution of the grants. State-wide, local road length has increased by just over 700 km compared with the previous year's decrease of 490 km. Variations for individual council's road lengths range from an increase of 215 km to a reduction of 279 km. The reported length of bridges on local roads decreased by 1,600 m compared to the previous year. These variations are mainly due to:

- a review of the classification of local and regional roads by the RTA and local government;
- an ongoing program of road audits by the Commission; and
- implementation of pavement management systems by an increasing number of councils.

Revised Standard Costs

Councils' 1995/96 Statements of Accounts data was the principal data source for the calculation of standard costs. Where councils failed to provide timely data, 1994/95 data was used.

Highlights for 1997/98 Grants

Changes in standard costs reflect changes in expenditure patterns across local government generally. Variations year to year in the relativities between standard costs will, to some extent, impact upon grant outcomes.

Population Changes

The latest available published ABS Estimated Resident Population data (Cat. 3210.1) to 30 June 1996, has been used in the calculations.

Population variations, compared to the data used in 1996/97, range from a 2.9% reduction for Barraba Shire to a 9.7% increase for Sydney City.

Equalisation Component Highlights

Notes: comparisons are based on the 1996/97 CPI/ population adjusted entitlement; and category references are based on the Australian Classification of Local Government

New South Wales' equalisation estimated entitlement 1997/98 is \$284,579,261.

This State's share in the equalisation component is 33.87%

The increase in the equalisation grant to this State is 0.77%.

One hundred and twenty-seven (127) of a total one hundred and seventy-eight (178) local authorities received increased grants.

The largest reduction occurred in Warringah (4.1%) followed by a number of other Sydney metropolitan and provincial cities councils.

The major impact on the distribution of the Equalisation Component of the grants has continued to be property values. Most metropolitan councils (those in the Sydney Statistical Division) received grant increases below the State average, with the average change being 0.6%. This was largely due to increased property values, relative to the rest of the State.

Metropolitan (councils within the Sydney Statistical Division)

Sydney City received the largest equalisation grant increase (7.0%), reflecting the City's significant increase in resident population.

The increase in grants for *urban developed small* category was 1.8%. With all the councils in this group being on the *per capita minimum* the increases reflect changes in resident population numbers.

Urban developed medium councils decreased by 0.2%, with large variations within this group. For example, Auburn's grant increased by 5.1% (the largest in the metropolitan area) while Leichhardt received a decrease of 3.0%. These variations are due, in part, to changes in reported road and bridge lengths.

Urban developed large councils receive changes in grants ranging from -3.0% for Marrickville and Rockdale to +5.1% for South Sydney.

An average decrease of 0.2% for councils in the *urban developed very large* classification. Both Bankstown and Warringah (now on the per capita minimum) continued their trends of the past few years with reductions. Parramatta and Canterbury also received decreases.

Eight of the eleven *urban fringe* councils received above average increases, with Liverpool receiving the largest increase of 3.4%.

Non-metropolitan (councils outside the Sydney Statistical Division)

The average increase for non-metropolitan councils was 0.84%, compared to the State's 0.77% increase.

Urban regional councils in the *small, medium, large, and very large* sub-groups generally showed reductions averaging 0.02%. Those with below average increases tended to typify areas with stable or improving property values or councils with reduced road or bridge lengths, compared to previous years.

Highlights for 1997/98 Grants

Councils classified *rural* generally received above average increases. Council receiving the highest increases being those in areas most affected by drought or reporting increases in road and bridge length. Councils in more productive areas, and those with significant reductions in local road length, have shown the greatest decreases.

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

Changes in Equalisation Grants		
% Change in Equalisation Component	No. of Councils	% of Councils
-5% to -2.5%	16	9.0%
-2.5% to 0%	35	19.7%
0% to 2.5%	74	41.5%
2.5% to 5%	35	19.7%
5% to 7.5%	18	10.1%
Total	178	100.0%

Per Capita Minimum

- Twenty-two councils (one more than last year), all located in the Sydney metropolitan area, will receive the minimum entitlements under the Commonwealth legislation. The councils on the per capita minimum of \$13.79 are:

Baulkham Hills, Burwood, Concord, Drummoyne, Hornsby, Hunter’s Hill, Hurstville, Kogarah, Ku-Ring-Gai, Lane Cove, Manly, Mosman, North Sydney, Pittwater, Randwick, Ryde, Strathfield, Sutherland, Sydney, **Warringah** (moved to the per capita minimum for the first time), Willoughby, and Woollahra.

- Councils already on the per capita minimum received changes of between -0.2% (Hurstville and Woollahra) and 5.0% (Sydney), which reflects population changes.

LOCAL ROADS COMPONENT

The local roads component was calculated in accordance with principles agreed to with local government and consistent with the national principles.

The principles for distribution remain unchanged from last year. The *limit condition* for councils adversely affected by the limits clause provisions of the previous “tied” arrangements of the Australian Centennial Roads Development Act (ACRD) has now been phased out.

Variation in road and bridge length data has affected the distribution of the grants. This has been significant for some councils.

Local Roads Component Highlights

Note: comparisons are based on the 1996/97 CPI/ population adjusted entitlement.

New South Wales allocation for 1997/98 is \$108,155,989, an increase of 0.77% on last year’s allocation.

New South Wales’ share of the national allocation is 29%.

The method of distribution has not changed from 1996/97.

The Commission continued its program of road and bridge length audits during 1996/97. Seven councils were audited, compared with nine in the previous year. Audits are likely to continue in 1997/98.

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

Highlights for 1997/98 Grants

Changes in Local Roads Grants

% Change in Local Roads Component	No. of Councils	% of Councils
>-10%	5	2.8%
-10% to -7.5%	1	0.5%
-7.5% to -5%	7	4.0%
-5% to -2.5%	12	6.8%
-2.5% to 0%	22	12.4%
0% to 2.5%	91	51.4%
2.5% to 5%	18	10.2%
5% to 7.5%	8	4.5%
7.5% to 10%	4	2.3%
>10%	9	5.1%
Total	*177	100.0%

* Excludes Lord Howe Island Board

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

Road length data used in 1997/98 was 706 km more than the previous year. Bridge length is down 1,595 m. There have been some significant variations for a small number of councils.

TOTAL GRANTS

Local government financial assistance grants to New South Wales for 1997/98 total \$392,735,250, an increase on the 1995/96 CPI/population adjusted entitlement of 0.77%.

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

Changes in Total Grant

% Change in Total Grant	No. of Councils	% of Councils
>-10.0%	1	0.6%
-10.0% to -7.5%	1	0.6%
-7.5% to -5%	1	0.6%
-5% to -2.5%	7	3.9%
-2.5% to 0%	42	23.6%
0% to 2.5%	84	47.1%
2.5% to 5%	29	16.3%
5% to 7.5%	8	4.5%
7.5% to 10%	4	2.2%
>10%	1	0.6%
Total	178	100.0%

Financial Assistance Grants: Questions and Answers

Where do the grant funds come from?

The grants are paid to councils under the provisions of the Commonwealth Local Government (Financial Assistance) Act 1995. This legislation provides for the determination of the total amount of the grants, the interstate distribution of the funds and the conditions for payment of the money to the States. Payments are made to each of the States, the Australian Capital Territory and the Northern Territory.

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 there are 177 councils, as well as the Lord Howe Island Board.

How should these local governing bodies spend the money?

Section 15 of the Act requires that the funds are to be paid unconditionally. That is, the local council has complete autonomy in deciding how the grant funds should be spent. The council is accountable only to its ratepayers.

How much money is involved and how is it distributed by the Commonwealth?

The national estimated entitlement for 1997/98 is almost \$1.213 billion. This is made up of an equalisation component (\$840 million) and a local roads component (\$373 million).

The equalisation component is distributed on the basis of each State’s (including the ACT and the NT) share of the national population. NSW receives \$284.6 million, or about 34% (NSW has 34% of Australia’s population).

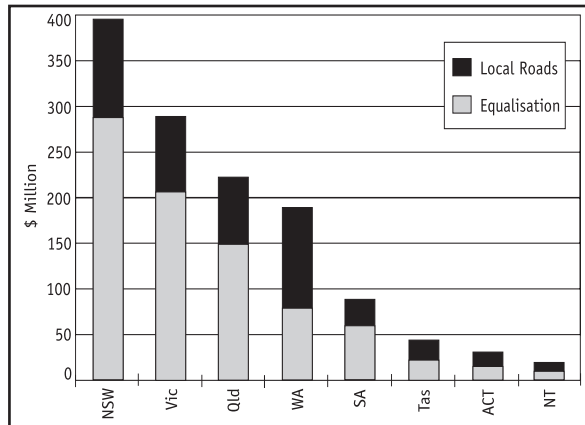
The local roads component is distributed on the basis of a historical formula - for NSW it amounts to \$108 million (or 29% of the national funds). The national allocation for 1996/97 is just over \$1,211 million. This is made up of an equalisation component (\$839 million) and a local roads component (\$372 million).

National Distribution and Shares of Financial Assistance Grants 1997/98

State/ Territory	Equalisation Component	Share	Local Roads Component	Share	Total	Share
NSW	284,579,261	33.87%	108,155,989	29.01%	392,735,250	32.38%
Vic	208,914,849	24.87%	76,854,331	20.62%	285,769,180	23.56%
Qld	153,864,546	18.31%	69,845,840	18.74%	223,710,386	18.44%
WA	81,291,066	9.68%	56,999,039	15.29%	138,290,105	11.40%
SA	67,339,482	8.02%	20,486,939	5.50%	87,826,421	7.24%
Tas	21,625,087	2.57%	19,754,855	5.30%	41,379,942	3.41%
ACT	14,068,865	1.67%	11,953,441	3.21%	26,022,306	2.15%
NT	8,429,718	1.00%	8,732,372	2.34%	17,162,090	1.41%
Total	840,112,874	100.00%	372,782,806	100.00%	1,212,895,680	100.00%

Financial Assistance Grants: Questions and Answers

National Distribution of Financial Assistance Grants 1997/98



How are the grants paid to councils?

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

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

In fact an overpayment occurred for the amount paid in 1996/97. The overpayment amounted to \$7.7 million nationally and \$2.5 million for NSW. The adjustments are made proportionally across all councils and are deducted from the quarterly instalments during 1997/98.

Schedules appear later in this report which show the recommended grants to individual councils for 1997/98, as well as the adjustments to last year's grants.

How does the NSW Grants Commission distribute the money?

The two components of the grants are distributed on the basis of principles which were developed in consultation with the Local Government and Shires Associations. These principles are consistent with the national principles developed by the Commonwealth under the provisions of the 1995 Act. The principles are shown in the appendices of this report.

What about the equalisation component, how is it treated?

The equalisation component of the grant attempts to equalise the financial capacity of councils. The Commission uses the direct assessment method. The approach taken considers cost disabilities in the provision of services on the one hand (expenditure allowances) and a theoretical assessment of revenue raising capacity on the other (revenue allowances). Because of the untied nature of the grants, the methodology is objective and excludes, as far as practicable, councils' policies and practices (effort neutral).

The Commonwealth Act spells it out a little more formally. Section 6(2) 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."*

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

The effort neutral approach promotes the independence of policy or practices of local governing bodies in raising revenue and providing services. This means a 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, nor 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.

Financial Assistance Grants: Questions and Answers

What about the local roads component?

Prior to 1991/92 local roads funds were paid to councils, through the RTA, as “tied” grants. However, at the 1990 Special Premiers’ Conference it was agreed that these funds would be “untied” and paid as general purpose grants.

The method of allocation used by the Grants Commission is essentially the same as the one used by the RTA. Each council receives funding based on their proportion of the State’s population, local road length and bridge length.

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 entirely up to the council to decide how the funds should be spent.

I’d like to know more about the calculation of the equalisation component. Can you tell me more about expenditure allowances?

Expenditure allowances are calculated for each council for a selected range of council functions (or services). For example, functions such as libraries, health, building control, recreation, roads, etc. Expenditure allowances attempt to compensate councils for expected above average costs caused by factors beyond their control. Council policy decisions concerning the level of service provided, or whether or not there is a service provided at all, are not considered (effort neutral).

How does the Commission calculate expenditure allowances?

Expenditure allowances are calculated for 21 functions or areas of expenditure (they are all listed in the appendices). An additional allowance is calculated for councils outside of Sydney that recognises their isolation.

The general formula for the calculation of expenditure allowances is:

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

Where:

- The **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 others it may be the number of properties or the length of roads.
- The **Standard Cost** represents the state average cost for each selected council function. The calculation is based on a weighted average of each council’s unit cost, excluding extreme values, using selected Special Schedule 1 items from councils’ Statements of Accounts.; and
- The **Disability Factor** is the extent to which it is estimated to cost the council more than usual to provide the service. 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 additional cost, expressed as a percentage, of providing a standard service due to inherent disabilities which 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 which 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 which are considered to be the most significant in influencing a council’s expenditure

Financial Assistance Grants: Questions and Answers

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 and/or through discussion with appropriate 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 \$17.15 per capita.

It is assumed that a council with a population of 10,000 would spend \$171,500 on library services (ie. 10,000 x \$17.15).

The expenditure allowance is the estimate of how much extra it would cost Council 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. For 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 NESB.
- **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 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:

$$10,000 \times \$17.15 \times 0.2 = \$34,300$$

in other words, it is estimated that it would cost the council \$34,300 more than the standard council because of its inherent disabilities.

Financial Assistance Grants: Questions and Answers

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. 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 the functions of services for aged and disabled, and services for children, the deduction approach is used. This method deducts grant amounts from all councils' expenditure before standard costs are calculated. 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, more consistent with the "effort neutral" requirement specified in the principles. A deduction approach is used for street lighting because of differences in accounting practice between councils and county councils in various parts of the State.

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 regression analysis based on the additional costs of isolation and distances from capital cities. 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.

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.

What about the revenue allowance of the equalisation component?

The calculation of revenue allowances involves determining each council's theoretical revenue raising capacity by comparing land values per property to a State standard and applying a State standard rate-in-the-dollar. For comparative purposes the Commission purchases valuation data which 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 average over three years. In the revenue allowance calculation, councils with low values per property are assessed as being disadvantaged and are brought up to the average (positive allowances), while councils with high values per property are assessed as being advantaged and are brought down to the average (negative allowances). That is, the theoretical revenue capacity of each council is equalised against the State standard. The Commission's approach excludes the rating policies of individual councils (effort neutral).

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

In developing the methodology the Commission was concerned that use of natural weighting would exaggerate the redistributive effect of the average revenue standards. That is, the revenue allowances are substantially more significant than the expenditure allowances. This issue was discussed with the Commonwealth 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. Additionally, some of the theoretical difficulties associated with the calculation are "softened" in the process.

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

Financial Assistance Grants: Questions and Answers

What about rate pegging? Is that considered when calculating a council's revenue raising capacity?

The calculations are essentially dealing with relativities between councils, and rate pegging affects all councils. Therefore, rate pegging is not specifically considered.

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 each rateable property.

Do all councils receive a grant?

Yes. Section 6(2) of the Commonwealth Act requires that for the equalisation 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 1997/98 grants have been determined by the Commission using population estimates for each council contained in the Australian Bureau of Statistics publication, Estimated Resident Population of Local Government Areas, New South Wales (Cat. 3210.1), at 30 June, 1996. The 1997/98 per capita minimum is \$13.79. There are twenty-two councils on the per capita minimum, one more than last year.

How does the Commission's equalisation component calculations compare to the \$284.6 million provided by the Commonwealth?

The Commission's calculation of equalisation grants is made without reference to the funds available from the Commonwealth. As a result, the notional equalisation grants to each council must be re-scaled: firstly, to the available funds; and secondly, to bring those councils below the per capita minimum entitlement up to that level. As a result, councils above the per capita minimum receive a little more than 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 of councils for capital expenditure are not considered by the Commission because of the practical and theoretical problems involved.

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 is sought.

This would undermine council autonomy, because the Commission, rather than the council, would determine which projects were worthwhile.

Councils which had failed to adequately maintain their assets could be rewarded at the expense of those that did maintain them.

What about water and sewerage schemes?

The issue of funding for local water and sewerage undertakings was examined during the process of consultation between the Commission, the Local Government and Shires Associations, and local government generally. The consultation process preceded the development of the distribution principles required under the 1986 Commonwealth legislation.

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;

Financial Assistance Grants: Questions and Answers

- 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; and
- 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 following the inquiry the Commission agreed with the submissions of the Associations and local government and excluded water and sewerage functions from the distribution formula.

The Commission is still of the view that water and sewerage functions should be excluded from the grant distribution process.

What about a council's money making venture?

This is a policy decision by the council, therefore, it is not considered in the Commission's calculations (effort neutral).

Can the Commission help out if a council's 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 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.

What about efficiency? Are councils rewarded in some way?

Yes. Because of the effort neutral approach a council's grant is assessed independent of policy decisions by council, a council that provides a cost effective service still receives grant funding which it can allocate to other areas according to its priorities. For example, two councils which were identical in every respect except efficiency would receive identical grants. The efficient council can use its grant funds to provide even better facilities for the rate payers. The inefficient council of the two would need to apply the grant funds to prop up an inefficient operation. Efficiency reaps its own rewards!

The Commission places councils in categories. Does that 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.

Schedule of Recommendations 1997/98

The Commission's recommendations for the distribution of funds to local government in New South Wales for 1997-98 are set out below. The recommendations have been determined in accordance with the provisions of the Local Government (Financial Assistance) Act, 1995, the Local Government Act 1993; and the methodology as stated in this Report. These recommendations are based on estimates by the Commonwealth of CPI projections and State population shares. Adjustments, if necessary, will be made to the following year's grants.

Local Governing Body	Estimated Resident			Total Recommended Grant
	Population 30-6-96*	Equalisation Component	Local Roads Component	
Albury City	42,080	2,278,616	551,080	2,829,696
Armidale City	23,450	1,277,428	301,668	1,579,096
Ashfield Municipal	41,950	935,908	183,828	1,119,736
Auburn	50,100	993,532	317,356	1,310,888
Ballina Shire	35,780	1,532,432	613,444	2,145,876
Balranald Shire	2,950	854,304	669,124	1,523,428
Bankstown City	163,650	2,996,948	839,272	3,836,220
Barraba Shire	2,360	487,816	380,624	868,440
Bathurst City	30,840	1,406,524	428,804	1,835,328
Baulkham Hills Shire	130,550	1,800,812	909,880	2,710,692
Bega Valley Shire	28,850	2,331,312	923,744	3,255,056
Bellingen Shire	12,870	1,333,584	426,816	1,760,400
Berrigan Shire	8,410	1,207,528	663,808	1,871,336
Bingara Shire	2,110	448,448	294,292	742,740
Blacktown City	236,050	8,330,708	1,584,836	9,915,544
Bland Shire	6,600	1,546,380	1,479,356	3,025,736
Blayney Shire	6,530	892,996	430,944	1,323,940
Blue Mountains City	75,550	4,833,276	760,892	5,594,168
Bogan Shire	3,210	984,380	742,368	1,726,748
Bombala	3,010	673,712	368,204	1,041,916
Boorowa	2,640	469,196	385,444	854,640
Botany Bay City	36,000	813,180	159,264	972,444
Bourke Shire	4,310	1,352,476	972,948	2,325,424
Brewarrina Shire	2,200	908,548	654,892	1,563,440
Broken Hill City	23,720	2,217,096	314,852	2,531,948
Burwood	29,350	404,856	154,896	559,752
Byron Shire	27,170	1,319,608	601,920	1,921,528
Cabonne Shire	12,500	1,448,664	1,060,012	2,508,676
Camden	29,500	928,980	306,084	1,235,064
Campbelltown City	151,100	6,977,520	895,124	7,872,644
Canterbury City	135,050	3,124,992	603,708	3,728,700
Carrathool Shire	3,100	1,153,112	1,146,432	2,299,544

Schedule of Recommendations 1997/98

Local Governing Body	Estimated Resident			Total Recommended Grant
	Population 30-6-96*	Equalisation Component	Local Roads Component	
Casino	11,700	1,020,768	164,388	1,185,156
Central Darling Shire	2,580	1,281,904	806,588	2,088,492
Cessnock City	46,790	2,687,532	848,228	3,535,760
Cobar Shire	5,340	1,495,428	862,564	2,357,992
Coffs Harbour City	57,460	2,568,344	873,280	3,441,624
Conargo Shire	1,500	387,652	426,340	813,992
Concord	24,500	337,956	142,888	480,844
Coolah Shire	4,020	865,568	530,748	1,396,316
Coolamon Shire	4,060	927,736	567,312	1,495,048
Cooma-Monaro Shire	9,850	1,437,800	560,280	1,998,080
Coonabarabran Shire	7,250	1,300,908	694,756	1,995,664
Coonamble Shire	5,160	1,164,472	746,508	1,910,980
Cootamundra Shire	8,270	1,009,940	363,192	1,373,132
Copmanhurst Shire	4,150	754,208	364,108	1,118,316
Corowa Shire	8,570	1,102,728	538,464	1,641,192
Cowra Shire	12,680	1,474,904	797,444	2,272,348
Crookwell Shire	4,710	668,788	500,380	1,169,168
Culcairn Shire	4,500	839,016	440,368	1,279,384
Deniliquin	8,570	1,169,668	149,368	1,319,036
Drummoyne	31,400	433,136	158,208	591,344
Dubbo City	36,940	2,437,628	873,016	3,310,644
Dumaresq Shire	3,880	365,404	453,544	818,948
Dungog Shire	8,350	944,792	456,680	1,401,472
Eurobodalla Shire	31,090	3,001,884	769,812	3,771,696
Evans Shire	4,970	647,960	582,368	1,230,328
Fairfield City	188,200	6,240,324	1,031,320	7,271,644
Forbes Shire	10,570	1,676,060	1,021,876	2,697,936
Gilgandra Shire	4,980	990,080	663,084	1,653,164
Glen Innes Municipal	6,570	836,520	117,038	953,558
Gloucester Shire	4,900	717,400	451,080	1,168,480
Gosford City	149,500	5,685,260	1,229,052	6,914,312
Goulburn City	22,220	1,086,236	284,384	1,370,620
Grafton City	18,190	1,257,528	241,372	1,498,900
Great Lakes	29,040	2,638,120	724,384	3,362,504
Greater Lithgow City	20,550	1,808,756	518,632	2,327,388
Greater Taree City	44,660	2,178,000	1,306,012	3,484,012
Griffith City	22,040	1,273,968	751,988	2,025,956
Gundagai Shire	3,850	578,500	396,588	975,088
Gunnedah Shire	13,440	1,292,368	937,480	2,229,848

Schedule of Recommendations 1997/98

Local Governing Body	Estimated Resident			Total Recommended Grant
	Population 30-6-96*	Equalisation Component	Local Roads Component	
Gunning Shire	2,340	386,124	266,132	652,256
Guyra Shire	4,880	711,404	490,592	1,201,996
Harden Shire	4,200	719,572	495,212	1,214,784
Hastings	56,440	2,780,180	1,281,772	4,061,952
Hawkesbury City	57,450	2,241,660	912,596	3,154,256
Hay Shire	3,880	918,452	419,996	1,338,448
Holbrook Shire	2,600	459,364	230,864	690,228
Holroyd City	82,100	1,665,348	468,016	2,133,364
Hornsby Shire	144,750	1,996,688	869,556	2,866,244
Hume Shire	7,130	823,512	409,784	1,233,296
Hunters Hill Municipal	13,050	180,016	82,292	262,308
Hurstville City	68,400	943,512	334,624	1,278,136
Inverell Shire	16,420	1,666,272	1,062,900	2,729,172
Jerilderie Shire	1,890	604,540	511,072	1,115,612
Junee Shire	6,200	1,020,096	461,080	1,481,176
Kempsey Shire	27,150	2,002,836	914,420	2,917,256
Kiama Municipal	18,770	782,428	218,032	1,000,460
Kogarah Municipal	48,450	668,324	262,420	930,744
Ku-Ring-Gai Municipal	107,450	1,482,168	617,280	2,099,448
Kyogle	10,500	1,340,208	844,664	2,184,872
Lachlan Shire	7,640	2,132,504	1,734,212	3,866,716
Lake Macquarie City	179,450	8,396,656	1,429,564	9,826,220
Lane Cove Municipal	30,450	420,032	161,540	581,572
Leeton Shire	11,250	1,225,208	505,104	1,730,312
Leichhardt Municipal	59,950	1,531,732	288,688	1,820,420
Lismore City	45,860	2,662,500	1,021,948	3,684,448
Liverpool City	114,350	3,836,764	797,036	4,633,800
Lockhart Shire	3,740	903,824	795,624	1,699,448
Lord Howe Island Bd	340	92,713	0	92,713
Macleay	15,560	1,805,372	453,524	2,258,896
Maitland City	52,700	2,618,652	563,960	3,182,612
Manilla Shire	3,490	572,436	355,284	927,720
Manly	36,750	506,932	174,584	681,516
Marrickville	77,900	3,201,660	350,084	3,551,744
Merriwa Shire	2,480	448,276	294,952	743,228
Moree Plains Shire	16,390	1,936,504	1,493,176	3,429,680
Mosman Municipal	27,400	377,960	134,732	512,692
Mudgee Shire	18,090	1,554,864	873,800	2,428,664

Schedule of Recommendations 1997/98

Local Governing Body	Estimated Resident			Total Recommended Grant
	Population 30-6-96*	Equalisation Component	Local Roads Component	
Mulwaree Shire	5,870	752,776	658,280	1,411,056
Murray Shire	5,400	911,060	707,884	1,618,944
Murrumbidgee Shire	2,470	547,784	314,500	862,284
Murrurundi Shire	2,440	357,568	291,564	649,132
Muswellbrook Shire	16,110	1,343,912	489,404	1,833,316
Nambucca Shire	18,220	1,434,444	607,556	2,042,000
Narrabri Shire	14,480	2,057,672	1,180,900	3,238,572
Narrandera Shire	7,270	1,278,488	788,492	2,066,980
Narromine Shire	7,320	1,330,468	723,096	2,053,564
Newcastle City	138,820	7,336,128	952,524	8,288,652
North Sydney	53,400	736,604	244,840	981,444
Nundle Shire	1,400	247,716	171,540	419,256
Nymboida Shire	4,700	682,436	375,288	1,057,724
Oberon	4,520	591,292	405,684	996,976
Orange City	35,260	1,667,460	496,856	2,164,316
Parkes Shire	14,760	1,813,520	1,001,052	2,814,572
Parramatta City	138,850	3,076,860	825,064	3,901,924
Parry Shire	12,930	1,138,212	912,160	2,050,372
Penrith City	168,450	6,286,808	1,181,564	7,468,372
Pittwater	52,500	724,188	327,732	1,051,920
Port Stephens	53,260	2,495,132	554,096	3,049,228
Queanbeyan City	28,680	1,340,208	348,376	1,688,584
Quirindi Shire	5,380	777,684	451,376	1,229,060
Randwick City	119,700	1,651,148	529,048	2,180,196
Richmond River Shire	10,060	1,253,080	585,808	1,838,888
Rockdale City	87,800	1,486,436	428,384	1,914,820
Ryde City	96,500	1,331,124	506,192	1,837,316
Rylstone Shire	4,040	705,792	348,396	1,054,188
Scone Shire	10,390	1,008,448	586,412	1,594,860
Severn Shire	3,090	526,424	581,272	1,107,696
Shellharbour City	52,560	1,825,832	353,072	2,178,904
Shoalhaven City	80,840	5,624,836	1,533,284	7,158,120
Singleton Shire	20,670	1,198,176	587,084	1,785,260
Snowy River Shire	6,090	1,119,812	435,728	1,555,540
South Sydney City	73,800	2,259,156	343,508	2,602,664
Strathfield Municipal	27,050	373,132	142,476	515,608
Sutherland Shire	203,400	2,805,704	1,113,348	3,919,052
Sydney City	7,950	109,664	73,451	183,115

Schedule of Recommendations 1997/98

Local Governing Body	Estimated Resident			Total Recommended Grant
	Population 30-6-96*	Equalisation Component	Local Roads Component	
Tallaganda Shire	2,670	593,656	349,572	943,228
Tamworth City	36,890	1,799,068	505,328	2,304,396
Temora Shire	6,500	1,040,252	630,420	1,670,672
Tenterfield Shire	7,010	1,195,004	811,520	2,006,524
Tumbarumba Shire	3,680	668,400	296,656	965,056
Tumut Shire	11,570	1,312,808	396,712	1,709,520
Tweed Shire	64,020	3,481,316	1,169,644	4,650,960
Ulmarra Shire	6,400	1,083,880	337,200	1,421,080
Uralla Shire	6,420	753,436	481,896	1,235,332
Urana Shire	1,520	577,224	448,004	1,025,228
Wagga Wagga City	57,750	2,896,028	1,597,532	4,493,560
Wakool Shire	5,300	998,064	821,124	1,819,188
Walcha	3,630	451,144	516,628	967,772
Walgett Shire	8,200	1,674,932	1,068,792	2,743,724
Warren Shire	3,700	873,392	571,216	1,444,608
Warringham	129,600	1,787,708	693,192	2,480,900
Waverley	60,200	1,618,200	233,580	1,851,780
Weddin Shire	4,270	784,580	518,408	1,302,988
Wellington	9,490	1,475,556	710,000	2,185,556
Wentworth Shire	7,290	1,666,408	1,024,500	2,690,908
Willoughby City	56,800	783,504	305,616	1,089,120
Windouran Shire	440	224,944	228,424	453,368
Wingecarribee Shire	37,920	1,772,460	819,912	2,592,372
Wollondilly Shire	34,600	1,291,964	664,548	1,956,512
Wollongong City	184,410	7,240,640	1,204,620	8,445,260
Woollahra Municipal	50,550	697,288	247,928	945,216
Wyong Shire	119,350	5,285,892	1,071,536	6,357,428
Yallaro Shire	3,510	743,272	678,908	1,422,180
Yarrowlunla Shire	9,400	749,216	336,824	1,086,040
Yass Shire	9,840	1,180,068	567,816	1,747,884
Young Shire	11,400	1,204,364	638,488	1,842,852
Total	6,189,190	284,579,261	108,155,989	392,735,250

* Population Source: ABS Cat. No. 3210.1. Apparent discrepancies due to ABS rounding off. Total excludes Unincorporated Area.

Schedule of Adjustments 1997/98

The Commonwealth's estimates of the Consumer Price Index to March 1997 and the States' population shares as at December 1996, on which the 1996/97 recommendations were based differed from the actual figures. This resulted in an overpayment for 1996/97.

As a result of the overpayment adjustments are made to the quarterly instalments of the 1997/98 grants. The total amount of overpayment was \$2,489,050 which was adjusted among councils proportionally.

Local Governing Body	Equalisation Component Adjustment \$	Local Roads Component Adjustment \$	Total Adjustment \$
Albury City	-14,272	-3,512	-17,784
Armidale City	-8,216	-1,892	-10,108
Ashfield Municipal	-6,160	-1,164	-7,324
Auburn	-6,044	-1,924	-7,968
Ballina Shire	-9,924	-4,032	-13,956
Balranald Shire	-5,452	-4,256	-9,708
Bankstown City	-19,724	-5,352	-25,076
Barraba Shire	-2,968	-2,284	-5,252
Bathurst City	-8,744	-2,660	-11,404
Baulkham Hills Shire	-11,304	-5,692	-16,996
Bega Valley Shire	-14,176	-6,036	-20,212
Bellingen Shire	-8,344	-2,600	-10,944
Berrigan Shire	-7,344	-3,892	-11,236
Bingara Shire	-2,832	-1,864	-4,696
Blacktown City	-52,236	-10,116	-62,352
Bland Shire	-9,404	-9,480	-18,884
Blayney Shire	-5,576	-2,732	-8,308
Blue Mountains City	-31,108	-4,884	-35,992
Bogan Shire	-6,204	-4,600	-10,804
Bombala	-4,332	-2,804	-7,136
Boorowa	-2,892	-2,160	-5,052
Botany Bay City	-5,352	-1,004	-6,356
Bourke Shire	-8,540	-5,712	-14,252
Brewarrina Shire	-5,524	-3,556	-9,080
Broken Hill City	-14,092	-1,988	-16,080
Burwood	-2,592	-988	-3,580
Byron Shire	-8,668	-3,608	-12,276
Cabonne Shire	-9,120	-6,672	-15,792
Camden	-5,988	-1,912	-7,900
Campbelltown City	-43,316	-5,492	-48,808
Canterbury City	-19,984	-3,880	-23,864

Schedule of Adjustments 1997/98

Local Governing Body	Equalisation Component Adjustment \$	Local Roads Component Adjustment \$	Total Adjustment \$
Carrathool Shire	-7,172	-7,304	-14,476
Casino	-6,484	-1,048	-7,532
Central Darling Shire	-8,232	-4,660	-12,892
Cessnock City	-17,268	-5,652	-22,920
Cobar Shire	-9,588	-5,424	-15,012
Coffs Harbour City	-16,520	-5,440	-21,960
Conargo Shire	-2,368	-2,716	-5,084
Concord	-2,104	-900	-3,004
Coolah Shire	-5,420	-3,488	-8,908
Coolamon Shire	-5,700	-3,616	-9,316
Cooma-Monaro Shire	-9,244	-3,680	-12,924
Coonabarabran Shire	-8,040	-4,424	-12,464
Coonamble Shire	-7,416	-4,728	-12,144
Cootamundra Shire	-6,416	-2,308	-8,724
Copmanhurst Shire	-4,808	-3,176	-7,984
Corowa Shire	-6,720	-3,432	-10,152
Cowra Shire	-9,288	-5,152	-14,440
Crookwell Shire	-4,124	-3,176	-7,300
Culcairn Shire	-5,148	-2,808	-7,956
Deniliquin	-7,256	-984	-8,240
Drummoyne	-2,764	-1,008	-3,772
Dubbo City	-15,400	-5,884	-21,284
Dumaresq Shire	-2,300	-2,888	-5,188
Dungog Shire	-5,968	-3,216	-9,184
Eurobodalla Shire	-18,960	-4,904	-23,864
Evans Shire	-4,080	-3,572	-7,652
Fairfield City	-39,616	-6,548	-46,164
Forbes Shire	-10,512	-6,508	-17,020
Gilgandra Shire	-6,184	-4,016	-10,200
Glen Innes Municipal	-5,228	-808	-6,036
Gloucester Shire	-4,484	-3,116	-7,600
Gosford City	-35,396	-8,184	-43,580
Goulburn City	-7,108	-1,856	-8,964
Grafton City	-8,160	-1,540	-9,700
Great Lakes	-16,040	-4,564	-20,604
Greater Lithgow City	-11,904	-3,312	-15,216
Greater Taree City	-14,336	-8,064	-22,400

Schedule of Adjustments 1997/98

Local Governing Body	Equalisation Component Adjustment \$	Local Roads Component Adjustment \$	Total Adjustment \$
Griffith City	-8,296	-4,720	-13,016
Gundagai Shire	-3,612	-2,500	-6,112
Gunnedah Shire	-8,080	-5,312	-13,392
Gunning Shire	-2,348	-1,484	-3,832
Guyra Shire	-4,396	-3,140	-7,536
Harden Shire	-4,376	-2,532	-6,908
Hastings	-17,948	-7,784	-25,732
Hawkesbury City	-14,104	-5,876	-19,980
Hay Shire	-5,732	-2,680	-8,412
Holbrook Shire	-2,796	-1,352	-4,148
Holroyd City	-10,176	-2,988	-13,164
Hornsby Shire	-12,532	-5,608	-18,140
Hume Shire	-5,016	-2,560	-7,576
Hunters Hill Municipal	-1,136	-524	-1,660
Hurstville City	-6,036	-2,144	-8,180
Inverell Shire	-10,616	-6,816	-17,432
Jerilderie Shire	-3,792	-3,168	-6,960
Junee Shire	-6,324	-2,928	-9,252
Kempsey Shire	-13,132	-5,756	-18,888
Kiama Municipal	-5,108	-1,380	-6,488
Kogarah Municipal	-4,268	-1,672	-5,940
Ku-Ring-Gai Municipal	-9,412	-3,924	-13,336
Kyogle	-8,640	-5,652	-14,292
Lachlan Shire	-13,548	-10,693	-24,241
Lake Macquarie City	-51,048	-8,888	-59,936
Lane Cove Municipal	-2,680	-988	-3,668
Leeton Shire	-7,708	-3,220	-10,928
Leichhardt Municipal	-10,084	-1,964	-12,048
Lismore City	-17,380	-6,484	-23,864
Liverpool City	-23,704	-4,956	-28,660
Lockhart Shire	-5,496	-4,832	-10,328
Lord Howe Island Bd	-586	0	-586
Macleay	-11,296	-3,056	-14,352
Maitland City	-16,928	-3,480	-20,408
Manilla Shire	-3,664	-2,264	-5,928
Manly	-3,172	-1,104	-4,276
Marrickville	-21,072	-2,256	-23,328

Schedule of Adjustments 1997/98

Local Governing Body	Equalisation Component Adjustment \$	Local Roads Component Adjustment \$	Total Adjustment \$
Merriwa Shire	-2,796	-1,888	-4,684
Moree Plains Shire	-12,384	-9,496	-21,880
Mosman Municipal	-2,328	-844	-3,172
Mudgee Shire	-10,236	-5,732	-15,968
Mulwaree Shire	-4,580	-4,188	-8,768
Murray Shire	-5,588	-4,432	-10,020
Murrumbidgee Shire	-3,412	-2,004	-5,416
Murrurundi Shire	-2,220	-1,856	-4,076
Muswellbrook Shire	-8,556	-3,032	-11,588
Nambucca Shire	-9,444	-4,728	-14,172
Narrabri Shire	-13,512	-7,832	-21,344
Narrandera Shire	-7,928	-5,204	-13,132
Narromine Shire	-8,144	-4,580	-12,724
Newcastle City	-47,984	-5,908	-53,892
North Sydney	-4,620	-1,548	-6,168
Nundle Shire	-1,532	-1,048	-2,580
Nymboida Shire	-4,372	-2,376	-6,748
Oberon	-3,596	-2,408	-6,004
Orange City	-10,752	-3,168	-13,920
Parkes Shire	-11,532	-6,876	-18,408
Parramatta City	-19,952	-5,248	-25,200
Parry Shire	-7,184	-6,012	-13,196
Penrith City	-39,284	-7,432	-46,716
Pittwater	-4,624	-2,128	-6,752
Port Stephens	-16,312	-3,528	-19,840
Queanbeyan City	-8,616	-2,188	-10,804
Quirindi Shire	-4,864	-2,900	-7,764
Randwick City	-10,428	-3,420	-13,848
Richmond River Shire	-7,988	-3,716	-11,704
Rockdale City	-9,784	-2,732	-12,516
Ryde City	-8,464	-3,220	-11,684
Rylstone Shire	-4,428	-2,220	-6,648
Scone Shire	-6,332	-3,200	-9,532
Severn Shire	-3,296	-3,796	-7,092
Shellharbour City	-11,356	-1,976	-13,332
Shoalhaven City	-35,868	-9,756	-45,624
Singleton Shire	-7,636	-3,692	-11,328

Schedule of Adjustments 1997/98

Local Governing Body	Equalisation Component Adjustment \$	Local Roads Component Adjustment \$	Total Adjustment \$
Snowy River Shire	-6,888	-3,164	-10,052
South Sydney City	-13,736	-2,136	-15,872
Strathfield Municipal	-2,352	-904	-3,256
Sutherland Shire	-17,844	-7,084	-24,928
Sydney City	-656	-463	-1,119
Tallaganda Shire	-3,788	-2,228	-6,016
Tamworth City	-11,788	-3,208	-14,996
Temora Shire	-6,508	-4,056	-10,564
Tenterfield Shire	-7,448	-5,168	-12,616
Tumbarumba Shire	-4,192	-1,892	-6,084
Tumut Shire	-8,476	-2,632	-11,108
Tweed Shire	-21,944	-7,316	-29,260
Ulmarra Shire	-6,652	-2,724	-9,376
Uralla Shire	-4,688	-3,248	-7,936
Urana Shire	-3,624	-2,856	-6,480
Wagga Wagga City	-18,440	-9,600	-28,040
Wakool Shire	-6,096	-4,504	-10,600
Walcha	-2,832	-3,292	-6,124
Walgett Shire	-10,584	-6,836	-17,420
Warren Shire	-5,580	-3,640	-9,220
Warringah	-11,912	-4,412	-16,324
Waverley	-10,448	-1,468	-11,916
Weddin Shire	-4,772	-3,232	-8,004
Wellington	-9,360	-4,292	-13,652
Wentworth Shire	-10,244	-6,508	-16,752
Willoughby City	-4,828	-1,916	-6,744
Windouran Shire	-1,368	-1,456	-2,824
Wingecarribee Shire	-11,188	-5,172	-16,360
Wollondilly Shire	-8,112	-4,192	-12,304
Wollongong City	-47,652	-7,732	-55,384
Woollahra Municipal	-4,464	-1,588	-6,052
Wyong Shire	-34,332	-6,556	-40,888
Yallaroi Shire	-4,740	-4,328	-9,068
Yarrowlumla Shire	-4,896	-2,140	-7,036
Yass Shire	-7,308	-3,576	-10,884
Young Shire	-7,468	-4,112	-11,580
Total	-1,803,570	-685,480	-2,489,050

Schedule of Local Road Length

The following schedule shows the local road lengths used in the Commission's calculation of the 1997/98 grants for each council. The information represents local road lengths as at 30 June 1996, as reported to the Commission by councils.

Local roads are those roads available and used by the general public and which are the full financial responsibility of the council. National and state highways, and regional roads for which the council 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 City	309	12	15	336
Armidale City	139	22	10	171
Ashfield Municipal	93	0	0	93
Auburn	211	0	0	211
Ballina Shire	202	221	118	541
Balranald Shire	22	26	1,269	1,317
Bankstown City	539	0	0	539
Barraba Shire	62	107	513	682
Bathurst City	198	45	44	287
Baulkham Hills Shire	454	176	48	678
Bega Valley Shire	212	150	690	1,052
Bellingen Shire	73	193	198	464
Berrigan Shire	88	392	715	1,195
Bingara Shire	29	102	391	522
Blacktown City	1,004	110	18	1,132
Bland Shire	89	402	2,402	2,893
Blayney Shire	67	218	418	703
Blue Mountains City	529	78	76	683
Bogan Shire	56	134	1,215	1,405
Bombala	30	91	507	628
Boorowa	21	117	591	729
Botany Bay City	89	0	0	89
Bourke Shire	37	9	1,837	1,883
Brewarrina Shire	21	15	1,228	1,264
Broken Hill City	206	1	5	212
Burwood	86	0	0	86
Byron Shire	142	257	96	495
Cabonne Shire	101	337	1,367	1,805
Camden	132	130	3	265
Campbelltown City	506	68	5	579

Schedule of Local Road Length

Local Governing Body	Urban Local Roads km	Non-Urban Sealed Local Roads km	Non-Urban Unsealed Local Roads km	Total Local Roads km
Canterbury City	310	0	0	310
Carrathool Shire	34	242	1,963	2,239
Casino	77	23	13	113
Central Darling Shire	29	10	1,558	1,597
Cessnock City	331	138	326	795
Cobar Shire	51	62	1,555	1,668
Coffs Harbour City	254	187	154	595
Conargo Shire	3	304	530	837
Concord	100	0	0	100
Coolah Shire	50	233	685	968
Coolamon Shire	63	251	771	1,085
Coonamble Shire	67	154	1,165	1,386
Cootamundra Shire	79	209	239	527
Copmanhurst Shire	12	209	274	495
Corowa Shire	71	284	559	914
Cowra Shire	153	301	791	1,245
Crookwell Shire	47	166	666	879
Culcairn Shire	59	235	506	800
Deniliquin	99	18	31	148
Drumoyne	99	0	0	99
Dubbo City	198	409	468	1,075
Dumaresq Shire	4	130	655	789
Dungog Shire	44	286	263	593
Eurobodalla Shire	289	116	496	901
Evans Shire	28	310	645	983
Fairfield City	556	42	2	600
Forbes Shire	136	515	1,149	1,800
Gilgandra Shire	38	211	961	1,210
Glen Innes Municipal	61	29	14	104
Gloucester Shire	26	97	502	625
Gosford City	851	95	80	1,026
Goulburn City	144	22	3	169
Grafton City	104	28	20	152
Great Lakes	218	180	439	837
Greater Lithgow City	206	155	288	649
Greater Taree City	203	351	950	1,504
Griffith City	150	287	704	1,141

Schedule of Local Road Length

Local Governing Body	Urban Local Roads km	Non-Urban Sealed Local Roads km	Non-Urban Unsealed Local Roads km	Total Local Roads km
Gundagai Shire	35	216	403	654
Gunnedah Shire	92	193	1,335	1,620
Gunning Shire	28	142	312	482
Guyra Shire	49	266	550	865
Harden Shire	68	412	419	899
Hastings	273	354	659	1,286
Hawkesbury City	217	387	273	877
Hay Shire	67	134	582	783
Holbrook Shire	37	167	173	377
Holroyd City	312	0	0	312
Hornsby Shire	456	92	44	592
Hume Shire	64	218	409	691
Hunters Hill Municipal	61	0	0	61
Hurstville City	210	0	0	210
Inverell Shire	155	292	1,334	1,781
Jerilderie Shire	22	274	698	994
Junee Shire	64	424	329	817
Kempsey Shire	149	269	607	1,025
Kiama Municipal	88	70	32	190
Kogarah Municipal	169	0	0	169
Ku-Ring-Gai Municipal	433	0	0	433
Kyogle	44	194	722	960
Lachlan Shire	103	326	2,956	3,385
Lake Macquarie City	943	127	103	1,173
Lane Cove Municipal	100	0	0	100
Leeton Shire	91	220	519	830
Leichhardt Municipal	170	0	0	170
Lismore City	199	447	377	1,023
Liverpool City	381	198	10	589
Lockhart Shire	89	324	1,054	1,467
Maclean	164	189	162	515
Maitland City	288	169	50	507
Manilla Shire	40	106	437	583
Manly	103	0	0	103
Marrickville	190	0	0	190
Merriwa Shire	19	88	442	549
Moree Plains Shire	165	288	2,188	2,641

Schedule of Local Road Length

Local Governing Body	Urban Local Roads km	Non-Urban Sealed Local Roads km	Non-Urban Unsealed Local Roads km	Total Local Roads km
Mosman Municipal	85	0	0	85
Mudgee Shire	95	203	1,060	1,358
Mulwaree Shire	25	340	747	1,112
Murray Shire	54	172	1,015	1,241
Murrumbidgee Shire	25	169	404	598
Murrurundi Shire	26	111	338	475
Muswellbrook Shire	81	393	134	608
Nambucca Shire	90	164	362	616
Narrabri Shire	127	202	1,767	2,096
Narrandera Shire	81	241	1,127	1,449
Narromine Shire	52	497	790	1,339
Newcastle City	684	19	2	705
North Sydney	143	0	0	143
Nundle Shire	13	48	221	282
Nymboida Shire	3	130	389	522
Oberon	31	257	443	731
Orange City	173	109	64	346
Parkes Shire	145	336	1,283	1,764
Parramatta City	537	0	0	537
Parry Shire	56	328	976	1,360
Penrith City	663	192	35	890
Pittwater	225	0	4	229
Port Stephens	245	191	77	513
Queanbeyan City	184	0	5	189
Quirindi Shire	71	132	593	796
Randwick City	293	0	0	293
Richmond River Shire	50	258	498	806
Rockdale City	259	0	0	259
Ryde City	324	0	0	324
Rylstone Shire	37	138	401	576
Scone Shire	65	145	590	800
Severn Shire	30	202	725	957
Shellharbour City	227	28	11	266
Shoalhaven City	730	334	390	1,454
Singleton Shire	110	422	171	703
Snowy River Shire	55	213	451	719
South Sydney City	198	0	0	198

Schedule of Local Road Length

Local Governing Body	Urban Local Roads km	Non-Urban Sealed Local Roads km	Non-Urban Unsealed Local Roads km	Total Local Roads km
Strathfield Municipal	86	0	0	86
Sutherland Shire	746	14	0	760
Sydney City	65	0	0	65
Tallaganda Shire	13	105	499	617
Tamworth City	232	48	46	326
Temora Shire	72	249	813	1,134
Tenterfield Shire	75	170	1,136	1,381
Tumbarumba Shire	36	139	293	468
Tumut Shire	91	192	275	558
Tweed Shire	372	320	286	978
Ulmarra Shire	48	203	245	496
Uralla Shire	43	220	538	801
Urana Shire	50	194	620	864
Wagga Wagga City	438	442	1,081	1,961
Wakool Shire	36	294	1,094	1,424
Walcha	26	159	707	892
Walgett Shire	64	33	1,853	1,950
Warren Shire	27	340	666	1,033
Warringham	414	32	2	448
Waverley	107	0	0	107
Weddin Shire	33	388	547	968
Wellington	99	244	905	1,248
Wentworth Shire	44	189	1,707	1,940
Willoughby City	202	0	0	202
Windouran Shire	2	206	239	447
Wingecarribee Shire	326	312	297	935
Wollondilly Shire	130	399	133	662
Wollongong City	809	68	10	887
Woollahra Municipal	156	0	0	156
Wyong Shire	544	249	118	911
Yallaro Shire	25	140	1,123	1,288
Yarrowlumla Shire	25	189	239	453
Yass Shire	57	245	622	924
Young Shire	104	223	726	1,053
Total	29,173	28,532	84,028	141,733

Appendix 1: Member Profiles

Councillor Barbara Armitage Chairperson

Cr Armitage is the longest serving female Mayor in NSW, with ten years service as Mayor of Waverley Council. She is also a member of the Premier's Crime Prevention Council and is an accredited mediator with the Community Justice Centre. Cr Armitage has held positions as an Associate to a Supreme Court Judge; and Project Officer, to the Minister's Advisory Service on Family and Children Services. Cr Armitage is also actively involved in community groups representing those with mental illnesses, as well as various environmental groups.

Mr Tim Rogers, BEc., MAd Deputy Chairperson/Director

Mr Rogers is also Deputy-Director General of the Department of Local Government. He previously held senior positions in Business and Consumer Affairs and the NSW Department of Industrial Development and Decentralisation. He served as Deputy Chairperson (NSW) of the Albury-Wodonga Development Corporation in 1990-91. He previously held positions in the Sydney Water Board, Education Department, Public Service Board and the Department of Local Government and Lands.

Councillor Patricia Dixon Member

Currently Deputy Mayor of Armidale City Council, Cr Dixon is also Chief Executive Officer of Armidale District Services Incorporated, a community health services organisation, and is a member of the Minister's Local Government Reform Taskforce. Cr Dixon has held a wide range of positions representing the aboriginal community with such organisations as the Department of Local Government, the Australian Local Government Association, and Home Care Services of NSW.

Emeritus Professor Maurice Daly, BA (Hons) PhD Member

Director, Daly Research Systems Pty Ltd and Emeritus Professor, Sydney University. Prof Daly was formerly engaged in teaching in Universities in Malaysia, Los Angeles, India, London and Nigeria as well as Sydney and Macquarie Universities 1967-91. Prof Daly is now actively involved in research and writing on economic planning and development issues in Australia and the Asian Pacific region.

Appendix 2: Councils Visited During 1996/97

Council	Visited	Council	Visited
Queanbeyan City	25 July, 1996	Strathfield Municipal	29 May, 1997
Yarrowlumla Shire	25 July, 1996	Manly	30 May, 1997
Concord	26 July, 1996	Willoughby City	30 May, 1997
Lane Cove Municipal	26 July, 1996	Coffs Harbour City	26 June, 1997
Blue Mountains City	29 August, 1996	Nymboida Shire	26 June, 1997
Greater Lithgow City	29 August, 1996	Bellingen Shire	27 June, 1997
Mudgee Shire	30 August, 1996	Nambucca Shire	27 June, 1997
Rylstone Shire	30 August, 1996	Total	36
Evans Shire	26 September, 1996		
Oberon	26 September, 1996		
Bathurst City	27 September, 1996		
Cowra Shire	27 September, 1996		
Junee Shire	24 October, 1996		
Wagga Wagga City	24 October, 1996		
Gundagai Shire	25 October, 1996		
Yass Shire	25 October, 1996		
Drummoyne	28 November, 1996		
Ku-Ring-Gai Municipal	28 November, 1996		
Ashfield Municipal	29 November, 1996		
Burwood	29 November, 1996		
Hawkesbury City	27 February, 1997		
Newcastle City	27 February, 1997		
Lake Macquarie City	28 February, 1997		
Port Stephens	28 February, 1997		
Bourke Shire	08 May, 1997		
Brewarrina Shire	08 May, 1997		
Bogan Shire	09 May, 1997		
Lachlan Shire	09 May, 1997		
South Sydney City	29 May, 1997		

Appendix 3: Standards Used in Calculation of Expenditure Allowance

State average net expenditure, excluding extremes, is based on 1995/96 Statement of Accounts, Special Schedule 1 (see footnote).

1.	General Administration administration: corporate support; other support services	\$94.98
2.	Aerodromes transport & communication: aerodromes	\$1.69
3.	Services for Aged and Disabled community services & education: aged & disabled	\$1.35
4.	Building Control mining, manufacturing & construction: building control	\$3.49
5.	Cemeteries housing & community amenities: public cemeteries	\$0.40
6.	Services for Children health: immunisation community services & education: family day care; child care; other families & children	\$1.90
7.	General Community Services community services & education: administration; education; migrant services; aboriginal services; youth services; other community services	\$5.91
8.	Culture recreation & culture: museums; art galleries; public halls; other cultural services	\$5.72
9.	Control of Dogs and Other Animals public order & safety: animal control	\$1.04
10.	Fire Control and Emergency Services public order & safety: fire protection; emergency services; statutory contributions to fire service levy	\$8.65
11.	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	\$9.65
12.	Libraries recreation & culture: public libraries	\$17.14

Appendix 3: Standards Used in Calculation of Expenditure Allowance

13. Noxious Plants and Pest Control (per non-urban property) health: noxious plants	\$46.70
14. Planning housing & community amenities: town planning; environmental protection	\$11.00
15. Recreation public order & safety: beach control recreation & culture: community centres; swimming pools; sporting grounds; parks & gardens; other sport & recreation	\$47.70
16. Stormwater Drainage and Flood Control (per urban property) housing & community amenities: urban stormwater drainage	\$12.09
17. Street and Gutter Cleaning (per urban property) housing & community amenities: street cleaning	\$26.63
18. Street Lighting (per urban property) transport & communication: street lighting	\$27.19
19. 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.	\$5,063.40
(b) urban length (m) per urban properties.	12.92m
(c) cost of maintenance of bridges and culverts per network km of roads.	\$152.15
20. 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.	\$1,833.37
(b) sealed rural length (m) per non-urban properties.	207.05m
(c) cost of maintenance of bridges and culverts per network km of roads.	\$99.20
21. 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.	\$29.37
(b) urban length (m) per non-urban properties.	609.76m
(c) cost of maintenance of bridges and culverts per network km of roads.	\$686.26

*Notes: Unless otherwise shown, costs are per capita.
Where councils failed to provide timely data, 1994/95 data was used.*

Appendix 4: Summary of the Formulae Used in Calculation of Expenditure 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 allowance.
 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

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 capital.
 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 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.

Appendix 4: Summary of the Formulae Used in Calculation of Expenditure Allowances

REVENUE ALLOWANCES

General

The general formula for the calculation of revenue allowances is:

$$Ac = Nc \times ts \times (Ts - Tc)$$

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

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

$$Ts = \frac{\textit{Sum of rateable values for all councils}}{\textit{Sum of number of properties for all councils}}$$

The standard tax rate (ts) is calculated as follows:

$$ts = \frac{\textit{Sum of general purpose revenue for all councils}}{\textit{Sum of rateable values of all councils}}$$

General purpose revenue includes net rates levied, ex gratia payments, garbage charges and pensioner subsidies.

Pensioner rebates allowances

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

$$Ac = Rc \times Nc \times (Pc - Ps)$$

where Ac = the allowance for the council
 Rc = the standardised rebate per property for the council
 Nc = the number of residential properties
 Pc = the proportion of eligible pensioner assessments for the council
 Ps = the proportion of eligible pensioner assessments for all councils

The standardised rebate for the council (rc) is:

$$Rc = 0.25 \times Tc \times ts$$

where Tc = the average value per residential property in the council
 ts = the standard tax rate (rate-in-the-dollar) for residential properties

The maximum value for rc is set at \$125 as this was the maximum compulsory rebate payable by councils per assessment in 1995/96.

NB. Tc and ts are calculated as in the revenue allowances except only residential properties are used.

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.

Sources: the source data used to determine the factor.

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 due to that disability. The weightings have generally been determined by establishing a factor for the maximum disability based on a sample of councils and/or through discussion with appropriate organisations.

General Administration

Population Growth

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

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

Source: Australian Bureau of Statistics (ABS), "Estimated Resident Population of Statistical Local Areas, New South Wales at June 30, 1995 Final and 1996 Preliminary", 1991 & 1996, Catalogue No. 3210.1.

Standard: 0.99%

Weighting: 0.011

Non-English Speaking Background

Recognises: additional costs of information provision.

Measure: proportion of population born in non-English speaking countries.

Source: ABS, 1991 Census.

Standard: 15.1%

Weighting: 0.05

Sparsity

Recognises: additional costs due to large council areas.

Measure: area (sq km) per 1,000 population.

Source: ABS, "Estimated Resident Population of Statistical Local Areas, New South Wales at June 30, 1995 Final and 1996 Preliminary", Catalogue No. 3210.1.

Standard: 0.29

Weighting: 0.009

Scale

Recognises: higher per capita costs of administration of councils with small populations.

Measure: a population based scale of 100 to 200 is used with councils whose population is greater than 20,000 receiving nil disability and those whose population is less than 5,000 receiving the maximum disability.

Source: ABS, "Estimated Resident Population of Statistical Local Areas, New South Wales at June 30, 1995 Final and 1996 Preliminary", Catalogue No. 3210.1.

Standard: 100

Weighting: 1.0

Appendix 5: Details of Calculation of Expenditure Disability Factors

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 an urban population:
- | | |
|-----------------------------|------|
| between 50,000 and 100,000 | 3.33 |
| between 100,000 and 150,000 | 4.44 |
| greater than 150,000 | 6.66 |

Source: ABS, "1991 Census, Census Counts for Small Areas: New South Wales", Catalogue No. 2730.1.

Standard: 2.22

Weighting: 0.006

Aborigines

Recognises: additional costs for councils with a significant Aboriginal population.

Measure: proportion of the population Aboriginal or Torres Strait Islander.

Source: ABS, 1991 Census.

Standard: 1.24%

Weighting: 0.005

Aerodromes

Net Expenditure

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

Measure: adjusted net expenditure per capita averaged over 3 years.

Source: Special Schedule 1, 1993, 1994/95, 1995/96; ABS, "Estimated Resident Population of Statistical Local Areas, New South Wales at June 30, 1995 Final and 1996 Preliminary", Catalogue No. 3210.1.

Standard: \$1.69

Weighting: 1.0

Services for the Aged and Disabled

Aged Persons

Recognises: additional need for services.

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

Source: ABS, "Estimated Resident Population by Age and Sex in Statistical Local Areas in NSW, 30 June 1995", Catalogue 3209.1.

Standard: 16.49%

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: Department of Social Security, "Customers by Postcodes - June 1996", (Recipients of Pensions, Benefits and Family Payments in Postcodes).

Standard: 11.71%

Weighting: 1.2

Population Distribution

Recognises: costs of staff travel and duplication of services.

Measure: as for General Administration.

Source: ABS, "1991 Census, Census Counts for Small Areas: New South Wales", Catalogue No. 2730.1.

Standard: 2.22

Weighting: 0.002

Appendix 5: Details of Calculation of Expenditure Disability Factors

Building Control

Building 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 building regulation, 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:

$$R = 3.84 + 417.73a + 0.00028b.$$

Source: Special Schedule 1, 1995/96; ABS, "Regional Statistics 1996", Catalogue No. 1304.1; additional data by special request.

Standard: 9.77

Weighting: 1.0 (upper maximum of 100)

Non-Residential Properties

Recognises: greater complexity of processing development applications.

Measure: number of urban properties which are classified as "business" per hundred of population.

Source: Grants Commission return, 1995/96.

Standard: 2.26

Weighting: 0.123

Population Distribution

Recognises: costs of staff travel and duplication of services.

Measure: as for General Administration.

Source: ABS, "1991 Census, Census Counts for Small Areas: New South Wales", Catalogue No. 2730.1.

Standard: 2.22

Weighting: 0.02

Non-English Speaking Background

Recognises: additional costs of information provision.

Measure: proportion of population born in non-English speaking countries.

Source: ABS, Census 1991.

Standard: 15.07%

Weighting: 0.1

Cemeteries

Population Distribution

Recognises: costs of staff travel and duplication of services.

Measure: as for General Administration.

Source: ABS, "1991 Census, Census Counts for Small Areas: New South Wales", Catalogue No. 2730.1.

Standard: 2.22

Weighting: 0.015

Services for Children

Pre-School Children

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, "Estimated Resident Population by Age and Sex in Statistical Local Areas in NSW, 30 June 1995", Catalogue 3209.1.

Standard: 7.16%

Weighting: 1.0

Single-Parent Families

Recognises: additional need for child care and the like.

Measure: proportion of families classified as "head and dependents only", "head, dependents, and other related offspring", "head, dependents, other offspring, and other related individuals", and "head, dependents and other related individuals".

Source: ABS, Census 1991.

Standard: 8.7%

Weighting: 0.815

Appendix 5: Details of Calculation of Expenditure Disability Factors

Population Distribution

Recognises: costs of staff travel and duplication of services.

Measure: as for General Administration.

Source: ABS, "1991 Census, Census Counts for Small Areas: New South Wales", Catalogue No. 2730.1.

Standard: 2.22

Weighting: 0.001

General Community Services

Pension and Benefit Recipients

Recognises: low income persons as a target group for community services.

Measure: proportion of the population receiving social security pensions and benefits other than those referred to under Aged Persons in the Services to the Aged and Disabled Function.

Source: Department of Social Security, "Customers by Postcodes - June 1996", (Recipients of Pensions, Benefits and Family Payments in Postcodes).

Standard: 17.18%

Weighting: 0.965

Aborigines

Recognises: Aborigines as a target group for community services.

Measure: proportion of the population who are Aboriginal or Torres Strait Islander.

Source: ABS, Census 1991.

Standard: 1.24%

Weighting: 0.116

Occupation

Recognises: additional council responsibility for community services in areas of low socio-economic status.

Measure: proportion of the population in lower socio-economic occupational groups.

Source: ABS, Census 1991.

Standard: 46.34%

Weighting: 0.978

Non-English Speaking Background

Recognises: population of non-English speaking backgrounds as a target group for community services.

Measure: proportion of population born in non-English speaking countries.

Source: ABS, 1991 Census.

Standard: 15.07%

Weighting: 0.175

Youth

Recognises: youth as a target group for community services.

Measure: proportion of population in the 15-24 years age group.

Source: ABS, "Estimated Resident Population by Age and Sex in Statistical Local Areas in NSW, 30 June 1995", Catalogue 3209.1.

Standard: 14.7%

Weighting: 0.2

Population Distribution

Recognises: costs of staff travel and duplication of services.

Measure: as for General Administration.

Source: ABS, "1991 Census, Census Counts for Small Areas: New South Wales", Catalogue No. 2730.1.

Standard: 2.22

Weighting: 0.001

Appendix 5: Details of Calculation of Expenditure Disability Factors

Culture

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 separate centres in council area with licensed halls multiplied by the standard net loss per hall divided by the LGA population for non-metropolitan councils.

Source: Grants Commission Return, 1995/96; Special Schedule 1, 1995/96; ABS, "Estimated Resident Population of Statistical Local Areas, New South Wales at June 30, 1995 Final and 1996 Preliminary", Catalogue No. 3210.1.

Standard: 2.51

Weighting: 0.1 (upper maximum of 25)

Non-Resident Use

Recognises: additional cost of the provision of higher order facilities in regional centres.

Measure: major regional centres receive a score of 50 based on sampling; other regional centres receive less than 50 based on Commission assessments.

Source: Grants Commission return, 1995/96.

Standard: 100

Weighting: 1.0

Control of Dogs and Other Animals

Population Distribution

Recognises: costs of staff travel and duplication of services.

Measure: as for General Administration.

Source: ABS, "1991 Census, Census Counts for Small Areas: New South Wales", Catalogue No. 2730.1.

Standard: 2.22

Weighting: 0.07

Fire Control and Emergency Services

Urban Fire Levy

Recognises: payment of this levy is the major local government expenditure in this area.

Measure: levy to the Board of Fire Commissioners per capita.

Source: NSW Fire Brigades, Annual Report, 1995/96.

Standard: 4.58

Weighting: 0.45

Subsidised Bushfire Expenditure

Recognises: the relative need for expenditure as assessed by an independent body.

Measure: average grant from the Bush Fire Council for a five year period, per capita. (1992/93 - 1996/97)

Source: Bush Fire Council of NSW, Annual Reports, 1993/94, 1994/95, 1995/96. 1996/97 data by special request.

Standard: 7.88

Weighting: 0.75 (upper maximum of 1,600)

Flood Prone Properties

Recognises: flood rescue as the major area of SES expenditure.

Measure: number of flood prone properties per thousand of population.

Source: DI Smith, "Urban Flooding in New South Wales: A Background For Planning and Policy", Centre for Resource and Environmental Studies, Australian National University, 1984.

Standard: 7.85

Weighting: 0.027

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, 1995/96.

Standard: 0.058

Weighting: 0.026

Appendix 5: Details of Calculation of Expenditure Disability Factors

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, 1995/96; ABS, "Estimated Resident Population of Statistical Local Areas, New South Wales at June 30, 1995 Final and 1996 Preliminary", Catalogue No. 3210.1.

Standard: 5.83

Weighting: 0.751 (upper maximum of 110)

Public Toilets

Recognises: significant variation in Council expenditure is related to non-resident use.

Measure: score based on expenditure and Commission's assessment of need to provide public toilets.

Source: Grants Commission return, 1995/96; Special Schedule 1, 1995/96.

Standard: 100

Weighting: 0.204

Vandalism and Crime

Recognises: additional costs associated with repairing damage to public property.

Measure: the ranking of total incidents to the population of the Local Government Area.

Source: NSW Bureau of Crime Statistics and Research, data by special request, 1995.

Standard: 1.17%

Weighting: 0.022

Population Distribution

Recognises: costs of staff travel and duplication of services.

Measure: as for General Administration.

Source: ABS, "1991 Census, Census Counts for Small Areas: New South Wales", Catalogue No. 2730.1.

Standard: 2.22

Weighting: 0.015

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, 1991 Census.

Standard: 15.07%

Weighting: 0.1

Libraries

Non-Resident Borrowers

Recognises: additional cost of providing services for non-residents.

Measure: percentage of non-resident borrowers plus 100.

Source: Grants Commission return, 1995/96; State Library of NSW, "Public Library Statistics" January - June 1994, May 1995.

Standard: 107.23

Weighting: 1.225

Appendix 5: Details of Calculation of Expenditure Disability Factors

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 1991.

Standard: 19.48%

Weighting: 0.195

Aged

Recognises: additional cost of providing specialist services and materials.

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

Source: ABS, "Estimated Resident Population by Age and Sex in Statistical Local Areas in NSW, 30 June 1993", Catalogue 3209.1.

Standard: 16.49%

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, 1991 Census.

Standard: 15.07%

Weighting: 0.125

Population Distribution

Recognises: costs of staff travel and duplication of services.

Measure: as for General Administration.

Source: ABS, "1991 Census, Census Counts for Small Areas: New South Wales", Catalogue No. 2730.1.

Standard: 2.22

Weighting: 0.018

Planning

Population Growth

Recognises: additional cost of forward planning in high growth areas.

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

Source: ABS, "Estimated Resident Population of Statistical Local Areas, New South Wales at June 30, 1995 Final and 1996 Preliminary", 1991 & 1996, Catalogue No. 3210.1.

Standard: 0.99%

Weighting: 0.067

Development Activity

Recognises: additional costs in development control.

Measure: per capita estimate (R) based on a regression of expenditure on planning, 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:

$$R = 3.19 + 640.92a\% + 0.0109b.$$

Source: Special Schedule 1, 1995/96; ABS, "Regional Statistics 1996", Catalogue No. 1304.1.

Standard: 9.26

Weighting: 0.75 (upper maximum of 100)

Non-Residential Properties

Recognises: greater complexity of processing development applications.

Measure: number of urban properties which are classified as "business" per hundred of population.

Source: Grants Commission return, 1995/96.

Standard: 2.26

Weighting: 0.21

Appendix 5: Details of Calculation of Expenditure Disability Factors

Heritage/Environment

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 20%, very high 15%, high 10%, above average 5%, average and below 0).

Source: Grants Commission in consultation with the Heritage Council and Environmental Protection Authority, 1993.

Standard: 1.0

Weighting: 0.05

Regional Centres and Secondary CBD's

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, as assessed by the Commission.

Source: Grants Commission.

Standard: 100

Weighting: 1.0

Population Distribution

Recognises: costs of staff travel and duplication of services.

Measure: as for General Administration.

Source: ABS, "1991 Census, Census Counts for Small Areas: New South Wales", Catalogue No. 2730.1.

Standard: 2.22

Weighting: 0.016

Non-English Speaking Background

Recognises: additional costs of information provision.

Measure: proportion of population born in non-English speaking countries.

Source: ABS, 1991 Census.

Standard: 15.07%

Weighting: 0.05

Designated Developments

Recognises: additional complexities of assessing designated developments under the Environmental Planning and Assessment Act.

Measure: number of designated development applications received and reviewed per ten thousand of population.

Source: Grants Commission return, 1995/96.

Standard: 0.434

Weighting: 0.05 (upper maximum of 11.5)

Recreation

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, 1995/96; Special Schedule 1; ABS, "Estimated Resident Population of Statistical Local Areas, New South Wales at June 30, 1995 Final and 1996 Preliminary", Catalogue No. 3210.1.

Standard: 4.40

Weighting: 0.07

Appendix 5: Details of Calculation of Expenditure Disability Factors

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 centre above 1,000 population in turn.

Source: (the then) Department of Planning.

Standard: 1.12

Weighting: 0.46

Age Structure

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, "Estimated Resident Population by Age and Sex in Statistical Local Areas in NSW, 30 June 1995", Catalogue 3209.1.

Standard: 36.29%

Weighting: 1.0

Beach Lifesaving

Recognises: cost of additional facilities associated with beaches, principally lifesavers.

Measure: ocean-front, bay-side and harbour-side councils score a disability in the range 0-25 as determined by the Commission.

Source: Grants Commission.

Standard: 100

Weighting: 1.0

Non-Resident Use

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

Measure: index generally in range 100-190 determined by the Commission based on a sampling of councils.

Source: Grants Commission.

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 (1898mm); and

(b) high rainfall - councils with rainfall above 1330mm receive 5% disability.

Source: Bureau of Meteorology, "Rainfall Statistics, Australia", 1977.

Standard: a) 898
b) 0

Weighting: a) 0.277
b) N/A

Urban Density

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

Measure: urban population divided by the total area of residential, business and urban open space land in hectares.

Source: Grants Commission return, 1994/95; ABS, Census 1991; "Estimated Resident Population of Statistical Local Areas, New South Wales at June 30, 1995 Final and 1996 Preliminary", Catalogue No. 3210.1.

Standard: 15.72

Weighting: 0.2 (upper maximum of 22.5)

Population Distribution

Recognises: cost of staff travel and duplication of services.

Measure: as for General Administration.

Source: ABS, "1991 Census, Census Counts for Small Areas: New South Wales", Catalogue No. 2730.1.

Standard: 2.22

Weighting: 0.003

Appendix 5: Details of Calculation of Expenditure Disability Factors

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 50-100 determined by the Commission based on a sampling of councils (negatives are calculated).

Source: Grants Commission.

Standard: 100

Weighting: 1.0

Street and Gutter Cleaning

Non-Residential Properties

Recognises: increased amounts of litter collected from commercial areas.

Measure: proportion of urban properties which are classified as "business".

Source: Grants Commission return, 1995/96.

Standard: 6.18%

Weighting: 0.89 (upper maximum of 100)

Urban Density

Recognises: additional costs related to the constraints on using machinery in dense areas.

Measure: urban population divided by the total area of residential, business and urban open space land in hectares.

Source: Grants Commission return, 1994/95; ABS, 1991 Census; "Estimated Resident Population of Statistical Local Areas, New South Wales at June 30, 1995 Final and 1996 Preliminary", Catalogue No. 3210.1.

Standard: 15.72

Weighting: 0.25 (upper maximum of 40)

Street Lighting

Nett Expenditure

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

Measure: adjusted net expenditure per urban property averaged over 3 years.

Source: Grants Commission returns, 1993, 1994/95; Special Schedule 1, 1995/96.

Standard: 100

Weighting: 1.0

Stormwater Drainage and Flood Control

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: 1.885

Flood Prone Properties

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

Measure: based on the number of flood prone properties as a proportion of the total urban properties.

Source: DI Smith, "Urban Flooding in New South Wales: A Background For Planning and Policy", Centre for Resource and Environmental Studies, Australian National University, 1984.

Standard: 1.0

Weighting: 5.475

Appendix 5: Details of Calculation of Expenditure Disability Factors

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, 1995/96.

Standard: 0.201

Weighting: 0.01

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 1995.

Source: Division of Plant Industries, Department of Agriculture, 1997, data by special request; Grants Commission.

Standard: 0

Weighting: N/A

Terrain

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

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

Source: CSIRO, "Provisional Environmental Regions of Australia - Framework Document", 1980.

Standard: 0

Weighting: N/A

Appendix 6: National Principles for the Allocation of General Purpose & Local Road Grants

A. The National Principles relating to the allocation of general purpose grants payable under Section 9 of the Local Government (Financial Assistance) Act 1995 (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 that each local governing body in the State/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. 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 expenditure requirements and revenue raising capacity of each local governing body. This means as far as practicable, policies of individual local governing bodies in terms of expenditure and revenue effort will not affect the 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% of the total amount of general purpose grants to which the State/Territory is entitled under Section 9 of the Act in respect of the year were allocated among local governing bodies in the State/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.

B. 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: Equalisation 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 prior to the implementation of the 1986 legislation.

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. The changes resulting from the methodology developed in conjunction with these principles will be introduced evenly with each annual allocation until fully implemented in 1991-92.

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.
 - (c) The amount calculated in 5(a) and (b) is to be adjusted by an amount necessary to prevent a council's total recommended allocation being reduced by not more than ten per cent, when compared with their previous year's CPI adjusted total entitlement, where such a reduction is principally the result of the "limits clause" provisions of the principles of the Australian Centennial Roads Development Act, 1988.

Appendix 8: Local Roads Component Distribution Principles in Accordance with the Local Government (Financial Assistance) Act, 1995

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 Local Government Grants Commission of NSW and the Local Government and Shires Associations of NSW.

Appendix 9: 1996/97 Road and Bridge Audit Summary Report

Background

The Grants Commission began a program of council road and bridge length audits during 1992/93. The audits stemmed from the decision of the 1990 Special Premiers' Conference to untie the local roads grants and pay them as part of the general purpose grant program. This decision moved the responsibility for the administration of the funding from the RTA to the Grants Commission. The Commission was most concerned at the quality of data being collected for councils, when compared with RTA data.

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

- eight councils were audited during 1992/93
- eleven in 1993/94 (including 3 follow-ups to the 92/93 audits)
- eight in 1994/95 (including 1 follow-up)
- nine in 1995/96
- seven this year

The audit program is likely to continue in 1997/98.

The Project

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

Summary of 1997 Audit Results

The auditor found that:

- road data varied from poor to excellent
- bridge data was generally of a lower standard than road data

Audits took around 16 to 19 hours. The time taken was dependent on the quality of the data. Most of the Councils audited were not large in size.

Most of the councils audited appeared to be placing more emphasis on asset management, with many employing at least a part-time employee to compile data for valuation purposes, as well as Grants Commission data purposes.

The auditor found that the quality of data collections appeared to vary greatly depending, to a large degree, on the quality and training of staff. Councils with the best data had all the work undertaken by qualified

engineering staff who had received additional training with manuals prepared to support their training. The council with the worst data had no qualified engineering staff and no supporting training.

As in previous years the auditor found that the most accurate returns were those compiled from relatively simple databases. Personnel using complex systems were often not properly trained and did not understand how the system worked.

It was reported by the auditor that although road data quality appeared to be improving many Councils still do not have adequate bridge data. In some instances bridge lists were prepared only a few days before the audit.

The auditor was pleased to report that one of the audited councils had the best quality data found since the audit program began in 1992/93. However, another had overestimated almost every data item included in its return. One council was found to have no meaningful data to support any of the statistics supplied to the Commission and had utilised the same data for more than 20 years without any attempt being made to verify or upgrade the data.

Despite the clear guidelines for preparation of Commission's statistical returns there were a number of instances where these guidelines were ignored. This was particularly the case with causeways and culverts where several Councils included ineligible causeways and culverts. In the case of one council even when this obvious discrepancy was pointed out the amended return submitted still contained a number of such items all of which, on audit, were found to be ineligible.

Many of the rural councils audited were attempting to integrate statistical data collections for roads with schedules for their rural addressing schemes.

Most council officers viewed the audit in a positive light and were receptive to advice on improvement of their systems.

It remains disappointing that despite five years of auditing and much publicity the general standard of data quality has not improved substantially except when councils are actually audited. Auditing appears to be the major method whereby the standard of statistics submitted to the Grants Commission will be improved to any substantial degree.

Appendix 10: 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 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.

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

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

Estimated entitlement

The estimated entitlement for financial assistance grants is based on Commonwealth 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 Commonwealth or State specific purpose funding.

Financial assistance grant

Refers to payments made under the Local Government (Financial Assistance) Act 1995. The payments consist of two components: an equalisation 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.

Appendix 10: Glossary

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, the library, town planning, and health services.

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 Commonwealth and State 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 equalisation and local roads component grants to councils in that State/Territory.

Local roads component

That part of the financial assistance grant which is determined by the Commission for local roads. This is separate from the calculation of standardised expenditure for local roads within the equalisation component of a council's financial assistance grant. The payment was formerly 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 Commonwealth determines these differences and adjustments are made to the following year's cash payments. For example: if the Commonwealth estimated a CPI increase of 4% and the actual final figure is below 4%, then an overpayment occurs; if the final figure is above 4% then an underpayment occurs.

Per capita minimum

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

Specific purpose grant

Payments made by Commonwealth 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.

Appendix 10: Glossary

Standard cost

A weighted average of unit costs, excluding extremes, results in the standard cost.

Standardised revenue and expenditure

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

Unit cost

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

Units

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

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