

2006-07

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Letter of submission

October 2007

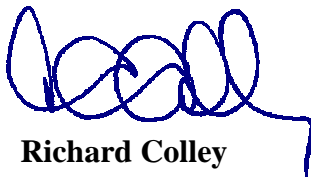
The Hon Paul Lynch MP
Minister for Local Government

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 2007 and including the Commission's recommendations for the distribution of financial assistance grants for 2007-08.

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's Annual Report, 2006-07.

Yours faithfully



Richard Colley
Chairperson

Table of Contents

Letter of submission	3
Foreword	5
Function, Membership and Staff	7
Function	7
Membership	7
Staff	7
Summary of Activities and Issues	8
National Conference	8
Executive Officers Meeting	8
Review of Interstate Distribution of The Identified Local Road Component	8
Visits to Councils	9
Data Collection Returns	9
Submissions	10
2006-07 Payments	10
Highlights for 2007-08 Grants	11
General Purpose Component - 2007-08	11
Local Roads Component – 2006-07	15
Total Grants – 2006-07	16
Commonly Asked Questions	17
Schedule of Grant Entitlements	28
Schedule of Local Road Lengths	33
Appendices	37
Appendix 1: Member profiles	38
Appendix 2: Councils visited during 2006-07	39
Appendix 3: Standards used in calculation of expenditure allowances – 2007-08	40
Appendix 4: Summary of formulae used in the calculation of expenditure and revenue allowances	42
Appendix 5: Details of calculation of expenditure disability factors	45
Appendix 6: National principles for the allocation of general purpose and local road grants	53
Appendix 7: General purpose component distribution principles in accordance with the <i>Local Government (Financial Assistance) Act 1995</i>	55
Appendix 8: Local roads component distribution principles in accordance with the <i>Local Government (Financial Assistance) Act 1995</i>	56
Appendix 9: 2006-07 road and bridge length audit summary report	58
Appendix 10: 2006 information data returns	59
Appendix 11: A brief history of financial assistance grants	61
Appendix 12: Glossary	64

Foreword

The activities of the New South Wales Grants Commission during 2006-07 were conducted under the leadership of the Chairperson, Emeritus Professor Maurice Daly, with the able assistance of the Deputy Chair, Mr Grahame Gibbs, and Commissioners, Mrs Heather Wilton and Clr Kiril Jonovski. This report is made largely on their behalf.

This report contains information on the key activities of the Commission during 2006-07 as well as on the distribution of over \$558 million in funding provided to New South Wales' local governing bodies for 2007-08 under the provisions of the Commonwealth *Local Government (Financial Assistance) Act 1995*.

Some twenty-six council areas were affected by amalgamations and boundary changes during 2004. The 2007-08 grants represent the second year that the calculations have been based on estimates of disability measures and historical property values for the new council areas. Previously the grants were estimated on the basis of transitional arrangements.

Effective from 1 July 2006, the national principles of the Federal Act incorporate an amalgamation principle, which states:

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

In the spirit of the national amalgamation principle the grant to one council affected by boundary changes (Yass Valley) has been maintained at the previous year's level, otherwise the council would have experienced a minor reduction in the general purpose component of its grant. This protection arrangement has been applied to the previous three grant periods (2004-05, 2005-06, and 2006-07).

While 2007-08 is the last year that the national amalgamation principle will apply the Commission has a long-standing arrangement to cap increases and decreases in the movement of the general purpose component of the grants. This practice recognises the need for grant stability, as well as the inconsistent nature of some data elements that can influence grant outcomes. For the 2007-08 grants the Commission applied a five per cent upper and lower limit on the movement of grants compared to the State's increase. That is, the State's general purpose component increased by 4.1%, therefore increases were limited to 9.1% and reductions to -0.9%.

Last year the Commission reported its concern that the general purpose component grants to a number of small rural councils have fallen as a result of a State-wide twenty per cent reduction in the standard cost per km for maintenance of non-urban unsealed roads. This year the same standard cost increased by some

twenty-five per cent. This resulted in significant increases in the general purpose component of the grant for those councils with long lengths of unsealed roads to maintain, effectively restoring last year's losses.

It was also reported last year that in October 2005 the Australian Government asked the Commonwealth Grants Commission (CGC) to review the interstate distribution of the local roads component. The terms of reference for the review excluded any reference to the quantum of funds. Historically New South Wales has received twenty-nine per cent of the national pool.

The CGC presented its report and recommendations to the Government in June 2006. In May 2007 the Government announced that it "*has decided to retain the existing interstate distribution and continue the supplementary funding for South Australian councils.*" The decision not to implement the recommendations was largely because of data concerns, an issue that the CGC had identified in its report. Further information about the review is available from the CGC's website at www.cgc.gov.au.

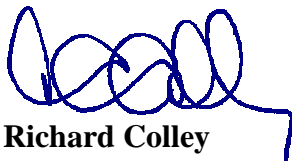
I take this opportunity to acknowledge the enormous contributions of Professor Daly to the work of the Commission and to local government. Professor Daly was first appointed to the Commission in January 1991 and chaired the Commission from July 2003.

I would also like to thank Mrs Wilton and Clr Jonovski for their contributions to the work of the Commission. Mrs Wilton was first appointed to the Commission in July 2002, Clr Jonovski in July 2004.

I wish the outgoing members of the Commission every success for the future.

Amidst the "farewells" there are, of course, the "welcomes". It is with much pleasure that I welcome Dr Elizabeth Coombs and Clr Frank Pangallo to the Commission. I look forward to our working together as we face the challenges that lay before us.

Finally, I would like to thank the Commission's Deputy Chair, Grahame Gibbs and the support staff, Bruce Wright and Helen Pearce, for their continued assistance. Without their dedicated work the Commission could not operate.



Richard Colley
Chairperson

Function, Membership and Staff

Function

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

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

Membership

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

- three members nominated by the Minister, one of whom is the 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 part-time members of the Commission to 30 June 2007 were:

- Emeritus Professor Maurice Daly, Chairperson
- Mr Grahame Gibbs, Deputy Chairperson
- Mrs Heather Wilton, Member
- Councillor Kiril Jonovski, Member

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

- Mr Richard Colley, Chairperson – to 30 June 2012
- Mr Grahame Gibbs, Deputy Chairperson – to 31 December 2007
- Dr Elizabeth Coombs, Commissioner – to 30 June 2012
- Councillor Frank Pangallo, Commissioner – to 30 June 2012

Member profiles are included in Appendices.

Staff

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

- Bruce Wright, Executive Officer
- Helen Pearce, Finance Officer

The Commission acknowledges the substantial contributions of the staff.

Summary of Activities and Issues

National Conference

The Northern Territory Grants Commission hosted the 2007 annual National Conference of State Grants Commissions, 10-13 October 2006. Those attending the conference included representatives from the States' Grants Commissions; the Department of Transport and Regional Services; the Commonwealth Grants Commission, and local government. The conference agenda included reports by the Chairs of States' Grants Commissions. The conference also considered issues including the Commonwealth Grants Commission's review of its equalisation methodology; the sustainability of local government; infrastructure needs; the independence of local government grants commissions; and the needs of indigenous community councils.

Executive Officers Meeting

The Department of Transport and Regional Services hosted the annual meeting of the executive officers from the states' Grants Commissions. The meeting was held in Canberra, 28 February – 1 March 2007. The meeting included presentations on methodology issues in each state and speakers on topics relevant to Grants Commission activities.

Review of Interstate Distribution of The Identified Local Road Component

In October 2005 the Parliamentary Secretary to the Minister for Finance and Administration, referred Terms of Reference to the Commonwealth Grants Commission (CGC) for a review of the interstate distribution of the identified local road component of the financial assistance grants provided to local government. The Australian Government had foreshadowed the review in its formal response to recommendation 16 of the Hawker Report, a report of the House of Representatives Standing Committee on Economics, Finance and Public Administration for its inquiry into local government and costs shifting.

The terms of reference for the local road distribution review ask the CGC to recommend:

- the interstate distribution of the local road grants; and
- how the distribution could be updated in future years.

The terms of reference also required the CGC to base its recommendation of the interstate distribution on an assessment of the relative needs of the States and Territories for expenditure on maintenance and preservation of local roads, and to the extent practicable, bridges. Expenditure on new construction and upgrading is excluded from the review.

As part of its review the CGC:

- sought information from the States' Grants Commissions
- issued the terms of reference for the inquiry
- released an issues paper
- sought submissions from key stakeholders
- held a meeting in May 2006 to discuss its draft report with representatives from key agencies
- highlighted the lack of comparable data as a major concern

The CGC reported its findings and recommendation in June 2006, as required by the terms of reference.

In May 2007, largely because of data concerns, the Australian Government announced that *"...the Government has decided to retain the existing interstate distribution..."*

The Government also announced that *"The commission also proposed that further work be undertaken over the next five years to improve the data on local road use and condition, with a view to recalculating the interstate distribution. The Government has not accepted this suggestion because of the poor prospects of obtaining the rigorous set of standardised data from all the states that the commission would need."*

A copy of the CGC's report and recommendations is available from the CGC's web site at <http://www.cgc.gov.au>.

Visits to Councils

The Commission visited thirty-five councils during 2006-07. The Commission aims to visit all councils over a four to five year cycle. Details of councils visited during the year are shown in the appendices. The visits provide a forum for the Commission to explain the grant process and, more importantly, give councils an opportunity to meet with the Commission, ask specific questions about the grant process, and present their particular problems. 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 of NSW and the Shires Association of NSW is an important aspect of the consultative approach taken by the Commission.

Data Collection Returns

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

Submissions

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

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

2006-07 Payments

During 2006–07 the grants continued to be paid in quarterly instalments. The total payments to local governing bodies are summarised below:

16 August 2006	\$134,649,928
16 November 2006	\$134,649,928
16 February 2007	\$134,649,928
16 May 2007	\$134,649,928
Total	*\$538,599,712

Note

The 2006-07 payments are made up of the estimated entitlements for 2006-07 of \$538,279,694 plus an adjustment of \$320,018 for 2005-06. The adjustment was necessary because the Australian Government estimates of the consumer price index and the States' shares of population on which the 2005-06 recommendations were based varied from the actual changes.

Highlights for 2007-08 Grants

The total funds for New South Wales, compared to 2006-07:

Component	2006-07 CPI/Pop. Adjusted Entitlement	2007-08 Estimated Entitlement	% Change
General Purpose	385,938,812	401,578,022	4.05%
Local Roads	150,403,831	157,247,205	4.55%
Total	536,342,643	558,825,227	4.19%

General Purpose Component - 2007-08

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

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

Population Changes

The source for estimated resident population as at 30 June 2006 (preliminary) is ABS publication *Regional Population Growth, Australia, 2005-06* (cat. no. 3218.0).

Population changes directly affect the grant calculations for expenditure allowances.

Compared to last year the state's population increased by 0.9%. Individual council variations ranged from an increase of 4.1% for Murray Shire to a reduction of 0.7% for Broken Hill.

Changes In Standard Costs And Disability Measures

standard costs

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

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

cost for maintenance of non-urban unsealed local roads, which dropped by more than 20% last year, recovered its relative position this year with a more than 25% increase. This variation has affected the grants to councils with relatively long lengths of non-urban unsealed local roads.

annual fluctuations

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

Local Road And Bridge Length Variations

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

State-wide the local road length reported by councils has increased by 480 km, compared with the previous year's increase of 489 km. The aggregate of the length of bridges on local roads increased by 723 m, compared with last year's 297 m increase.

Variations for individual council's road lengths range from an increase of 72 km to a reduction of 30 km. Changes in reported bridge length ranged from an increase of 364 m to a 464 m decrease.

Changes In Property Values

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

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

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

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

General Purpose Component Highlights

Note: comparisons are based on the 2006-07 CPI/population adjusted entitlements and category references are based on the Australian Classification of Local Government.

New South Wales' general purpose estimated entitlement for 2007-08 is \$401,578,022.

NSW's share of the general purpose component is 32.88%, which is down on last year because NSW's share of the national population has decreased.

The increase in the general purpose grant to NSW is 4.1%, compared to the national increase of 4.6%.

Because of concerns about data quality and in the interests of grant stability, the Commission capped changes in the general purpose component to a maximum increase of 9.1% and a maximum decrease of 1.8%.

One hundred and thirty-nine (139) of the state's one hundred and fifty-five (155) local authorities (includes Lord Howe Island, Silverton, and Tibooburra) received increases in their general purpose component grant, while one, affected by boundary changes, received the same grant as in 2006-07.

Twelve councils received maximum increases of 9.1%.

Councils receiving the greatest reductions in their general purpose component grant were Byron, Camden, Eurobodalla, Gosford, Hawkesbury, Kiama, Leichhardt, Liverpool, Marrickville, Shoalhaven, Waverley, Wingecarribee, and Wollondilly, each with reductions of 0.9%.

Generally, non-metropolitan councils received higher increases than metropolitan councils.

Metropolitan (those in the Sydney Statistical District)

The average increase for metropolitan councils was 3.5% compared to the state increase of 4.1%.

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

Eight metropolitan councils (Camden, Gosford, Hawkesbury, Leichhardt, Liverpool, Marrickville, Waverley, and Wollondilly Councils) experienced reductions limited to 0.9%.

Six metropolitan councils received maximum increases of 9.1%.

As a group, urban developed very large councils received a 5.7% increase.

All three urban fringe medium councils (Camden, Hawkesbury, and Wollondilly) received reduced grants, all going down by the maximum allowable of 1.8%.

The overall results for metropolitan councils generally reflect the relative changes in property values as the property market strengthens in coastal and fringe metropolitan areas and weakens in those areas of the State most affected by drought.

Non-metropolitan (outside the Sydney Statistical District)

The average increase for non-metropolitan councils was 4.3%, compared to the state's 4.1% increase.

Urban regional small councils received average increases of 4.9%. Griffith received an increase of 9.1%. Only one in this group of the eleven councils (Kiama) received a reduced general purpose grant.

Urban regional medium councils generally received increases of 3.6%. One council (Bathurst Regional) received a maximum increase of 9.1%. Five councils received reduced grants Ballina (-0.3%), Byron (0.9%), Eurobodalla (0.9%), Great Lakes (0.2%), and Wingecarribee (0.9%).

Five of the six councils in the urban regional large and very large groups recorded increases in their grant. One, Shoalhaven, received a reduced grant (-0.9%).

Councils classified rural small and medium all received increases. Those in the rural small category increased by an average 5.0%, while those in the medium category increase, on average, by 5.7%. Wakool increased by 9.1%.

The two council categories receiving the highest overall increase are rural agricultural large and rural agricultural very large, with average increases of 6.6% and 6.0% respectively. These increases generally reflect changes in property value relativities, which appear to result from the effects of the drought.

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

Changes in General Purpose Grants

Range	No. of Councils	% of Councils
-1% to 0%	16	10.3%
>0% to 2.5%	13	8.4%
>2.5% to 5%	50	32.3%
>5% to 7.5%	50	32.3%
>7.5%	26	16.8%
	*155	100.0%

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

Per Capita Minimum

Twenty-one councils, all located in the Sydney metropolitan area, receive the “safety net” minimum entitlement. The councils on the per capita minimum of \$17.65 are: Baulkham Hills, Burwood, Canada Bay, Hornsby, Hunter's Hill, Hurstville, Kogarah, Ku-ring-gai, Lane Cove, Manly, Mosman, North Sydney, Pittwater, Randwick, Rockdale, Ryde, Strathfield, Sutherland, Warringah, Willoughby, and Woollahra.

Sydney City Council remains above the per capita minimum grant as a direct result of its amalgamation with South Sydney City in February 2004. Expenditure allowances, which are generally a function of population and property numbers, have increased significantly as a result of boundary changes and a low socio-economic status of some areas with the LGA. In addition the average value of property values across the new LGA are lower, compared to those of the former LGA.

Local Roads Component – 2006-07

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

Local Roads Component Highlights

Note: comparisons are based on the 2006-07 CPI/population adjusted entitlement.

New South Wales' estimated entitlement for 2007 08 is \$157,247,205, an increase of 4.5% on last year's entitlement. The increase is the same as the national increase in the local roads component.

New South Wales' share of the national allocation is 29% (the same as last year).

The method of distribution has remained unchanged.

The Commission continued its program of road and bridge length audits during 2006-07, with two councils being audited.

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

Changes in Local Roads Grants

Range	No. of Councils	% of Councils
>2.5% to 5%	127	83.6%
>5% to 7.5%	21	13.8%
>7.5% to 10%	3	2.0%
>10%	1	0.7%
	*152	100.0%

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

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

Reported road length data used in 2007 08 increased 480 km compared to the previous year. Bridge length increased by 723 m.

Total Grants – 2006-07

Local government financial assistance grants to New South Wales for 2007 08 total \$558,825,227, an increase on the 2006 07 CPI/population adjusted entitlement of 4.19%, compared to the national increase of 4.55%.

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

Changes in Total Grant

Range	No. of Councils	% of Councils
-2.5% to 0%	2	1.3%
>0% to 2.5%	22	14.2%
>2.5% to 5%	63	40.6%
>5% to 7.5%	55	35.5%
>7.5% to 10%	13	8.4%
	*155	100.0%

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

Commonly Asked Questions

What are local government financial assistance grants?

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

Who decides how much each council should receive?

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

Who is entitled to receive the funds?

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

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

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

In NSW, as at 30 June 2006, there are 152 councils, as well as the Lord Howe Island Board, and the Village Committees of Silverton and Tibooburra, that are entitled to receive the grants.

How much money is involved and how is it distributed?

The estimated national entitlement for 2007-08 is \$1.763 billion. This is made up of a general purpose component (\$1.221 billion) and a local roads component (\$542 million).

The general purpose component is distributed on the basis of each state's share of the national population. NSW receives \$401.58 million, or about 32.88% of the national pool (NSW has 32.88% of Australia's population).

The local roads component is distributed on the basis of a historical formula - for NSW it amounts to \$157.25 million (29% of the national funds).

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

2007-08 Estimated Entitlement

State/ Territory	General Purpose Component	Share %	Identified Road Component	Share %	Total	Share %
NSW	401,578,022	32.88	157,247,205	29.01	558,825,227	31.69
Vic	302,605,210	24.77	111,737,953	20.62	414,343,163	23.50
Qld	242,066,113	19.82	101,548,358	18.74	343,614,471	19.49
WA	121,909,371	9.98	82,870,487	15.29	204,779,858	11.61
SA	92,310,159	7.56	29,785,811	5.50	122,095,970	6.92
Tas	28,803,302	2.36	28,721,439	5.30	57,524,741	3.26
NT	12,451,890	1.02	12,695,932	2.34	25,147,822	1.43
ACT	19,709,922	1.61	17,379,021	3.21	37,088,943	2.10
TOTAL	1,221,433,989	100.00	541,986,206	100.00	1,763,420,195	100.00

How are the grants paid to councils?

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

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

An underpayment occurred for the amount paid in 2006-07. The underpayment amounted to \$2.4 million nationally. This was due to an underestimate by the Commonwealth of CPI and population changes. However, the general purpose component for NSW was overpaid by \$2,153,543 because of an overestimate by the ABS of State's population. The local roads component was underpaid by \$216,492. The result was an overall overpayment for NSW of \$1,937,051. Grant adjustments are made proportionally across all councils and the 2007-08 quarterly instalments adjusted accordingly.

How should councils spend the money?

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

How does the Grants Commission distribute the money?

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

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

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

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

What about the local roads component?

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

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

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

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

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

Can you tell me more about expenditure allowances?

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

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

How does the Commission calculate expenditure allowances?

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

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

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

The **Standard Cost** is the weighted average net expenditure, per unit, by all councils in the State.

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

Can you tell me more about disability factors?

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

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

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

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

Where:

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

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

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

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

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

Using Library Service as an example:

The unit of use is population. Council A has a population of 10,000. The standard cost of library service is \$26.35 per capita.

It is assumed that a council with a population of 10,000 would spend \$263,500 on library services (ie. 10,000 x \$26.35).

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

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

non-resident borrowers:

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

aged:

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

students:

recognises students as a major user group of library services.

non-English speaking background:

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

population distribution:

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

other:

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

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

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

$$10,000 \times \$26.35 \times 0.2 = \$52,700$$

In other words, it is estimated that it would cost the council \$52,700 more than the standard council because of its inherent disabilities. \$52,700 becomes Council A's expenditure allowance for libraries.

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

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

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

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

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

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

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

What about the revenue allowance of the general purpose component?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Do all councils receive a grant?

Yes. Section 6(2)(b) of the Commonwealth Act requires that for the general purpose component every local governing body should receive a minimum amount. This is an amount, which would be allocated if 30% of the funds available were distributed among councils on a per capita basis. Minimum entitlements for the 2007-08 grants have been determined by the Commission using Australian Bureau of Statistics population estimates (preliminary) for each council area, at 30 June 2006. The 2007-08 per capita minimum is \$17.65. There are twenty-one councils that receive the per capita minimum general purpose component of the grant.

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

The Commission's calculation of *general purpose grants* is initially made without reference to the total of funds available from the Australian Government. The *notional general purpose grant* to each council must be re-scaled, firstly to the available funds, and secondly to bring those councils below the *per capita minimum* (\$17.65 for 2007-08) up to that level, as required in the federal legislation. Councils above the per capita minimum receive about half of the amount assessed as need, based on the Commission's calculations.

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

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

How is capital expenditure treated?

The requirements 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. In addition, 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 Association of NSW, the Shires Association of NSW, 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
- the management arrangements for water and sewerage services varies from State to State

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

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

What about a council's money making venture?

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

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

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

What about debt servicing?

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

What about poor decisions of the past?

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

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

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

What about efficiency? Are councils rewarded in some way?

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

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

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

What happens in the event of council amalgamations?

Effective from July 2006 the national principles provide that *“where two or more local governing bodies are amalgamated into a single body, the general purpose grant provided to the new body for each of the four years following amalgamation should be the total of the amounts that would have been provided to the former bodies in each of those years if they had remained separate entities.”*

Schedule of Grant Entitlements

The Commission's recommendations for the distribution of funds to local government in New South Wales for 2007-08, together with the actual entitlements for 2005-06 and 2006-07, are set out in the accompanying table. The recommendations have been determined in accordance with the provisions of the Commonwealth *Local Government (Financial Assistance) Act 1995*; the NSW *Local Government Act 1993*; and the methodology as set out in this report.

Estimated grant entitlements for 2007-08 are based on Australian Government estimates of the annual CPI movements to March 2008 and the States' shares of the national population as at 31 December 2006. Adjustments, if necessary, will be made to the following year's payment instalments.

Entitlements for 2005-06 and 2006-07 have been adjusted for variations in the estimates of CPI and the States' shares of the national population. Adjustments are made across councils proportionally. An underpayment of \$320,018 occurred in 2005-06. Nationally in 2006-007 there was a an underpayment. However, NSW was overpaid \$1,937,051 (the general purpose component was **overpaid** by \$2,153,543, while the local roads component was **underpaid** \$216,492). The overpayment in the general purpose component was the result of the ABS overestimating NSW's share of the national population, upon which the estimated entitlements were based.

Information on grant entitlements for previous years is available from the Grants Commission's web page at www.dlg.nsw.gov.au/grants.htm.

Local Governing Body	2005-06				2006-07				2007-08			
	Estimated Resident Population as at 30/6/04	Actual Entitlement			Estimated Resident Population as at 30/6/05	Actual Entitlement			Estimated Resident Population as at 30/6/06	Estimated Entitlement		
		General Purpose Component	Local Roads Component	Total		General Purpose Component	Local Roads Component	Total		General Purpose Component	Local Roads Component	Total
Albury (C)	46,520	3,757,960	878,034	4,635,994	47,247	4,015,721	925,340	4,941,061	47,694	4,270,117	971,484	5,241,601
Armidale Dumaresq	24,596	2,201,112	942,586	3,143,698	24,611	2,352,088	979,728	3,331,816	24,749	2,507,304	1,022,746	3,530,050
Ashfield (M)	40,258	883,742	216,567	1,100,309	40,018	927,169	222,530	1,149,699	40,262	959,414	231,512	1,190,926
Auburn	62,797	1,574,717	389,098	1,963,815	64,209	1,682,728	418,907	2,101,635	66,286	1,835,261	440,985	2,276,246
Ballina (S)	39,546	2,144,881	847,405	2,992,286	39,953	2,096,441	885,251	2,981,692	40,090	2,090,707	922,414	3,013,121
Balranald (S)	2,737	1,185,163	875,468	2,060,631	2,730	1,191,128	914,163	2,105,291	2,727	1,271,044	954,592	2,225,636
Bankstown (C)	175,428	3,656,868	1,106,813	4,763,681	177,000	3,753,113	1,147,653	4,900,766	179,719	4,093,318	1,198,088	5,291,406
Bathurst Regional	36,630	2,947,424	1,263,486	4,210,910	37,001	3,149,590	1,326,154	4,475,744	37,508	3,435,088	1,392,699	4,827,787
Baulkham Hills (S)	157,854	2,634,549	1,313,832	3,948,381	161,068	2,753,142	1,376,088	4,129,230	162,326	2,864,477	1,432,731	4,297,208
Bega Valley (S)	31,955	3,703,112	1,285,459	4,988,571	32,431	3,841,425	1,346,232	5,187,657	32,637	3,945,954	1,420,417	5,366,371
Bellingen (S)	12,720	1,770,943	574,305	2,345,248	12,758	1,864,149	601,254	2,465,403	12,810	1,951,291	629,807	2,581,098
Berrigan (S)	8,188	1,940,148	907,419	2,847,567	8,289	2,048,187	943,799	2,991,986	8,541	2,207,177	989,594	3,196,771
Blacktown (C)	278,532	12,290,812	2,040,346	14,331,158	283,458	12,826,393	2,153,816	14,980,209	287,634	13,356,394	2,271,726	15,628,120
Bland (S)	6,552	2,431,566	1,971,638	4,403,204	6,530	2,447,858	2,048,194	4,496,052	6,562	2,577,009	2,139,344	4,716,353
Blayney (S)	6,688	1,082,011	556,592	1,638,603	6,773	1,136,707	579,517	1,716,224	6,894	1,207,507	605,547	1,813,054
Blue Mountains (C)	77,011	5,556,299	996,450	6,552,749	76,511	5,729,615	1,030,589	6,760,204	75,770	5,888,916	1,068,090	6,957,006
Bogan (S)	3,122	1,283,449	982,678	2,266,127	3,105	1,275,212	1,020,804	2,296,016	3,113	1,335,846	1,064,654	2,400,500
Bombala	2,545	743,279	482,025	1,225,304	2,534	773,963	500,674	1,274,637	2,538	821,788	522,202	1,343,990
Boorowa	2,476	554,019	456,862	1,010,881	2,495	577,192	474,846	1,052,038	2,505	614,006	495,250	1,109,256
Botany Bay (C)	37,192	747,382	201,675	949,057	37,074	777,041	208,521	985,562	37,415	788,510	217,399	1,005,909
Bourke (S)	3,924	1,849,013	1,286,711	3,135,724	3,906	1,814,546	1,336,666	3,151,212	3,876	1,907,834	1,393,154	3,300,988
Brewarrina (S)	2,143	1,174,903	865,572	2,040,475	2,168	1,147,379	899,649	2,047,028	2,201	1,205,484	938,627	2,144,111
Broken Hill (C)	20,440	3,051,698	367,681	3,419,379	20,203	3,261,016	378,195	3,639,211	20,223	3,482,269	393,341	3,875,610
Burwood	31,085	518,803	177,659	696,462	31,158	532,586	184,245	716,831	31,387	553,870	191,798	745,668
Byron (S)	30,724	1,450,880	798,454	2,249,334	30,827	1,416,680	830,316	2,246,996	30,898	1,404,408	865,157	2,269,565
Cabonne (S)	12,626	1,735,383	1,400,662	3,136,045	12,703	1,784,490	1,455,377	3,239,867	12,843	1,861,266	1,514,529	3,375,795
Camden	50,302	1,425,666	545,002	1,970,668	51,367	1,392,060	574,230	1,966,290	52,459	1,380,002	600,867	1,980,869
Campbelltown (C)	149,961	7,132,010	1,150,414	8,282,424	150,216	7,319,392	1,199,889	8,519,281	148,969	7,320,231	1,255,793	8,576,024
Canada Bay (C)	66,148	1,103,997	396,747	1,500,744	67,261	1,149,696	414,440	1,564,136	68,955	1,216,811	434,972	1,651,783
Canterbury (C)	135,048	3,297,037	763,935	4,060,972	134,126	3,416,966	788,498	4,205,464	135,969	3,726,701	822,208	4,548,909
Carrathool (S)	3,308	1,672,442	1,523,115	3,195,557	3,274	1,633,019	1,592,163	3,225,182	3,264	1,699,170	1,669,311	3,368,481
Central Darling (S)	2,418	1,829,378	1,062,907	2,892,285	2,406	1,805,756	1,104,232	2,909,988	2,412	1,890,341	1,151,581	3,041,922
Cessnock (C)	48,143	4,021,495	1,162,120	5,183,615	48,502	4,209,039	1,203,296	5,412,335	48,744	4,354,023	1,243,574	5,597,597
Clarence Valley	49,422	6,106,697	2,216,924	8,323,621	49,538	6,525,560	2,288,208	8,813,768	50,102	6,563,164	2,385,443	8,948,607
Cobar (S)	5,020	1,890,843	1,140,206	3,031,049	5,013	1,897,292	1,184,477	3,081,769	5,023	2,007,544	1,235,150	3,242,694
Coffs Harbour (C)	66,529	4,221,074	1,319,294	5,540,368	67,442	4,367,796	1,383,312	5,751,108	68,315	4,419,655	1,452,504	5,872,159
Conargo (S)	1,791	906,313	862,652	1,768,965	1,782	908,616	896,223	1,804,839	1,776	962,527	934,569	1,897,096
Coolamon (S)	4,111	1,342,400	867,934	2,210,334	4,127	1,364,132	901,864	2,265,996	4,184	1,422,206	941,014	2,363,220
Cooma-Monaro (S)	9,773	1,672,842	759,498	2,432,340	9,792	1,787,583	788,965	2,576,548	9,824	1,928,998	822,735	2,751,733
Coonamble (S)	4,728	1,405,313	979,962	2,385,275	4,714	1,423,472	1,021,258	2,444,730	4,699	1,507,049	1,073,298	2,580,347
Cootamundra (S)	7,596	1,269,612	478,367	1,747,979	7,623	1,340,136	500,209	1,840,345	7,645	1,449,721	531,490	1,981,211
Corowa (S)	10,964	2,066,603	972,309	3,038,912	11,058	2,140,622	1,011,674	3,152,296	11,289	2,266,242	1,065,606	3,331,848

Local Governing Body	2005-06				2006-07				2007-08			
	Estimated Resident Population as at 30/6/04	Actual Entitlement			Estimated Resident Population as at 30/6/05	Actual Entitlement			Estimated Resident Population as at 30/6/06	Estimated Entitlement		
		General Purpose Component	Local Roads Component	Total		General Purpose Component	Local Roads Component	Total		General Purpose Component	Local Roads Component	Total
Cowra (S)	13,147	1,920,788	983,117	2,903,905	13,185	2,032,206	1,024,291	3,056,497	13,260	2,170,217	1,070,718	3,240,935
Deniliquin	8,214	1,383,661	185,676	1,569,337	8,169	1,466,095	191,337	1,657,432	8,137	1,583,162	205,494	1,788,656
Dubbo (C)	39,077	3,622,245	1,230,403	4,852,648	39,263	3,870,697	1,279,998	5,150,695	39,500	4,133,662	1,336,743	5,470,405
Dungog (S)	8,379	1,037,189	601,782	1,638,971	8,440	1,054,902	626,372	1,681,274	8,461	1,101,465	653,042	1,754,507
Eurobodalla (S)	35,902	4,273,787	1,077,777	5,351,564	36,389	4,244,661	1,124,776	5,369,437	36,613	4,207,892	1,170,585	5,378,477
Fairfield (C)	187,683	7,436,702	1,211,498	8,648,200	187,790	7,728,985	1,260,504	8,989,489	188,074	8,138,033	1,307,786	9,445,819
Forbes (S)	9,974	2,310,582	1,336,498	3,647,080	9,974	2,381,512	1,388,328	3,769,840	10,003	2,506,060	1,458,439	3,964,499
Gilgandra (S)	4,682	1,183,765	886,988	2,070,753	4,660	1,203,038	921,231	2,124,269	4,699	1,272,383	972,211	2,244,594
Glen Innes Severn	8,765	1,693,109	910,286	2,603,395	8,735	1,755,186	940,782	2,695,968	8,783	1,881,258	983,651	2,864,909
Gloucester (S)	4,902	816,340	600,681	1,417,021	4,917	846,284	632,345	1,478,629	4,949	904,964	660,427	1,565,391
Gosford (C)	162,841	6,222,338	1,643,462	7,865,800	163,304	6,385,820	1,703,894	8,089,714	163,469	6,330,504	1,765,000	8,095,504
Goulburn Mulwaree	27,003	2,469,133	1,063,777	3,532,910	27,112	2,553,796	1,111,312	3,665,108	27,308	2,599,893	1,179,327	3,779,220
Great Lakes	34,186	4,183,053	1,076,539	5,259,592	34,695	4,294,044	1,162,912	5,456,956	35,068	4,287,446	1,206,952	5,494,398
Greater Hume (S)	10,652	2,107,912	1,342,703	3,450,615	10,510	2,252,495	1,393,096	3,645,591	10,585	2,456,675	1,453,387	3,910,062
Greater Taree (C)	46,474	3,542,402	1,748,650	5,291,052	46,986	3,696,747	1,822,136	5,518,883	47,110	3,837,637	1,905,551	5,743,188
Griffith (C)	24,909	1,710,814	1,039,820	2,750,634	25,140	1,828,160	1,083,881	2,912,041	25,441	1,993,876	1,133,829	3,127,705
Gundagai (S)	3,763	712,274	547,653	1,259,927	3,764	753,905	570,294	1,324,199	3,774	803,593	596,347	1,399,940
Gunnedah (S)	12,164	1,772,958	1,049,690	2,822,648	12,074	1,866,156	1,088,446	2,954,602	12,129	2,019,071	1,138,112	3,157,183
Guyra (S)	4,441	960,946	640,858	1,601,804	4,460	995,769	666,623	1,662,392	4,478	1,056,141	695,279	1,751,420
Gwydir (S)	5,581	1,546,142	1,334,941	2,881,083	5,530	1,537,562	1,351,467	2,889,029	5,536	1,620,983	1,459,467	3,080,450
Harden (S)	3,771	1,120,037	647,905	1,767,942	3,773	1,151,458	674,944	1,826,402	3,799	1,202,609	705,470	1,908,079
Hawkesbury (C)	63,598	2,984,770	1,228,266	4,213,036	63,824	2,935,012	1,275,291	4,210,303	63,732	2,909,588	1,316,560	4,226,148
Hay (S)	3,549	1,138,580	529,986	1,668,566	3,534	1,175,812	566,364	1,742,176	3,520	1,256,863	590,297	1,847,160
Holroyd (C)	91,211	2,079,157	626,174	2,705,331	91,941	2,121,218	650,933	2,772,151	94,269	2,313,498	681,380	2,994,878
Hornsby (S)	156,929	2,619,111	1,104,761	3,723,872	157,204	2,687,095	1,152,454	3,839,549	157,269	2,775,239	1,194,983	3,970,222
Hunters Hill (M)	13,911	232,173	106,795	338,968	13,928	238,073	110,671	348,744	13,912	245,498	114,613	360,111
Hurstville (C)	75,640	1,262,416	444,609	1,707,025	76,036	1,299,687	455,253	1,754,940	76,623	1,352,124	474,122	1,826,246
Inverell (S)	15,729	2,477,226	1,394,265	3,871,491	15,794	2,577,623	1,437,344	4,014,967	15,949	2,733,382	1,500,108	4,233,490
Jerilderie (S)	1,883	795,838	681,832	1,477,670	1,871	793,497	708,290	1,501,787	1,877	837,629	738,711	1,576,340
Junee (S)	5,887	1,269,428	604,165	1,873,593	5,922	1,308,991	634,409	1,943,400	6,009	1,372,138	662,367	2,034,505
Kempsey (S)	28,114	2,960,444	1,209,805	4,170,249	28,742	3,093,456	1,265,235	4,358,691	28,763	3,184,584	1,320,027	4,504,611
Kiama (M)	20,176	839,021	298,832	1,137,853	20,357	819,244	310,180	1,129,424	20,382	812,147	358,082	1,170,229
Kogarah (M)	55,012	918,139	335,906	1,254,045	55,800	953,793	350,379	1,304,172	56,736	1,001,190	366,468	1,367,658
Ku-ring-gai	108,830	1,816,349	786,600	2,602,949	108,697	1,857,963	814,344	2,672,307	108,395	1,912,787	843,128	2,755,915
Kyogle	9,628	1,625,297	1,133,430	2,758,727	9,630	1,723,227	1,177,627	2,900,854	9,642	1,869,329	1,220,808	3,090,137
Lachlan (S)	7,431	2,911,337	2,202,773	5,114,110	7,360	2,909,991	2,287,769	5,197,760	7,355	3,051,851	2,386,908	5,438,759
Lake Macquarie (C)	189,196	10,630,638	1,895,611	12,526,249	190,320	10,751,499	1,977,544	12,729,043	189,596	10,904,443	2,059,798	12,964,241
Lane Cove (M)	32,341	539,765	193,093	732,858	32,326	552,551	199,953	752,504	32,375	571,305	207,563	778,868
Leeton (S)	12,028	1,709,095	698,791	2,407,886	12,026	1,826,319	726,799	2,553,118	12,088	1,989,097	759,364	2,748,461
Leichhardt (M)	51,430	1,040,431	295,124	1,335,555	51,142	1,015,906	311,373	1,327,279	51,660	1,007,106	324,279	1,331,385
Lismore (C)	43,229	3,698,430	1,328,076	5,026,506	43,628	3,901,307	1,382,550	5,283,857	44,032	4,128,509	1,446,477	5,574,986
Lithgow (C)	20,831	2,429,352	758,591	3,187,943	20,889	2,565,235	787,863	3,353,098	20,981	2,691,877	821,510	3,513,387
Liverpool (C)	167,880	5,660,003	1,323,733	6,983,736	170,192	5,808,710	1,385,761	7,194,471	172,050	5,758,393	1,456,114	7,214,507

Local Governing Body	2005-06				2006-07				2007-08			
	Estimated Resident Population as at 30/6/04	Actual Entitlement			Estimated Resident Population as at 30/6/05	Actual Entitlement			Estimated Resident Population as at 30/6/06	Estimated Entitlement		
		General Purpose Component	Local Roads Component	Total		General Purpose Component	Local Roads Component	Total		General Purpose Component	Local Roads Component	Total
Liverpool Plains (S)	7,910	1,351,889	925,853	2,277,742	7,852	1,414,217	961,712	2,375,929	7,877	1,523,619	1,002,993	2,526,612
Lockhart (S)	3,528	1,408,611	1,071,247	2,479,858	3,520	1,419,034	1,112,964	2,531,998	3,546	1,475,448	1,161,078	2,636,526
Lord Howe Island (Bd)	344	130,705	-	130,705	342	135,361	-	135,361	339	141,364	-	141,364
Maitland (C)	59,949	4,035,933	824,907	4,860,840	61,517	4,312,761	871,970	5,184,731	62,596	4,584,442	909,324	5,493,766
Manly	38,987	650,685	221,176	871,861	38,886	664,681	228,772	893,453	39,214	691,989	238,362	930,351
Marrickville	75,870	2,725,700	419,907	3,145,607	75,114	2,661,450	432,568	3,094,018	76,524	2,638,396	453,258	3,091,654
Mid-Western Regional	22,137	2,697,760	1,549,522	4,247,282	22,141	2,809,247	1,646,740	4,455,987	22,260	2,939,965	1,707,656	4,647,621
Moree Plains (S)	16,027	2,199,133	1,959,775	4,158,908	15,936	2,189,170	2,034,622	4,223,792	15,991	2,333,245	2,121,856	4,455,101
Mosman (M)	28,420	474,324	171,211	645,535	28,363	484,811	177,156	661,967	28,414	501,407	183,924	685,331
Murray (S)	6,604	1,324,429	1,015,303	2,339,732	6,729	1,415,273	1,057,547	2,472,820	6,998	1,543,562	1,109,652	2,653,214
Murrumbidgee (S)	2,636	670,067	411,188	1,081,255	2,620	694,023	426,951	1,120,974	2,632	746,215	445,263	1,191,478
Muswellbrook (S)	15,195	1,731,769	605,128	2,336,897	15,149	1,847,304	628,184	2,475,488	15,236	1,980,281	655,403	2,635,684
Nambucca (S)	18,525	1,921,392	795,001	2,716,393	18,755	2,000,105	825,895	2,826,000	18,886	2,069,045	865,193	2,934,238
Narrabri (S)	14,239	2,466,701	1,557,482	4,024,183	14,172	2,548,458	1,642,923	4,191,381	14,181	2,737,539	1,691,915	4,429,454
Narrandera (S)	6,594	1,755,553	1,043,465	2,799,018	6,582	1,795,961	1,083,821	2,879,782	6,588	1,892,346	1,119,630	3,011,976
Narromine (S)	7,020	1,758,841	946,865	2,705,706	7,033	1,809,739	984,366	2,794,105	7,059	1,896,582	1,027,553	2,924,135
Newcastle (C)	145,633	9,689,885	1,272,753	10,962,638	146,967	9,859,874	1,325,781	11,185,655	147,545	9,965,834	1,375,039	11,340,873
North Sydney	60,789	1,071,683	327,147	1,398,830	60,944	1,041,719	339,335	1,381,054	61,802	1,090,586	354,763	1,445,349
Oberon	5,396	971,502	683,861	1,655,363	5,447	1,018,407	710,967	1,729,374	5,503	1,078,556	742,629	1,821,185
Orange (C)	37,546	2,563,004	695,676	3,258,680	37,791	2,738,802	731,955	3,470,757	37,982	2,972,391	765,734	3,738,125
Palerang	11,325	1,343,059	870,173	2,213,232	11,470	1,335,606	897,249	2,232,855	11,817	1,362,839	946,472	2,309,311
Parkes (S)	15,034	2,474,958	1,327,471	3,802,429	15,034	2,609,877	1,378,621	3,988,498	15,099	2,776,160	1,439,054	4,215,214
Parramatta (C)	151,076	4,150,840	1,051,906	5,202,746	151,860	4,435,550	1,092,249	5,527,799	155,098	4,837,615	1,174,722	6,012,337
Penrith (C)	177,554	7,577,648	1,555,193	9,132,841	177,955	7,912,107	1,627,818	9,539,925	177,544	8,308,576	1,686,335	9,994,911
Pittwater	56,954	950,550	424,360	1,374,910	57,354	980,355	444,997	1,425,352	57,944	1,022,506	462,771	1,485,277
Port Macquarie-Hastings	69,737	4,484,478	1,763,365	6,247,843	70,581	4,605,344	1,846,263	6,451,607	71,084	4,781,102	1,940,159	6,721,261
Port Stephens	62,448	3,481,993	790,651	4,272,644	63,579	3,490,002	842,299	4,332,301	63,650	3,509,155	882,495	4,391,650
Queanbeyan (C)	36,331	1,950,844	554,376	2,505,220	37,169	1,992,069	611,094	2,603,163	37,848	2,049,260	645,281	2,694,541
Randwick (C)	126,431	2,110,106	655,737	2,765,843	126,034	2,154,305	677,966	2,832,271	127,948	2,257,828	709,361	2,967,189
Richmond Valley	20,838	2,603,907	1,025,995	3,629,902	20,913	2,674,972	1,067,486	3,742,458	21,267	2,781,059	1,114,948	3,896,007
Rockdale (C)	95,036	1,586,130	562,104	2,148,234	95,341	1,629,668	583,194	2,212,862	96,409	1,701,277	607,917	2,309,194
Ryde (C)	99,662	1,663,338	636,232	2,299,570	99,550	1,701,613	658,691	2,360,304	100,351	1,770,839	685,011	2,455,850
Shellharbour (C)	62,338	2,972,877	550,306	3,523,183	63,124	3,074,323	584,330	3,658,653	63,642	3,150,566	612,578	3,763,144
Shoalhaven (C)	91,765	7,219,406	2,120,478	9,339,884	93,615	7,049,229	2,223,062	9,272,291	94,181	6,988,166	2,349,524	9,337,690
Silverton (VC)	57	21,937	-	21,937	57	22,673	-	22,673	57	23,712	-	23,712
Singleton (S)	21,913	1,626,804	805,996	2,432,800	22,270	1,727,890	843,969	2,571,859	22,538	1,795,511	882,271	2,677,782
Snowy River (S)	7,322	1,443,673	588,473	2,032,146	7,293	1,525,126	611,470	2,136,596	7,359	1,663,373	640,937	2,304,310
Strathfield (M)	31,129	519,537	184,807	704,344	31,624	540,551	192,975	733,526	32,529	574,022	202,924	776,946
Sutherland Shire (S)	214,784	3,584,698	1,445,610	5,030,308	215,053	3,675,909	1,500,275	5,176,184	214,030	3,776,869	1,559,621	5,336,490
Sydney (C)	146,297	2,927,996	758,618	3,686,614	148,367	3,128,829	792,285	3,921,114	151,920	3,412,445	838,955	4,251,400
Tamworth Regional	54,312	5,253,381	2,720,297	7,973,678	54,522	5,536,986	2,863,445	8,400,431	55,063	5,838,821	2,968,718	8,807,539
Temora (S)	6,295	1,294,615	826,063	2,120,678	6,337	1,348,968	858,566	2,207,534	6,400	1,432,624	895,859	2,328,483
Tenterfield (S)	6,814	1,673,746	1,151,620	2,825,366	6,805	1,788,550	1,194,325	2,982,875	6,909	1,945,858	1,246,755	3,192,613

Local Governing Body	2005-06				2006-07				2007-08			
	Estimated Resident Population as at 30/6/04	General Purpose Component	Local Roads Component	Total	Estimated Resident Population as at 30/6/05	General Purpose Component	Local Roads Component	Total	Estimated Resident Population as at 30/6/06	General Purpose Component	Local Roads Component	Total
Tibooburra (VC)	128	49,261	-	49,261	128	50,916	-	50,916	128	53,248	-	53,248
Tumbarumba (S)	3,623	868,878	394,905	1,263,783	3,613	917,026	410,766	1,327,792	3,632	979,254	429,102	1,408,356
Tumut (S)	11,382	1,602,493	566,257	2,168,750	11,347	1,712,409	564,995	2,277,404	11,388	1,861,195	591,300	2,452,495
Tweed (S)	79,910	5,525,633	1,758,812	7,284,445	80,935	5,636,051	1,856,689	7,492,740	81,886	5,752,749	1,951,655	7,704,404
Upper Hunter (S)	13,376	1,880,232	1,294,101	3,174,333	13,424	1,934,479	1,344,720	3,279,199	13,552	2,022,443	1,403,527	3,425,970
Upper Lachlan (S)	7,316	1,401,831	1,217,512	2,619,343	7,328	1,394,052	1,271,169	2,665,221	7,405	1,478,542	1,332,868	2,811,410
Uralla (S)	6,040	965,826	647,945	1,613,771	6,075	1,010,048	673,441	1,683,489	6,126	1,084,821	702,743	1,787,564
Urana (S)	1,395	802,238	598,652	1,400,890	1,389	809,508	622,417	1,431,925	1,387	838,143	649,081	1,487,224
Wagga Wagga (C)	57,557	4,756,866	2,106,306	6,863,172	58,055	5,083,143	2,194,978	7,278,121	58,802	5,477,472	2,294,473	7,771,945
Wakool (S)	4,837	1,367,210	982,072	2,349,282	4,836	1,401,678	1,020,344	2,422,022	4,822	1,528,735	1,064,698	2,593,433
Walcha	3,261	669,315	589,794	1,259,109	3,283	697,270	613,020	1,310,290	3,307	738,171	645,165	1,383,336
Walgett (S)	8,096	2,176,699	1,416,266	3,592,965	8,031	2,263,135	1,470,563	3,733,698	8,047	2,439,083	1,535,428	3,974,511
Warren (S)	3,282	886,618	690,482	1,577,100	3,273	887,665	717,259	1,604,924	3,252	936,922	750,487	1,687,409
Warringham	138,646	2,313,972	917,474	3,231,446	139,626	2,386,634	953,406	3,340,040	141,133	2,490,496	993,928	3,484,424
Warrumbungle (S)	10,550	2,750,218	1,654,156	4,404,374	10,508	2,791,739	1,718,486	4,510,225	10,466	2,948,919	1,791,294	4,740,213
Waverley	62,096	1,521,869	300,890	1,822,759	61,611	1,626,255	310,145	1,936,400	62,194	1,612,168	323,595	1,935,763
Weddin (S)	3,823	1,061,127	678,461	1,739,588	3,848	1,102,765	705,460	1,808,225	3,847	1,159,976	735,528	1,895,504
Wellington	8,668	1,710,134	929,712	2,639,846	8,599	1,767,649	964,030	2,731,679	8,618	1,869,911	1,005,365	2,875,276
Wentworth (S)	7,236	2,142,354	1,353,833	3,496,187	7,300	2,147,527	1,407,195	3,554,722	7,405	2,272,746	1,469,184	3,741,930
Willoughby (C)	63,905	1,066,561	406,212	1,472,773	63,959	1,093,255	420,934	1,514,189	65,029	1,147,531	439,680	1,587,211
Wingecarribee (S)	44,311	2,443,310	1,179,552	3,622,862	44,670	2,385,716	1,229,577	3,615,293	44,912	2,365,050	1,285,067	3,650,117
Wollondilly (S)	40,661	1,648,723	921,631	2,570,354	41,463	1,609,859	958,028	2,567,887	41,977	1,595,914	991,607	2,587,521
Wollongong (C)	191,558	11,314,336	1,561,360	12,875,696	192,402	11,460,692	1,620,046	13,080,738	192,131	11,463,331	1,758,916	13,222,247
Woollahra (M)	53,095	886,144	292,886	1,179,030	52,747	901,607	302,277	1,203,884	53,033	935,845	314,471	1,250,316
Wyong (S)	141,764	7,139,095	1,539,631	8,678,726	143,393	7,239,246	1,602,479	8,841,725	144,297	7,359,959	1,666,704	9,026,663
Yass Valley	12,854	1,473,510	877,302	2,350,812	12,936	1,465,333	911,948	2,377,281	13,075	1,465,333	952,079	2,417,412
Young (S)	11,957	1,606,043	855,350	2,461,393	12,035	1,689,873	893,800	2,583,673	12,126	1,800,325	935,881	2,736,206
TOTAL	6,730,652	374,443,598	144,327,637	518,771,235	6,773,615	385,938,812	150,403,831	536,342,643	6,827,065	401,578,022	157,247,205	558,825,227

Notes:

Australian Bureau of Statistics' estimated resident population (preliminary) data used. Totals exclude the unincorporated area.

* As a result of boundary changes the 30/6/04 estimated resident population for a number of council areas have subsequently been revised on the basis of information provided to the Grants Commission by the ABS. Therefore, some council names and the population figures shown in this table will vary from those published by the ABS.

* The source for estimated resident population as at 30 June 2005 is ABS publication *Regional Population Growth, Australia and New Zealand, 2004-05* (cat. no. 3218.0).

* The source for estimated resident population as at 30 June 2006 is ABS publication *Regional Population Growth, Australia, 2005-06* (cat. no. 3218.0).

Schedule of Local Road Lengths

The following schedule shows the local road lengths used in the Commission's calculation of the 2007-08 grants for each council. The information represents local road lengths reported to the Commission by councils. Additional local road and bridge length information is available from the Grants Commission's web page at www.dlg.nsw.gov.au/grants.htm.

Local roads are those roads available and used by the general public and that 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 (C)	327	90	58	476
Armidale Dumaresq	161	180	589	931
Ashfield (M)	91	0	0	91
Auburn	203	0	0	203
Ballina (S)	208	232	117	557
Balranald (S)	31	81	1,209	1,322
Bankstown (C)	542	0	0	542
Bathurst Regional	304	381	491	1,176
Baulkham Hills (S)	592	205	21	818
Bega Valley (S)	239	231	698	1,168
Bellingen (S)	87	208	196	490
Berrigan (S)	121	381	750	1,253
Blacktown (C)	1,031	95	15	1,140
Bland (S)	90	462	2,376	2,928
Blayney (S)	70	223	394	686
Blue Mountains (C)	560	88	70	719
Bogan (S)	56	156	1,200	1,411
Bombala	30	92	507	629
Boorowa	29	160	450	639
Botany Bay (C)	89	0	0	89
Bourke (S)	37	11	1,842	1,891
Brewarrina (S)	21	15	1,228	1,264
Broken Hill (C)	189	14	9	211
Burwood	82	0	0	82
Byron (S)	148	271	96	516
Cabonne (S)	96	445	1,278	1,819
Camden	199	134	2	335
Campbelltown (C)	535	78	2	614
Canada Bay (C)	186	0	0	186

Local Governing Body	Urban Local Roads (km)	Non- Urban Sealed Local Roads (km)	Non-Urban Unsealed Local Roads (km)	Total Local Roads (km)
Canterbury (C)	313	0	0	313
Carrathool (S)	43	257	2,000	2,300
Central Darling (S)	39	22	1,541	1,602
Cessnock (C)	332	227	317	875
Clarence Valley	340	779	969	2,087
Cobar (S)	54	75	1,546	1,675
Coffs Harbour (C)	308	281	125	714
Conargo (S)	5	510	769	1,284
Coolamon (S)	74	249	952	1,275
Cooma-Monaro (S)	89	118	726	933
Coonamble (S)	67	176	1,150	1,393
Cootamundra (S)	98	215	248	561
Corowa (S)	124	400	772	1,296
Cowra (S)	131	337	756	1,224
Deniliquin	66	31	44	141
Dubbo (C)	249	456	468	1,172
Dungog (S)	43	278	273	594
Eurobodalla (S)	292	181	425	898
Fairfield (C)	564	39	2	605
Forbes (S)	139	512	1,153	1,803
Gilgandra (S)	36	238	972	1,247
Glen Innes Severn	96	231	738	1,065
Gloucester (S)	29	152	458	639
Gosford (C)	874	107	65	1,046
Goulburn Mulwaree	204	518	370	1,093
Great Lakes	257	236	462	955
Greater Hume (S)	265	482	1,025	1,772
Greater Taree (C)	284	327	963	1,574
Griffith (C)	153	291	727	1,171
Gundagai (S)	33	249	405	687
Gunnedah (S)	116	252	974	1,342
Guyra (S)	53	264	548	865
Gwydir (S)	64	292	1,542	1,898
Harden (S)	67	415	420	902
Hawkesbury (C)	209	418	263	889
Hay (S)	46	135	596	777
Holroyd (C)	315	0	0	315
Hornsby (S)	477	98	44	619
Hunters Hill (M)	61	0	0	61
Hurstville (C)	209	0	0	209
Inverell (S)	145	313	1,311	1,770
Jerilderie (S)	24	288	686	998

Local Governing Body	Urban Local Roads (km)	Non- Urban Sealed Local Roads (km)	Non-Urban Unsealed Local Roads (km)	Total Local Roads (km)
Junee (S)	67	428	325	820
Kempsey (S)	158	305	563	1,026
Kiama (M)	104	120	4	228
Kogarah (M)	169	0	0	169
Ku-ring-gai	441	0	0	441
Kyogle	57	211	816	1,083
Lachlan (S)	119	338	2,788	3,245
Lake Macquarie (C)	999	173	63	1,235
Lane Cove (M)	95	0	0	95
Leeton (S)	102	295	479	875
Leichhardt (M)	136	0	0	136
Lismore (C)	189	464	422	1,075
Lithgow (C)	207	211	353	771
Liverpool (C)	544	197	9	750
Liverpool Plains (S)	94	241	865	1,200
Lockhart (S)	94	351	1,038	1,483
Maitland (C)	347	199	35	582
Manly	103	0	0	103
Marrickville	190	0	0	190
Mid-Western Regional	172	438	1,297	1,907
Moree Plains (S)	161	484	1,993	2,638
Mosman (M)	85	0	0	85
Murray (S)	76	187	1,095	1,358
Murrumbidgee (S)	27	180	383	590
Muswellbrook (S)	93	376	110	578
Nambucca (S)	103	199	346	647
Narrabri (S)	130	324	1,660	2,114
Narrandera (S)	88	272	1,101	1,461
Narromine (S)	59	526	752	1,337
Newcastle (C)	720	19	1	739
North Sydney	143	0	0	143
Oberon	35	258	616	910
Orange (C)	202	142	51	395
Palerang	57	314	650	1,021
Parkes (S)	152	354	1,271	1,778
Parramatta (C)	507	0	0	507
Penrith (C)	714	229	14	956
Pittwater	237	0	0	237
Port Macquarie-Hastings	393	372	439	1,204
Port Stephens	320	213	65	598
Queanbeyan (C)	186	49	18	253
Randwick (C)	271	0	0	271

Local Governing Body	Urban Local Roads (km)	Non-Urban Sealed Local Roads (km)	Non-Urban Unsealed Local Roads (km)	Total Local Roads (km)
Richmond Valley	132	322	543	998
Rockdale (C)	262	0	0	262
Ryde (C)	313	0	0	313
Shellharbour (C)	293	28	13	333
Shoalhaven (C)	667	448	403	1,517
Singleton (S)	123	498	107	729
Snowy River (S)	55	241	440	736
Strathfield (M)	86	0	0	86
Sutherland Shire (S)	764	15	0	779
Sydney (C)	300	0	0	300
Tamworth Regional	475	572	1,874	2,920
Temora (S)	72	254	809	1,134
Tenterfield (S)	93	221	1,186	1,500
Tumbarumba (S)	40	147	286	473
Tumut (S)	89	228	246	562
Tweed (S)	409	457	196	1,062
Upper Hunter (S)	105	309	1,161	1,575
Upper Lachlan (S)	75	414	1,169	1,658
Uralla (S)	42	252	523	817
Urana (S)	50	194	637	881
Wagga Wagga (C)	489	486	1,025	1,999
Wakool (S)	37	304	933	1,274
Walcha	26	144	603	774
Walgett (S)	64	46	1,840	1,950
Warren (S)	28	287	646	960
Warringham	438	34	1	473
Warrumbungle (S)	126	450	1,700	2,276
Waverley	113	0	0	113
Weddin (S)	33	388	547	968
Wellington	97	259	890	1,245
Wentworth (S)	45	200	1,696	1,941
Willoughby (C)	202	0	0	202
Wingecarribee (S)	359	343	288	991
Wollondilly (S)	147	451	102	700
Wollongong (C)	836	84	2	921
Woollahra (M)	132	0	0	132
Wyong (S)	651	242	107	1,000
Yass Valley	72	360	635	1,067
Young (S)	111	238	720	1,069
Total	31,334	32,061	81,355	144,750

Apparent discrepancies due to rounding off.

Appendices

Appendix 1: Member profiles

Mr Richard Colley - Chairperson

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

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

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

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

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

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

Councillor Frank Pangallo MBE- Commissioner

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

In 1996 Clr Pangallo was nominated by the Local Government Association of NSW to the Local Government Multicultural Committee. He was also a member of Southern Tablelands Electricity Board and the South East Region Recycling Group. In 2000 he was appointed as Director of South East Waste Planning and Management Board. Clr Pangallo has represented Council on a variety of multicultural and business groups in the Queanbeyan-ACT region. In November 2006 Clr Pangallo was elected Chair of the NSW Country Mayors Association

Appendix 2: Councils visited during 2006-07

Council	Date Visited
Muswellbrook Shire	27 July 2006
Singleton Shire	27 July 2006
Lithgow City	28 July 2006
Blue Mountains City	28 July 2006
Coffs Harbour City	23 August 2006
Bellingen Shire	24 August 2006
Nambucca Shire	24 August 2006
Armidale Dumaresq	25 August 2006
Cootamundra Shire	27 September 2006
Temora Shire	27 September 2006
Bland Shire	28 September 2006
Forbes Shire	28 September 2006
Cowra Shire	29 September 2006
Greater Hume Shire	22 November 2006
Albury City of	23 November 2006
Cooma-Monaro Shire	23 November 2006
Snowy River Shire	23 November 2006
Bombala	24 November 2006
Canada Bay City	21 February 2007
Liverpool Plains	22 February 2007
Upper Hunter	22 February 2007
Tamworth Regional	23 February 2007
Goulburn Mulwaree	28 March 2007
Tumut Shire Shire	29 March 2007
Yass Valley	29 March 2007
Palerang	30 March 2007
Queanbeyan City	30 March 2007
Oberon	3 May 2007
Upper Lachlan Shire	3 May 2007
Bathurst Regional	4 May 2007
Mid-Western Regional	4 May 2007
Great Lakes	24 May 2007
Greater Taree City	24 May 2007
Dungog Shire	25 May 2007
Gloucester Shire	25 May 2007
Total Visits	35

Appendix 3: Standards used in calculation of expenditure allowances – 2007-08

State average net expenditure is based on councils' 2005-06 Financial Reports, Special Schedule 1.

1. Administration	administration: corporate support; other support services; governance: governance	\$122.13
2. Aerodromes	transport & communication: aerodromes	\$0.96
3. Aged Persons' Services	community services & education: aged & disabled	\$0.89
4. Animal Control	public order & safety: animal control	\$1.53
5. Cemeteries	housing & community amenities: public cemeteries	\$0.40
6. Children's Services	health: immunisation community services & education: family day care; child care; other families & children	\$2.19
7. Community Services	community services & education: administration; education; migrant services; aboriginal services; other community amenities.	\$11.90
8. Cultural Facilities	recreation & culture: museums; art galleries; public halls; other cultural services	\$11.18
9. Fire Control and Emergency Services	public order & safety: fire protection; emergency services; statutory contributions to fire service levy	\$14.73
10. Health and Safety	health: administration & inspection; food control; insect/vermin control; health centres; other health services housing & community amenities: public conveniences public order & safety: enforcement of local government regulations; other	\$9.11
11. Libraries	recreation & culture: public libraries	\$26.35
12. Noxious Plants and Pest Control (per non-urban property)	health: noxious plants	\$96.44

13. Planning and Building Services	housing & community amenities: town planning mining, manufacturing & construction: building control	\$23.76
14. Recreation	public order & safety: beach control recreation & culture: community centres; swimming pools; sporting grounds; parks & gardens; other sport & recreation community services & education: youth services	\$69.97
15. Stormwater Drainage and Flood Control (per urban property)	housing & community amenities: environmental protection; urban stormwater drainage	\$48.81
16. Street and Gutter Cleaning (per urban property)	housing & community amenities: street cleaning	\$29.32
17. Street Lighting (per urban property)	transport & communication: street lighting	\$25.18
18. Maintenance – Urban Local Roads	(a) cost per length (km) of local roads in the urban/built up areas for which the council is financially responsible.	\$12,077.36
	(b) urban length (m) per urban properties.	11.6m
	(c) cost of maintenance of bridges and culverts per network km of roads.	\$101.05
19. Maintenance – Sealed Rural Local Roads	(a) cost per length (km) of sealed local roads in the rural/non-built up areas for which the council is financially responsible.	\$3,488.15
	(b) sealed rural length (m) per non-urban properties.	265.3m
	(c) cost of maintenance of bridges and culverts per network km of roads.	\$207.46
20. Maintenance – Unsealed Rural Local Roads	(a) cost per length (km) of unsealed local roads in the rural/non-built up areas for which the council is financially responsible.	\$1,387.94
	(b) urban length (m) per non-urban properties.	673.2m
	(c) cost of maintenance of bridges and culverts per network km of roads.	\$62.86

Note: Unless otherwise shown, costs are per capita.

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

Expenditure allowances

General

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

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

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

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

Road length allowances

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

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

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

Isolation allowances

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

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

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

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

Specific purpose payments

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

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

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

Revenue allowances

General

The general formula for the calculation of revenue allowances is:

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

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

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

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

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

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

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

Pensioner rebates allowances

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

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

where

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

The standardised rebate for the council (R_c) is:

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

where

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

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

Appendix 5: Details of calculation of expenditure disability factors

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

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

Administration

Aboriginal or Torres Strait Islander

Recognises:	additional costs for councils with a significant aboriginal population.
Measure:	proportion of the population Aboriginal or Torres Strait Islander.
Source:	Australian Bureau of Statistics (ABS), 2001 Census, usual residents profile.
Standard:	1.89%
Weighting:	0.005

Economies of Scale

Recognises:	higher per capita costs of administration for councils with small populations.
Measure:	a population based scale of 100 to 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, Regional Population Growth, Australia, 2005-06.
Standard:	100
Weighting:	1.0

Non-English Speaking Background

Recognises:	additional costs of information provision.
Measure:	proportion of population born in non-English speaking countries.
Source:	ABS, 2001 Census, usual residents profile.
Standard:	15.72%
Weighting:	0.05

Population Distribution

Recognises:	costs of staff travel and duplication of services.
Measure:	the larger of: (a) the sum of the population of centres greater than 200 multiplied by their distance from council headquarters(km) divided by the overall council population; or (b) according to population: between 50,000 and 100,000 3.88 between 100,000 and 150,000 5.18 greater than 150,000 7.77
Source:	ABS, 2001 Census, Census counts for small areas (place of enumeration)
Standard:	2.59
Weighting:	0.006

Population Growth

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

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

Source: ABS, Regional Population Growth, Australia, 2005-06.

Standard: 0.77%

Weighting: 0.012

Sparsity

Recognises: additional costs due to large council areas.

Measure: area (sq km) per capita.

Source: ABS Regional Population Growth, Australia, 2005-06.

Standard: 0.276

Weighting: 0.0089

Aerodromes

Net Expenditure: Aerodromes

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

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

Source: Special Schedule 1 (2002-03 to 2005-06); ABS Regional Population Growth, Australia, 2005-06.

Standard: 0.96

Weighting: 1.0 (maximum DF of 1,250)

Aged Persons' Services

Aged Persons (60 years and over)

Recognises: additional need for services.

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

Source: ABS, Population by Age and Sex – 30 June 2005.

Standard: 18.36%

Weighting: 1.0

Pensioners

Recognises: additional council responsibility for aged services.

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

Source: Centrelink, Customers by Postcodes - June 2006, (Recipients of Pensions,

Benefits and Family Payments). Postcode data adjusted for council boundaries using ABS concordance.

Standard: 12.62%

Weighting: 1.2

Population Distribution

Recognises: costs of staff travel and duplication of services.

Measure: as for Administration.

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

Standard: 2.59

Weighting: 0.002

Animal Control

Population Distribution

Recognises: costs of staff travel and duplication of services.

Measure: as for Administration.

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

Standard: 2.59

Weighting: 0.070

Cemeteries

Population Distribution

Recognises: costs of staff travel and duplication of services.

Measure: as for Administration.

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

Standard: 2.59

Weighting: 0.015

Children's Services

One Parent Families

Recognises: additional need for child care facilities.

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

Source: ABS, 2001 Census of Population and Housing, selected social and housing characteristics for statistical local areas.

Standard: 15.47%

Weighting: 0.815

Population Distribution

Recognises: costs of staff travel and duplication of services.
 Measure: as for Administration.
 Source: ABS, 2001 Census, census counts for small areas.
 Standard: 2.59
 Weighting: 0.001

Pre-School Children (0-4 years)

Recognises: additional need for services targeted at this age group which makes up the bulk of local government involvement in children's services.
 Measure: proportion of the population in 0-4 years age group.
 Source: ABS, Population by Age and Sex – 30 June 2005.
 Standard: 6.24%
 Weighting: 1.0

Community Services**Aboriginal or Torres Strait Islander**

Recognises: additional costs for councils with a significant aboriginal population.
 Measure: proportion of the population Aboriginal or Torres Strait Islander.
 Source: ABS, 2001 Census, usual residents profile.
 Standard: 1.89%
 Weighting: 0.116

Non-English Speaking Background

Recognises: additional costs of information provision.
 Measure: proportion of population born in non-English speaking countries.
 Source: ABS, 2001 Census, usual residents profile.
 Standard: 15.72%
 Weighting: 0.175

Occupation

Recognises: additional council responsibility for community services in areas of low socio-economic status.
 Measure: proportion of the employed persons in lower socio-economic occupational groups.
 Source: ABS, 2001 Census, usual residents profile.
 Standard: 25.11%
 Weighting: 0.750

Pension and Benefit Recipients

Recognises: low income persons as a target group for community services.
 Measure: proportion of the population receiving social security pensions.
 Source: Centrelink, Customers by Postcodes - June 2006, (recipients of pensions, benefits and family payments), adjusted for council boundaries.
 Standard: 26.19%
 Weighting: 0.965

Population Distribution

Recognises: costs of staff travel and duplication of services.
 Measure: as for Administration.
 Source: ABS, 2001 Census, census counts for small areas.
 Standard: 2.59
 Weighting: 0.001

Youth (15-24 years)

Recognises: youth as a target group for community services.
 Measure: proportion of population in the 15-24 years age group.
 Source: ABS, Population by Age and Sex – 30 June 2005.
 Standard: 13.56%
 Weighting: 0.200

Cultural Facilities**Duplication of Halls**

Recognises: the additional costs related to the provision of facilities in a number of centres of less than optimum population size.
 Measure: number of licensed halls multiplied by the standard net loss per hall divided by the LGA population for non-metropolitan councils.
 Source: Grants Commission Return, 2005-06; Special Schedule 1, 2005-06; Regional Population Growth, Australia, 2005-06.
 Standard: 2.97
 Weighting: 0.1 (maximum DF of 25)

Non-Resident Use - Cultural Facilities

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

Fire Control and Emergency Services

Duplication of SES Units

Recognises: cost of duplication of SES units.
 Measure: index based on the population of each centre with an SES unit located more than 10 km from the administrative centre multiplied by its distance from the administrative centre divided by the total population of the LGA.
 Source: SES Headquarters; ABS, 2001 Census, census counts for small areas.
 Standard: 1.0
 Weighting: 0.002

Flood Boats

Recognises: requirement for flood rescue in non-urban areas.
 Measure: number of SES registered flood boats per thousand of population.
 Source: Grants Commission return, 2005-06; Regional Population Growth, Australia, 2005-06.
 Standard: 0.06
 Weighting: 0.026

Flood Prone Buildings

Recognises: flood rescue as the major area of SES expenditure.
 Measure: number of buildings subject to mainstream flooding (1 in 100 years) per thousand of population.
 Source: Grants Commission return, 2005-06; Regional Population Growth, Australia, 2005-06.
 Standard: 20.47
 Weighting: 0.027

Rural Fire Fighting Contributions

Recognises: contributions to the rural fire fighting fund.
 Measure: average contributions to the NSW Rural Fire Service for a five year period, per capita (2001-02 - 2005-06).
 Source: NSW Rural Fire Service, 2001-02 - 2005-06.
 Standard: 2.46
 Weighting: 0.2

Urban Fire Levy

Recognises: payment of this levy is the major local government expenditure item.
 Measure: per capita contributions to urban fire levy.
 Source: NSW Fire Brigades (2005-06).
 Standard: 8.38
 Weighting: 0.8

Health and Safety

Food Premises

Recognises: additional inspection costs in areas with high proportions of food premises.
 Measure: proportion of food premises per thousand of population.
 Source: Grants Commission return, 2005-06.
 Standard: 5.95
 Weighting: 0.751 (maximum DF of 110)

Non-English Speaking Background

Recognises: population of non-English speaking backgrounds as a target group for health services.
 Measure: proportion of population born in non-English speaking countries.
 Source: ABS, 2001 Census, usual residents profile.
 Standard: 15.72%
 Weighting: 0.100

Population Distribution

Recognises: costs of staff travel and duplication of services.
 Measure: as for Administration.
 Source: ABS, 2001 Census, census counts for small areas.
 Standard: 2.59
 Weighting: 0.015

Public Toilets

Recognises: significant variation in Council expenditure related to non-resident use.
 Measure: score based on expenditure and Commission's assessment of need to provide public toilets.
 Source: Special Schedule 1, 2005-06.
 Standard: 100
 Weighting: 0.25

Vandalism and Crime

Recognises: additional costs associated with repairing damage to public property.
 Measure: property damage crime incidents per capita.
 Source: NSW Bureau of Crime Statistics and Research, 2006.
 Standard: 1.58%
 Weighting: 0.022

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

Recognises: additional cost of providing specialist services and materials.
 Measure: proportion of the population aged 60 years and over.
 Source: ABS, Population by Age and Sex – 30 June 2005.
 Standard: 18.36%
 Weighting: 0.260

Non-English Speaking Background

Recognises: additional costs of information provision.
 Measure: proportion of population born in non-English speaking countries.
 Source: ABS, 2001 Census, usual residents profile.
 Standard: 15.72%
 Weighting: 0.125

Non-Resident Borrowers

Recognises: additional cost of providing services for non-residents.
 Measure: percentage of non-resident borrowers plus 100.
 Source: State Library of NSW, 2005-06.
 Standard: 109.02
 Weighting: 1.0 (maximum DF of 15)

Population Distribution

Recognises: costs of staff travel and duplication of services.
 Measure: as for Administration.
 Source: ABS, 2001 Census, census counts for small areas.
 Standard: 2.59
 Weighting: 0.018

Students: Full Time

Recognises: students as a major user group of library services.
 Measure: proportion of the population attending an educational institution full time.
 Source: ABS 2001 Census, usual residents profile.
 Standard: 20.79%
 Weighting: 0.195

Planning and Building Services***Development Activity***

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

The formula is:

$$R = 34.99 + 1934.2a + 0.00281b.$$

Source: Special Schedule 1, 2005-06; ABS, Regional Statistics 2005.
 Standard: 46.94
 Weighting: 0.78 (maximum DF of 100)

Environmental Sensitivity

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

Heritage

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

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

Non-English Speaking Background

Recognises: additional costs of information provision.
 Measure: proportion of population born in non-English speaking countries.
 Source: ABS, 2001 Census, usual residents profile.
 Standard: 15.72%
 Weighting: 0.056

Non-Residential Urban Properties

Recognises: greater complexity of processing development applications.
 Measure: number of urban properties which are classified as "business" per hundred of population.
 Source: Dept. of Local Government, 2005-06 Rating Return.
 Standard: 2.57
 Weighting: 0.2

Population Distribution

Recognises: costs of staff travel and duplication of services.
 Measure: as for Administration.
 Source: ABS, 2001 Census, census counts for small areas.
 Standard: 2.59
 Weighting: 0.017

Population Growth

Recognises: additional cost of forward planning in high growth areas.
 Measure: annual average percentage change in population over the previous five years.
 Source: ABS, Regional Population Growth, Australia, 2005-06.
 Standard: 0.77%
 Weighting: 0.055

Regional Centres and Secondary CBDs

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

Recreation

Age Structure (5-29 years)

Recognises: additional need for facilities due to a high proportion of population in the sport-playing age group.
 Measure: proportion of the population in the 5-29 years age group.
 Source: ABS, Population by Age and Sex – 30 June 2005.
 Standard: 33.52%
 Weighting: 1.0

Beach Lifesaving

Recognises: cost of additional facilities associated with beaches, principally lifesavers.
 Measure: maximum score of 130 based on Commission assessment.
 Source: Special Schedule 1, 2005-06.
 Standard: 100
 Weighting: 1.0

Climate Measure

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

Day Trippers

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

Duplication of Playing Fields

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

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

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

Standard: 1.115

Weighting: 0.460

Duplication of Pools

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

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

Source: Grants Commission return, 2005-06; Special Schedule 1, 2005-06; Regional Population Growth, Australia, 2005-06.

Standard: 8.54

Weighting: 0.06

Non-Resident Use - Recreation

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

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

Source: Grants Commission.

Standard: 100

Weighting: 1.0

Non-Urban Measure

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

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

Source: Grants Commission.

Standard: 100

Weighting: 1.0

Population Distribution

Recognises: cost of staff travel and duplication of services.

Measure: as for Administration.

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

Standard: 2.59

Weighting: 0.003

Tidal/Rock Pools

Recognises: additional maintenance costs associated with tidal rock pools.

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

Source: Grants Commission return, 2004-05; ABS, Regional Population Growth, Australia, 2005-06.

Standard: 0.86

Weighting: 0.005

Urban Density

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

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

Source: ABS, Regional Population Growth, Australia, 2005-06.

Standard: 1,250

Weighting: 0.2 (maximum DF of 15)

Stormwater Drainage and Flood Control

Flood Prone Urban Buildings

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

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

Source: Grants Commission return, 2005-06.

Standard: 1.0

Weighting: 1.81

Levee Measure

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

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

Source: Grants Commission return, 2005-06.

Standard: 0.217

Weighting: 0.01

Stormwater Drainage Index

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

Measure: index provided by consultants after studying rainfall, urban land use and impervious area, ground slope, associated construction costs, soil and geology, and the age of the stormwater system, with a maximum score of 200.

Source: Stormwater drainage return, 1987.
 Standard: 1.0
 Weighting: 1.33

Street And Gutter Cleaning

Non-Residential Urban Properties

Recognises: increased amounts of litter collected from commercial areas.
 Measure: proportion of urban properties classified as "business". The measure excludes non-metropolitan councils.
 Source: Dept. of Local Government, 2005-06 Rating Return.
 Standard: 6.51%
 Weighting: 0.5 (maximum DF of 20)

Urban Density

Recognises: additional maintenance costs of facilities in densely populated areas.
 Measure: population divided by the total area of LGA in square kilometres.
 Source: ABS, Regional Population Growth, Australia, 2005-06.
 Standard: 1,250
 Weighting: 0.2 (maximum DF of 20)

Street Lighting

Net Expenditure: Street Lighting

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

Measure: adjusted net expenditure per urban property averaged over 4 years.
 Source: Dept. of Local Government, 2005-06 Rating Return; Special Schedule 1, 2002-03 - 2005-06.
 Standard: 100
 Weighting: 1.0

Noxious Plants and Pest Control

Infestation

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

Terrain

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

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

A. General Purpose Grants

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

1. Horizontal Equalisation

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

2. Effort Neutrality

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

3. Minimum Grant

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

4. Other Grant Support

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

5. Aboriginal Peoples and Torres Strait Islanders

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

6. Council Amalgamation

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

B. Identified Local Road Grants

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

1. Identified Road Component

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

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

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

The agreed principles are:-

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

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

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

The agreed principles are:-

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

1. Urban [metropolitan] Area

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

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

2. Rural [non-metropolitan] Area

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

3. Initial Distribution

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

4. Local Roads Grant in Urban Areas

Funds will be allocated:

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

5. Local Roads Grant in Rural Areas

Funds will be allocated:

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

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

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

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

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

Appendix 9: 2006-07 road and bridge length audit summary report

Background

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

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

Eighty-eight audits have taken place since 1992-93, two during 2006-07.

The Project

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

Summary of 2006-07 Audit Results

The two councils audited were selected on the basis of significant changes in reported road or bridge length figures compared to the previous year.

The bridge length figures submitted by both councils were not considered to be accurate. However, it was expected that the systems being put in place would improve the accuracy and reliability of future data returns by these councils.

Appendix 10: 2006 information data returns

The Grants Commission would like to acknowledge the efforts of those councils that submitted their 2006 Information Data Returns by the required date.

131 Councils submitted their General Return by the due date.

Albury	Cootamundra	Ku-ring-gai	Richmond Valley
Ashfield	Corowa	Kyogle	Ryde
Auburn	Cowra	Lachlan	Shellharbour
Balranald	Deniliquin	Lake Macquarie	Shoalhaven
Bankstown	Dubbo	Lane Cove	Singleton
Bathurst Regional	Dungog	Leeton	Strathfield
Baulkham Hills	Eurobodalla	Leichhardt	Sutherland
Bega Valley	Fairfield	Lismore	Sydney
Bellingen	Forbes	Liverpool	Tamworth Regional
Berrigan	Gilgandra	Liverpool Plains	Temora
Blacktown	Glen Innes Severn	Maitland	Tenterfield
Bland	Gloucester	Manly	Tumbarumba
Blayney	Gosford	Marrickville	Tumut
Blue Mountains	Goulburn Mulwaree	Moree Plains	Tweed
Bogan	Greater Hume	Mosman	Upper Hunter
Bombala	Greater Taree	Murray	Upper Lachlan
Boorowa	Griffith	Murrumbidgee	Urana
Bourke	Gundagai	Muswellbrook	Wagga Wagga
Brewarrina	Gunnedah	Nambucca	Wakool
Broken Hill	Harden	Narrabri	Walgett
Burwood	Hastings	Narrandera	Warren
Camden	Hawkesbury	Narromine	Warringah
Campbelltown	Hay	Newcastle	Waverley
Canada Bay	Holroyd	North Sydney	Weddin
Canterbury	Hornsby	Oberon	Wellington
Carrathool	Hunters Hill	Orange	Wentworth
Cessnock	Hurstville	Palerang	Willoughby
Cobar	Inverell	Parkes	Wingecarribee
Coffs Harbour	Jerilderie	Parramatta	Wollongong
Conargo	Junee	Penrith	Wyong
Coolamon	Kempsey	Pittwater	Yass Valley
Cooma-Monaro	Kiama	Port Stephens	Young
Coonamble	Kogarah	Randwick	

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

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

Appendix 11: A brief history of financial assistance grants

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

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

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

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

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

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

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

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

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

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

- *March 2004* – the Prime Minister announced \$26.25 million (over three years) in financial assistance to Local Government in South Australia to supplement the Identified Local Road Grants.
- *June 2005* – the Government released its response to the Cost Shifting Inquiry.
- *September 2005* – the Commonwealth Grants Commission was asked by the Government to review the interstate distribution of the identified local road grant component of the financial assistance grants.
- *November 2005* – an issues paper *Review of the Interstate Distribution of Local Road Grants* was circulated by the Commonwealth Grants Commission.
- *April 2006* – representatives from all three spheres of government signed an intergovernmental agreement to help counter cost shifting
- *June 2006* – the Commonwealth Grants Commission presented its report and recommendations to the Government into the interstate distribution of the Identified Local Road Grants.
- *September 2006* – a motion to recognise the role of local government in Australian federalism was passed in both houses of federal parliament.
- *May 2007* – in response the Commonwealth Grants Commission’s recommendations regarding the interstate distribution of Local Road Grants the Australian Government announces, largely because of data concerns, that it “*has decided to retain the existing interstate distribution and continue the supplementary funding for South Australian councils.*”

Appendix 12: Glossary

Cash payment

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

Disability

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

Disability factor

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

Effort neutral

The assessment of a financial assistance grant is effort neutral when it neither rewards 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

See general purpose component.

Estimated entitlement

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

Exclusion method

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

Financial assistance grant

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

Function

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

General purpose component (equalisation component)

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

Horizontal equalisation

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

Inclusion method

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

Local Government Grants Commission

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

Local roads component

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

Overpayments and underpayments

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

Per capita minimum

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

Specific purpose grant

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

Standard cost

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

Standardised revenue and expenditure

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

Unit cost

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

Units

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

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

