

2007-08

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Letter of submission

October 2008

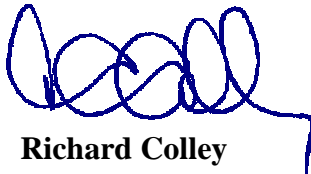
The Hon Barbara Perry MP
Minister for Local Government

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 2008 and including the Commission's recommendations for the distribution of financial assistance grants for 2008-09.

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, 2007-08.

Yours faithfully

A handwritten signature in blue ink, consisting of several loops and a long tail that extends to the right.

Richard Colley
Chairperson

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Foreword

I am pleased to present this report on behalf of the New South Wales Local Government Grants Commission. The report contains information on the key activities of the Commission during 2007-08 as well as on the distribution of \$591 million in grant funding to New South Wales' local governing bodies for 2008-09. These funds are paid as untied, unconditional, grants under the provisions of the Commonwealth *Local Government (Financial Assistance) Act 1995*.

Last year's report was based largely on the activities of the previous commissioners. This year I am able to report on the activities of the three new commissioners that were appointed in November 2007 and the deputy chair reappointed in December 2007. The new appointments were made at a time when the NSW Commission was hosting the national conference of Grants Commissions. The timing proved enormously valuable because the conference gave us some great insights into our roles and responsibilities, which we share with colleagues from around Australia. The conference also highlighted for us the considerable diversity of local government and the need for varying approaches to assessing the needs of local government across jurisdictions.

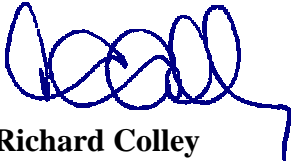
An important element in the calculation of grants is the Australian Bureau of Statistics' (ABS) estimated resident population numbers. Usually around February each year the ABS releases its latest population estimates, as at 30 June for the previous year. These resident population numbers, which are deemed "preliminary" by the ABS at the time of release, form the basis of the Commission's calculations involving population. Annual resident population estimates are updated by the ABS using a range of demographic indicators. However, every five years the ABS calibrates its estimates to the most recent census. The resident population numbers used for the 2008-09 grants are as at 30 June 2007 (preliminary). These figures are the first to be calibrated to the 2006 census. As a result, the figures for a small number of local government areas vary significantly from those used in the 2007-08 grants. Most notable are reductions in population of twenty per cent for Bourke Shire and over seventeen per cent for Central Darling Shire. The resident population numbers for Palerang, on the other hand, increased by over thirteen per cent. The State's population increased by just under one per cent, which is a lower growth level than most other States.

The Commission remains concerned about the ongoing hardships being faced by councils, particularly those with declining populations. Accordingly, strategies have been put in place to help mitigate the effects. These strategies involved adjusting the disability factors for economies of scale and sparsity.

In an attempt to improve the stability of the grants the Commission, for the first time, is using a five-year moving average of the annual standard costs. Averaging over five years produces shares that are more stable than annual averages. The Commission acknowledges that it does so at the expense of responsiveness to annual variations.

Public hearings remain an important strategy for the Commission. Not only do the hearings fulfil the requirements of the Commonwealth Act but they also provide councils, and the general public, with an opportunity to meet with the Commission and for the Commission to explain how the grants are determined. The hearings also allow councils to discuss their particular concerns, and for the Commission to see first hand the circumstances of councils. For the year ended 30 June 2008 the Commission attended eighteen public hearings. We are currently assessing methods of improving the effectiveness of the hearings. One approach being examined is meeting with regional groups of councils.

In conclusion, I would like to take this opportunity to acknowledge the efforts of my fellow commissioners, Mr Grahame Gibbs, Dr Elizabeth Coombs, and Clr Frank Pangallo, as well as those of our support staff, Mr Bruce Wright and Mrs Helen Pearce. Their valuable assistance is very much appreciated.



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 2008 were:

- Mr Richard Colley, Chairperson – to 30 June 2012
- Mr Grahame Gibbs, Deputy Chairperson – to 31 December 2012
- 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 New South Wales Grants Commission hosted the 2007 annual National Conference of State Grants Commissions, 30 October – 1 November 2007. Those attending the conference included representatives from the States' Grants Commissions; the Department of Transport and Regional Services; the Commonwealth Grants Commission; the Australian Bureau of Statistics; the NSW Department of Lands; the Australian Local Government Association; and the National Centre for Social and Economic Modelling, University of Canberra.

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; property valuations in NSW; the Australian Local Government Association perspective on grants and intergovernmental arrangements; social research; and Australian Bureau of Statistics classification reviews.

Executive Officers Meeting

The Department of Infrastructure, Transport, Regional Development, and local Government hosted the annual meeting of the executive officers from the States' Grants Commissions. The meeting was held in Canberra, 28-29 February 2008. The Commission's Finance Officer attended the workshop, which included presentations on methodology issues in each State and speakers on topics relevant to Grants Commission activities.

Council Meetings

As required by Section 11 of the Commonwealth Act, the Commission has held public hearings and permitted local authorities and their associations to make submissions concerning the grant recommendations. During 2007-08 the Commission held eighteen public hearings. Details of hearing venues are shown in the appendices.

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

The good working relationship that exists between the Commission and the Local Government 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 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.

2007-08 Payments

During 2007–08 the grants continued to be paid in quarterly instalments. The total payments to local governing bodies are summarised below:

16 August 2007	\$139,222,043
16 November 2007	\$139,222,043
18 February 2008	\$139,222,043
16 May 2008	\$139,222,047
Total	*\$556,888,176

Note

The 2007-08 payments are made up of the estimated entitlements for 2007-08 of \$558,825,227 less an adjustment of \$1,937,051 for 2006-07. The adjustment was necessary because the Australian Government estimates of the consumer price index and the States' shares of population on which the 2006-07 recommendations were based varied from the actual changes.

Highlights for 2008-09 Grants

The total funds for New South Wales, compared to 2007-08:

Component	2007-08 CPI/Pop. Adjusted Entitlement	2008-09 Estimated Entitlement	% Change
General Purpose	406,050,359	424,015,792	4.42%
Local Roads	158,991,890	166,893,787	4.97%
Total	565,042,249	590,909,579	4.58%

General Purpose Component - 2008-09

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 2007 (preliminary) is ABS publication *Regional Population Growth, Australia, 2006-07* (cat. no. 3218.0).

Population changes directly affect the grant calculations for expenditure allowances.

When comparing the preliminary 2007 population figures to the preliminary 2006 figures (those used in last year's grant calculations), the State's population increased by 0.9%. Individual council variations ranged from an increase of 13.6% for Palerang to a 20.3% reduction for Bourke Shire.

Changes In Standard Costs And Disability Measures

standard costs

Special Schedule 1 information 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.

In an attempt to improve the stability of the grant the Commission, for the first time, is using a five-year moving average of the annual standard costs. Averaging over five years produces shares that are more stable than annual averages. It is

acknowledged that it does so at the expense of responsiveness to annual variations.

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

annual fluctuations

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

In response to concerns about the ongoing hardships being faced by councils with declining population numbers the Commission has put in place strategies to help mitigate the effects. These strategies include adjusting the disability factors for economies of scale and sparsity.

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 365 km, compared with the previous year's increase of 480 km. The aggregate of the length of bridges on local roads increased by 1,116 m, compared with last year's 723 m increase.

Variations for individual council's road lengths range from an increase of 215 km to a reduction of 132 km. Changes in reported bridge length ranged from an increase of 396 m to a 226 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 2007-08 CPI/population adjusted entitlements and category references are based on the Australian Classification of Local Government.

New South Wales' general purpose estimated entitlement for 2008-09 is \$424,015,792.

NSW's share of the general purpose component is 32.71%, 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 4.42%, compared to the national increase of 4.97%.

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 9.4% (except for minimum grant councils) and a maximum decrease of 0.6%.

One hundred and forty-one (141) 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.

Strathfield received the highest increase of 10% (Strathfield is on the per capita minimum entitlement and the increases reflects Strathfield's population growth). This was followed by eleven councils receiving increases capped at 9.4%.

Councils receiving the greatest reductions in their general purpose component grant were Ballina, Botany Bay, Byron, Camden, Harden, Hawkesbury, Kiama, Liverpool, Marrickville, Shoalhaven, Waverley, Wingecarribee, and Wollondilly, each with reductions capped at 0.6%.

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

Metropolitan (those in the Sydney Statistical District)

The average increase for metropolitan councils is 3.7% compared to the State increase of 4.4%.

Ten 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 (Botany Bay, Camden, Hawkesbury, Liverpool, Marrickville, Waverley, and Wollondilly Councils) experienced reductions limited to 0.6%.

Five metropolitan councils received maximum increases of 9.4%.

As a group, urban developed large councils received a 5.1% increase.

All three urban fringe medium councils (Camden, Hawkesbury, and Wollondilly) received reduced grants, all going down by the maximum allowable of 0.6%.

The overall results for metropolitan councils generally reflect the relative changes in property values and the contraction of the Sydney property market.

Non-metropolitan (outside the Sydney Statistical District)

The average increase for non-metropolitan councils is 4.8%, compared to the State's 4.4% increase.

Urban regional small councils received average increases of 5.6%. Griffith received an increase of 9.4%. Only one council, Kiama, in this group of the eleven councils received a reduced general purpose grant (-0.6%).

Urban regional medium councils generally received increases of 4.0%. Three councils received reduced grants Ballina (-0.6%), Byron (0.6%), and Wingecarribee (0.6%).

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 (-0.6%).

All but one council, Harden, classified rural small and medium received increases. Those in the rural small category increased by an average 6.0%, while those in the medium category increase, on average, by 5.4%. Murrumbidgee increased by 9.4%.

Councils in the rural agricultural large category received an average increase of 5.9% with Murray receiving the highest increase of 9.4%.

Rural agricultural very large councils, as a group, received the largest average increase of 6.5%. Three councils, Greater Hume, Leeton, and Moree Plains, each increased by 9.4%.

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%	14	9.0%
>0% to 2.5%	16	10.3%
>2.5% to 5%	48	31.0%
>5% to 7.5%	47	30.3%
>7.5% to 10%	29	18.7%
>10%	1	0.7%
	*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 \$18.47 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 – 2008-09

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 2007-08 CPI/population adjusted entitlement.

New South Wales' estimated entitlement for 2008-09 is \$166,893,787, an increase of 4.97% 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 remains at 29%.

The method of distribution has remained unchanged.

The Commission continued its program of road and bridge length audits during 2007-08, with four 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
-7.5% to 0%	1	0.7%
>0% to 2.5%	3	2.0%
>2.5% to 5%	95	62.5%
>5% to 7.5%	46	30.3%
>7.5% to 10%	4	2.6%
>10%	3	2.0%
	*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 2008-09 increased 365 km, compared with the previous year's 480 km increase. Bridge length increased by 1,116 m, compared with a 723 m increase last year.

Variations for individual council's road lengths range from an increase of 215 km to a reduction of 132 km. Changes to reported bridge length ranged from an increase of 396 m to a 226 m decrease.

Total Grants – 2008-09

Local government financial assistance grants to New South Wales for 2008-09 total \$590,909,579, an increase on the 2007-08 CPI/population adjusted entitlement of 4.58%, compared to the national increase of 4.97%.

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

Changes in Total Grant

Range	No. of Councils	% of Councils
-5% to 0%	1	0.7%
>0% to 2.5%	23	14.8%
>2.5% to 5%	55	35.5%
>5% to 7.5%	59	38.1%
>7.5% to 10%	17	11.0%
	*155	100.0%

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

Commonly Asked Questions

What are local government financial assistance grants?

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

Who decides how much each council should receive?

Each State and the Northern Territory must have a Local Government Grants Commission for it to receive funding from the Australian Government. It is the responsibility of each Grants Commission to make recommendations on the allocation of grants in their State. In NSW the Grants Commission makes recommendations to the NSW Minister for Local Government. If accepted by the Minister, the recommendations are referred to the Commonwealth Minister for Infrastructure, Regional Development 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 2007, there are 152 general purpose 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 2008-09 is \$1.872 billion. This is made up of a general purpose component (\$1.296 billion) and a local roads component (\$575 million).

The general purpose component is distributed on the basis of each state's share of the national population. NSW receives \$424.02 million, or 32.71% of the national pool (NSW has 32.71% of Australia's population).

The local roads component is distributed on the basis of a historical formula - for NSW it amounts to \$166.89 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.

2008-09 Estimated Entitlement

State/ Territory	General Purpose Component	Share %	Identified Road Component	Share %	Total	Share %
NSW	424,015,792	32.71	166,893,787	29.01	590,909,579	31.57
Vic	321,123,654	24.77	118,892,696	20.62	439,716,350	23.49
Qld	258,822,624	19.97	107,778,005	18.74	366,600,629	19.59
WA	130,430,617	10.06	87,954,310	15.29	218,384,927	11.67
SA	97,445,421	7.52	31,613,069	5.50	129,058,490	6.90
Tas	30,347,259	2.34	30,483,401	5.30	60,830,660	3.25
NT	13,317,249	1.03	13,474,784	2.34	26,792,033	1.43
ACT	20,862,195	1.61	18,445,165	3.21	39,307,360	2.10
TOTAL	1,296,364,811	100.00	575,535,217	100.00	1,871,600,028	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 2007-08. The underpayment amounted to \$19.6 million nationally. NSW was underpaid \$4.47 million for the general purpose component and \$1.74 million for the local roads component. This was because the final CPI and states' population shares varied from the Commonwealth estimates upon which the estimated entitlements were based. These adjustments are made proportionally across councils' 2008-09 quarterly payments.

How should councils spend the money?

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

How does the Grants Commission distribute the money?

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

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

The Grants Commission attempts 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 average of annual average net expenditure, per unit, by all councils in the State, averaged over five years.

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

Can you tell me more about disability factors?

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

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

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

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

Where:

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

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

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

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

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

Using Library Service as an example:

The unit of use is population. Council A has a population of 10,000. The standard cost of library service is \$25.19 per capita.

It is assumed that a council with a population of 10,000 would spend \$251,900 on library services (ie. 10,000 x \$25.19).

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:

$$10,000 \times \$25.19 \times 0.2 = \$50,380$$

In other words, it is estimated that it would cost the council \$50,380 more than the standard council because of its inherent disabilities. \$50,380 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 2008-09 grants have been determined by the Commission using Australian Bureau of Statistics population estimates (preliminary) for each council area, at 30 June 2007. The 2008-09 per capita minimum is \$18.47. 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* (\$18.47 for 2008-09) up to that level, as required in the federal legislation. Councils above the per capita minimum receive about half of the amount assessed as need, based on the Commission's calculations.

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

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

How is capital expenditure treated?

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

What about water and sewerage schemes?

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

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

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

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

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

What about a council's money making venture?

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

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

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

What about debt servicing?

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

What about poor decisions of the past?

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

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

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

What about efficiency? Are councils rewarded in some way?

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

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

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

What happens in the event of council amalgamations?

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

Schedule of Grant Entitlements

The Commission's recommendations for the distribution of funds to local government in New South Wales for 2008-09, together with the actual entitlements for 2007-08 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 2008-09 are based on Australian Government estimates of the annual CPI movements to March 2009 and the States' shares of the national population as at 31 December 2007. Adjustments, if necessary, will be made to the following year's payment instalments.

Entitlements for 2007-08 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 occurred for the amount paid in 2007-08. The underpayment amounted to \$19.6 million nationally and \$6.2 million for NSW. In 2006-007 there was an underpayment to the national amount. However, NSW was an 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 (follow the "Commissions & Tribunals" links).

Local Governing Body	2006-07				2007-08				2008-09			
	Estimated Resident Population as at 30/6/05	General Purpose Component	Local Roads Component	Total Actual Entitlement	Estimated Resident Population as at 30/6/06	General Purpose Component	Local Roads Component	Total Actual Entitlement	Estimated Resident Population as at 30/6/07	General Purpose Component	Local Roads Component	Total Estimated Entitlement
Albury (C)	47,247	4,015,721	925,340	4,941,061	47,694	4,317,673	982,263	5,299,936	49,321	4,541,919	1,053,199	5,595,118
Armidale Dumaresq	24,611	2,352,088	979,728	3,331,816	24,749	2,535,228	1,034,094	3,569,322	24,684	2,664,637	1,081,534	3,746,171
Ashfield (M)	40,018	927,169	222,530	1,149,699	40,262	970,099	234,081	1,204,180	41,833	1,021,563	249,359	1,270,922
Auburn	64,209	1,682,728	418,907	2,101,635	66,286	1,855,700	445,878	2,301,578	70,986	2,030,048	481,160	2,511,208
Ballina (S)	39,953	2,096,441	885,251	2,981,692	40,090	2,113,991	932,648	3,046,639	40,932	2,101,985	987,451	3,089,436
Balranald (S)	2,730	1,191,128	914,163	2,105,291	2,727	1,285,199	965,183	2,250,382	2,514	1,367,777	1,009,864	2,377,641
Bankstown (C)	177,000	3,753,113	1,147,653	4,900,766	179,719	4,138,905	1,211,381	5,350,286	179,657	4,527,767	1,263,759	5,791,526
Bathurst Regional	37,001	3,149,590	1,326,154	4,475,744	37,508	3,473,344	1,408,151	4,881,495	37,686	3,771,932	1,478,327	5,250,259
Baulkham Hills (S)	161,068	2,753,142	1,376,088	4,129,230	162,326	2,896,378	1,448,627	4,345,005	168,026	3,102,810	1,540,620	4,643,430
Bega Valley (S)	32,431	3,841,425	1,346,232	5,187,657	32,637	3,989,900	1,436,177	5,426,077	32,655	4,335,723	1,502,594	5,838,317
Bellingen (S)	12,758	1,864,149	601,254	2,465,403	12,810	1,973,022	636,795	2,609,817	13,071	2,076,871	673,156	2,750,027
Berrigan (S)	8,289	2,048,187	943,799	2,991,986	8,541	2,231,758	1,000,574	3,232,332	8,446	2,407,014	1,050,643	3,457,657
Blacktown (C)	283,458	12,826,393	2,153,816	14,980,209	287,634	13,505,140	2,296,931	15,802,071	284,692	13,759,651	2,401,587	16,161,238
Bland (S)	6,530	2,447,858	2,048,194	4,496,052	6,562	2,605,709	2,163,080	4,768,789	6,385	2,741,288	2,263,898	5,005,186
Blayney (S)	6,773	1,136,707	579,517	1,716,224	6,894	1,220,955	612,266	1,833,221	6,972	1,276,059	641,725	1,917,784
Blue Mountains (C)	76,511	5,729,615	1,030,589	6,760,204	75,770	5,954,500	1,079,941	7,034,441	76,088	6,159,897	1,133,418	7,293,315
Bogan (S)	3,105	1,275,212	1,020,804	2,296,016	3,113	1,350,723	1,076,467	2,427,190	3,012	1,418,224	1,122,342	2,540,566
Bombala	2,534	773,963	500,674	1,274,637	2,538	830,940	527,996	1,358,936	2,635	893,797	553,619	1,447,416
Boorowa	2,495	577,192	474,846	1,052,038	2,505	620,844	500,745	1,121,589	2,342	663,902	521,982	1,185,884
Botany Bay (C)	37,074	777,041	208,521	985,562	37,415	797,292	219,811	1,017,103	37,813	792,764	230,487	1,023,251
Bourke (S)	3,906	1,814,546	1,336,666	3,151,212	3,876	1,929,081	1,408,611	3,337,692	3,091	1,990,955	1,458,406	3,449,361
Brewarrina (S)	2,168	1,147,379	899,649	2,047,028	2,201	1,218,909	949,041	2,167,950	1,944	1,266,028	992,409	2,258,437
Broken Hill (C)	20,203	3,261,016	378,195	3,639,211	20,223	3,521,051	397,705	3,918,756	20,074	3,770,535	416,916	4,187,451
Burwood	31,158	532,586	184,245	716,831	31,387	560,038	193,926	753,964	32,860	606,802	207,227	814,029
Byron (S)	30,827	1,416,680	830,316	2,246,996	30,898	1,420,049	874,756	2,294,805	30,866	1,411,984	914,859	2,326,843
Cabonne (S)	12,703	1,784,490	1,455,377	3,239,867	12,843	1,881,995	1,531,333	3,413,328	12,940	1,962,407	1,603,873	3,566,280
Camden	51,367	1,392,060	574,230	1,966,290	52,459	1,395,371	607,534	2,002,905	52,142	1,387,446	638,087	2,025,533
Campbelltown (C)	150,216	7,319,392	1,199,889	8,519,281	148,969	7,401,756	1,269,726	8,671,482	147,460	7,538,046	1,325,263	8,863,309
Canada Bay (C)	67,261	1,149,696	414,440	1,564,136	68,955	1,230,363	439,798	1,670,161	70,619	1,304,069	464,411	1,768,480
Canterbury (C)	134,126	3,416,966	788,498	4,205,464	135,969	3,768,205	831,331	4,599,536	137,755	4,063,115	873,260	4,936,375
Carrathool (S)	3,274	1,633,019	1,592,163	3,225,182	3,264	1,718,093	1,687,832	3,405,925	2,915	1,791,990	1,762,191	3,554,181
Central Darling (S)	2,406	1,805,756	1,104,232	2,909,988	2,412	1,911,394	1,164,358	3,075,752	1,987	1,980,626	1,213,376	3,194,002
Cessnock (C)	48,502	4,209,039	1,203,296	5,412,335	48,744	4,402,513	1,257,372	5,659,885	48,985	4,575,886	1,318,605	5,894,491
Clarence Valley	49,538	6,525,560	2,288,208	8,813,768	50,102	6,636,257	2,411,910	9,048,167	50,596	6,785,423	2,529,537	9,314,960
Cobar (S)	5,013	1,897,292	1,184,477	3,081,769	5,023	2,029,902	1,248,854	3,278,756	5,143	2,170,521	1,313,293	3,483,814
Coffs Harbour (C)	67,442	4,367,796	1,383,312	5,751,108	68,315	4,468,876	1,468,620	5,937,496	68,992	4,503,759	1,545,259	6,049,018
Conargo (S)	1,782	908,616	896,223	1,804,839	1,776	973,247	944,938	1,918,185	1,736	1,059,328	988,545	2,047,873
Coolamon (S)	4,127	1,364,132	901,864	2,265,996	4,184	1,438,045	951,455	2,389,500	4,155	1,495,584	995,667	2,491,251
Cooma-Monaro (S)	9,792	1,787,583	788,965	2,576,548	9,824	1,950,481	831,863	2,782,344	10,142	2,094,652	875,404	2,970,056
Coonamble (S)	4,714	1,423,472	1,021,258	2,444,730	4,699	1,523,833	1,085,206	2,609,039	4,263	1,600,463	1,130,135	2,730,598
Cootamundra (S)	7,623	1,340,136	500,209	1,840,345	7,645	1,465,866	537,387	2,003,253	7,527	1,577,409	567,426	2,144,835
Corowa (S)	11,058	2,140,622	1,011,674	3,152,296	11,289	2,291,481	1,077,429	3,368,910	11,434	2,424,578	1,129,722	3,554,300
Cowra (S)	13,185	2,032,206	1,024,291	3,056,497	13,260	2,194,387	1,082,598	3,276,985	12,924	2,344,977	1,118,698	3,463,675

Local Governing Body	Estimated Resident Population as at 30/6/05	2006-07 Actual Entitlement			Estimated Resident Population as at 30/6/06	2007-08 Actual Entitlement			Estimated Resident Population as at 30/6/07	2008-09 Estimated Entitlement		
		General Purpose Component	Local Roads Component	Total		General Purpose Component	Local Roads Component	Total		General Purpose Component	Local Roads Component	Total
Deniliquin	8,169	1,466,095	191,337	1,657,432	8,137	1,600,794	207,774	1,808,568	7,673	1,732,917	211,595	1,944,512
Dubbo (C)	39,263	3,870,697	1,279,998	5,150,695	39,500	4,179,698	1,351,574	5,531,272	39,787	4,437,325	1,421,824	5,859,149
Dungog (S)	8,440	1,054,902	626,372	1,681,274	8,461	1,113,732	660,288	1,774,020	8,413	1,154,272	690,639	1,844,911
Eurobodalla (S)	36,389	4,244,661	1,124,776	5,369,437	36,613	4,254,755	1,183,573	5,438,328	36,771	4,320,204	1,245,823	5,566,027
Fairfield (C)	187,790	7,728,985	1,260,504	8,989,489	188,074	8,228,666	1,322,296	9,550,962	187,362	8,499,344	1,377,674	9,877,018
Forbes (S)	9,974	2,381,512	1,388,328	3,769,840	10,003	2,533,970	1,474,621	4,008,591	9,727	2,654,781	1,539,671	4,194,452
Gilgandra (S)	4,660	1,203,038	921,231	2,124,269	4,699	1,286,553	982,998	2,269,551	4,625	1,348,656	1,027,797	2,376,453
Glen Innes Severn	8,735	1,755,186	940,782	2,695,968	8,783	1,902,209	994,565	2,896,774	9,042	2,030,818	1,042,154	3,072,972
Gloucester (S)	4,917	846,284	632,345	1,478,629	4,949	915,042	667,755	1,582,797	4,971	995,255	699,386	1,694,641
Gosford (C)	163,304	6,385,820	1,703,894	8,089,714	163,469	6,401,006	1,784,583	8,185,589	162,388	6,374,038	1,862,486	8,236,524
Goulburn Mulwaree	27,112	2,553,796	1,111,312	3,665,108	27,308	2,628,848	1,192,412	3,821,260	27,327	2,723,071	1,256,391	3,979,462
Great Lakes	34,695	4,294,044	1,162,912	5,456,956	35,068	4,335,195	1,220,343	5,555,538	34,359	4,417,056	1,277,235	5,694,291
Greater Hume (S)	10,510	2,252,495	1,393,096	3,645,591	10,585	2,484,035	1,469,513	3,953,548	10,206	2,717,417	1,532,939	4,250,356
Greater Taree (C)	46,986	3,696,747	1,822,136	5,518,883	47,110	3,880,376	1,926,693	5,807,069	47,242	4,018,071	2,021,418	6,039,489
Griffith (C)	25,140	1,828,160	1,083,881	2,912,041	25,441	2,016,082	1,146,409	3,162,491	24,937	2,205,498	1,195,400	3,400,898
Gundagai (S)	3,764	753,905	570,294	1,324,199	3,774	812,543	602,964	1,415,507	3,813	861,056	631,170	1,492,226
Gunnedah (S)	12,074	1,866,156	1,088,446	2,954,602	12,129	2,041,557	1,150,740	3,192,297	11,968	2,170,092	1,203,796	3,373,888
Guyra (S)	4,460	995,769	666,623	1,662,392	4,478	1,067,903	702,993	1,770,896	4,411	1,111,587	738,153	1,849,740
Gwydir (S)	5,530	1,537,562	1,351,467	2,889,029	5,536	1,639,036	1,475,660	3,114,696	5,407	1,697,542	1,542,655	3,240,197
Harden (S)	3,773	1,151,458	674,944	1,826,402	3,799	1,216,002	713,297	1,929,299	3,683	1,209,096	654,821	1,863,917
Hawkesbury (C)	63,824	2,935,012	1,275,291	4,210,303	63,732	2,941,992	1,331,167	4,273,159	62,211	2,925,283	1,395,240	4,320,523
Hay (S)	3,534	1,175,812	566,364	1,742,176	3,520	1,270,861	596,846	1,867,707	3,476	1,374,695	624,227	1,998,922
Holroyd (C)	91,941	2,121,218	650,933	2,772,151	94,269	2,339,263	688,940	3,028,203	95,130	2,559,043	722,222	3,281,265
Hornsby (S)	157,204	2,687,095	1,152,454	3,839,549	157,269	2,806,147	1,208,242	4,014,389	158,285	2,922,930	1,264,790	4,187,720
Hunters Hill (M)	13,928	238,073	110,671	348,744	13,912	248,232	115,885	364,117	14,031	259,101	121,441	380,542
Hurstville (C)	76,036	1,299,687	455,253	1,754,940	76,623	1,367,182	479,382	1,846,564	77,684	1,434,533	503,495	1,938,028
Inverell (S)	15,794	2,577,623	1,437,344	4,014,967	15,949	2,763,823	1,516,752	4,280,575	16,246	2,923,971	1,591,298	4,515,269
Jerilderie (S)	1,871	793,497	708,290	1,501,787	1,877	846,958	746,907	1,593,865	1,677	909,185	779,174	1,688,359
Juneé (S)	5,922	1,308,991	634,409	1,943,400	6,009	1,387,419	669,716	2,057,135	6,051	1,440,889	702,085	2,142,974
Kempsey (S)	28,742	3,093,456	1,265,235	4,358,691	28,763	3,220,050	1,334,673	4,554,723	28,566	3,338,971	1,393,249	4,732,220
Kiama (M)	20,357	819,244	310,180	1,129,424	20,382	821,192	362,055	1,183,247	20,095	816,528	379,884	1,196,412
Kogarah (M)	55,800	953,793	350,379	1,304,172	56,736	1,012,340	370,534	1,382,874	55,861	1,031,544	383,500	1,415,044
Ku-ring-gai	108,697	1,857,963	814,344	2,672,307	108,395	1,934,090	852,483	2,786,573	106,807	1,972,325	884,672	2,856,997
Kyogle	9,630	1,723,227	1,177,627	2,900,854	9,642	1,890,148	1,234,353	3,124,501	9,686	2,033,400	1,289,261	3,322,661
Lachlan (S)	7,360	2,909,991	2,287,769	5,197,760	7,355	3,085,839	2,413,391	5,499,230	6,814	3,210,623	2,672,699	5,883,322
Lake Macquarie (C)	190,320	10,751,499	1,977,544	12,729,043	189,596	11,025,885	2,082,652	13,108,537	193,092	11,581,045	2,197,690	13,778,735
Lane Cove (M)	32,326	552,551	199,953	752,504	32,375	577,668	209,866	787,534	32,047	591,789	217,771	809,560
Leeton (S)	12,026	1,826,319	726,799	2,553,118	12,088	2,011,249	767,789	2,779,038	11,683	2,200,211	799,423	2,999,634
Leichhardt (M)	51,142	1,015,906	311,373	1,327,279	51,660	1,018,322	327,877	1,346,199	51,855	1,029,936	342,685	1,372,621
Lismore (C)	43,628	3,901,307	1,382,550	5,283,857	44,032	4,174,488	1,462,526	5,637,014	44,668	4,376,801	1,574,945	5,951,746
Lithgow (C)	20,889	2,565,235	787,863	3,353,098	20,981	2,721,856	830,625	3,552,481	20,694	2,893,044	966,083	3,859,127
Liverpool (C)	170,192	5,808,710	1,385,761	7,194,471	172,050	5,822,524	1,472,270	7,294,794	172,932	5,789,456	1,550,451	7,339,907
Liverpool Plains (S)	7,852	1,414,217	961,712	2,375,929	7,877	1,540,587	1,014,121	2,554,708	7,849	1,636,340	1,060,845	2,697,185
Lockhart (S)	3,520	1,419,034	1,112,964	2,531,998	3,546	1,491,880	1,173,960	2,665,840	3,288	1,555,238	1,225,036	2,780,274

Local Governing Body	2006-07				2007-08				2008-09			
	Estimated Resident Population as at 30/6/05	Actual Entitlement			Estimated Resident Population as at 30/6/06	Actual Entitlement			Estimated Resident Population as at 30/6/07	Estimated Entitlement		
		General Purpose Component	Local Roads Component	Total		General Purpose Component	Local Roads Component	Total		General Purpose Component	Local Roads Component	Total
Lord Howe Island (Bd)	342	135,361	-	135,361	339	142,938	-	142,938	364	149,240	-	149,240
Maitland (C)	61,517	4,312,761	871,970	5,184,731	62,596	4,635,499	919,413	5,554,912	66,530	4,875,789	980,366	5,856,155
Manly	38,886	664,681	228,772	893,453	39,214	699,696	241,007	940,703	39,677	732,686	255,158	987,844
Marrickville	75,114	2,661,450	432,568	3,094,018	76,524	2,667,780	458,287	3,126,067	76,284	2,652,629	476,963	3,129,592
Mid-Western Regional	22,141	2,809,247	1,646,740	4,455,987	22,260	2,972,707	1,726,603	4,699,310	22,093	3,182,229	1,831,088	5,013,317
Moree Plains (S)	15,936	2,189,170	2,034,622	4,223,792	15,991	2,359,230	2,145,398	4,504,628	14,300	2,580,886	2,227,518	4,808,404
Mosman (M)	28,363	484,811	177,156	661,967	28,414	506,991	185,965	692,956	28,152	519,863	193,075	712,938
Murray (S)	6,729	1,415,273	1,057,547	2,472,820	6,998	1,560,753	1,121,964	2,682,717	6,941	1,707,390	1,176,238	2,883,628
Murrumbidgee (S)	2,620	694,023	426,951	1,120,974	2,632	754,526	450,203	1,204,729	2,571	825,416	470,515	1,295,931
Muswellbrook (S)	15,149	1,847,304	628,184	2,475,488	15,236	2,002,335	662,675	2,665,010	16,039	2,133,123	705,262	2,838,385
Nambucca (S)	18,755	2,000,105	825,895	2,826,000	18,886	2,092,088	874,792	2,966,880	18,735	2,178,236	915,853	3,094,089
Narrabri (S)	14,172	2,548,458	1,642,923	4,191,381	14,181	2,768,027	1,710,687	4,478,714	13,503	3,013,359	1,781,921	4,795,280
Narrandera (S)	6,582	1,795,961	1,083,821	2,879,782	6,588	1,913,421	1,132,052	3,045,473	6,166	1,999,292	1,181,027	3,180,319
Narromine (S)	7,033	1,809,739	984,366	2,794,105	7,059	1,917,704	1,038,954	2,956,658	6,717	2,019,158	1,083,218	3,102,376
Newcastle (C)	146,967	9,859,874	1,325,781	11,185,655	147,545	10,076,823	1,390,295	11,467,118	150,357	10,208,230	1,463,998	11,672,228
North Sydney	60,944	1,041,719	339,335	1,381,054	61,802	1,102,732	358,699	1,461,431	62,842	1,160,457	377,422	1,537,879
Oberon	5,447	1,018,407	710,967	1,729,374	5,503	1,090,568	750,869	1,841,437	5,278	1,126,488	782,171	1,908,659
Orange (C)	37,791	2,738,802	731,955	3,470,757	37,982	3,005,494	774,230	3,779,724	37,333	3,203,771	806,206	4,009,977
Palerang	11,470	1,335,606	897,249	2,232,855	11,817	1,378,017	956,973	2,334,990	13,419	1,415,067	1,024,134	2,439,201
Parkes (S)	15,034	2,609,877	1,378,621	3,988,498	15,099	2,807,078	1,455,021	4,262,099	14,836	2,988,081	1,521,330	4,509,411
Parramatta (C)	151,860	4,435,550	1,092,249	5,527,799	155,098	4,891,491	1,187,756	6,079,247	157,775	5,351,060	1,233,794	6,584,854
Penrith (C)	177,955	7,912,107	1,627,818	9,539,925	177,544	8,401,108	1,705,045	10,106,153	177,686	8,809,562	1,790,538	10,600,100
Pittwater	57,354	980,355	444,997	1,425,352	57,944	1,033,894	467,906	1,501,800	56,920	1,051,100	482,915	1,534,015
Port Macquarie-Hastings	70,581	4,605,344	1,846,263	6,451,607	71,084	4,834,349	1,961,685	6,796,034	72,440	5,142,172	2,074,027	7,216,199
Port Stephens	63,579	3,490,002	842,299	4,332,301	63,650	3,548,236	892,286	4,440,522	64,698	3,646,180	942,789	4,588,969
Queanbeyan (C)	37,169	1,992,069	611,094	2,603,163	37,848	2,072,082	652,441	2,724,523	38,593	2,162,151	701,211	2,863,362
Randwick (C)	126,034	2,154,305	677,966	2,832,271	127,948	2,282,973	717,231	3,000,204	128,435	2,371,713	749,655	3,121,368
Richmond Valley	20,913	2,674,972	1,067,486	3,742,458	21,267	2,812,031	1,127,319	3,939,350	22,471	2,928,373	1,195,636	4,124,009
Rockdale (C)	95,341	1,629,668	583,194	2,212,862	96,409	1,720,224	614,662	2,334,886	98,070	1,810,986	646,781	2,457,767
Ryde (C)	99,550	1,701,613	658,691	2,360,304	100,351	1,790,561	692,611	2,483,172	102,609	1,894,804	730,477	2,625,281
Shellharbour (C)	63,124	3,074,323	584,330	3,658,653	63,642	3,185,654	619,375	3,805,029	64,296	3,364,921	671,816	4,036,737
Shoalhaven (C)	93,615	7,049,229	2,223,062	9,272,291	94,181	7,065,993	2,375,592	9,441,585	92,880	7,025,863	2,475,118	9,500,981
Silverton (VC)	57	22,673	-	22,673	57	23,976	-	23,976	57	25,023	-	25,023
Singleton (S)	22,270	1,727,890	843,969	2,571,859	22,538	1,815,507	892,060	2,707,567	23,258	1,895,281	943,463	2,838,744
Snowy River (S)	7,293	1,525,126	611,470	2,136,596	7,359	1,681,898	648,048	2,329,946	7,727	1,834,941	687,373	2,522,314
Strathfield (M)	31,624	540,551	192,975	733,526	32,529	580,415	205,175	785,590	34,580	638,564	220,974	859,538
Sutherland Shire (S)	215,053	3,675,909	1,500,275	5,176,184	214,030	3,818,932	1,576,925	5,395,857	213,917	3,950,244	1,645,557	5,595,801
Sydney (C)	148,367	3,128,829	792,285	3,921,114	151,920	3,450,449	848,263	4,298,712	168,682	3,774,628	941,147	4,715,775
Tamworth Regional	54,522	5,536,986	2,863,445	8,400,431	55,063	5,903,847	3,001,657	8,905,504	56,532	6,035,563	3,187,280	9,222,843
Temora (S)	6,337	1,348,968	858,566	2,207,534	6,400	1,448,579	905,799	2,354,378	5,986	1,531,667	942,767	2,474,434
Tenterfield (S)	6,805	1,788,550	1,194,325	2,982,875	6,909	1,967,529	1,260,588	3,228,117	6,834	2,107,675	1,285,512	3,393,187
Tibooburra (VC)	128	50,916	-	50,916	128	53,841	-	53,841	128	56,192	-	56,192
Tumbarumba (S)	3,613	917,026	410,766	1,327,792	3,632	990,160	433,863	1,424,023	3,672	1,064,211	454,992	1,519,203
Tumut (S)	11,347	1,712,409	564,995	2,277,404	11,388	1,881,923	597,861	2,479,784	11,238	2,035,726	625,103	2,660,829

Local Governing Body	Estimated Resident Population as at 30/6/05	2006-07 Actual Entitlement			Estimated Resident Population as at 30/6/06	2007-08 Actual Entitlement			Estimated Resident Population as at 30/6/07	2008-09 Estimated Entitlement		
		General Purpose Component	Local Roads Component	Total		General Purpose Component	Local Roads Component	Total		General Purpose Component	Local Roads Component	Total
Tweed (S)	80,935	5,636,051	1,856,689	7,492,740	81,886	5,816,817	1,973,309	7,790,126	84,325	6,024,412	2,109,196	8,133,608
Upper Hunter (S)	13,424	1,934,479	1,344,720	3,279,199	13,552	2,044,967	1,419,099	3,464,066	13,594	2,129,469	1,485,267	3,614,736
Upper Lachlan (S)	7,328	1,394,052	1,271,169	2,665,221	7,405	1,495,008	1,347,656	2,842,664	7,329	1,618,517	1,420,175	3,038,692
Uralla (S)	6,075	1,010,048	673,441	1,683,489	6,126	1,096,903	710,540	1,807,443	5,987	1,151,046	741,684	1,892,730
Urana (S)	1,389	809,508	622,417	1,431,925	1,387	847,477	656,283	1,503,760	1,286	883,602	684,044	1,567,646
Wagga Wagga (C)	58,055	5,083,143	2,194,978	7,278,121	58,802	5,538,474	2,319,931	7,858,405	60,857	5,922,715	2,464,209	8,386,924
Wakool (S)	4,836	1,401,678	1,020,344	2,422,022	4,822	1,545,760	1,076,511	2,622,271	4,416	1,664,536	1,121,546	2,786,082
Walcha	3,283	697,270	613,020	1,310,290	3,307	746,392	652,323	1,398,715	3,304	766,498	682,400	1,448,898
Walgett (S)	8,031	2,263,135	1,470,563	3,733,698	8,047	2,466,247	1,552,464	4,018,711	7,078	2,644,977	1,612,217	4,257,194
Warren (S)	3,273	887,665	717,259	1,604,924	3,252	947,356	758,814	1,706,170	2,812	1,003,793	788,418	1,792,211
Warringham	139,626	2,386,634	953,406	3,340,040	141,133	2,518,232	1,004,956	3,523,188	140,917	2,602,209	1,048,133	3,650,342
Warrumbungle (S)	10,508	2,791,739	1,718,486	4,510,225	10,466	2,981,761	1,811,169	4,792,930	10,093	3,158,780	1,889,263	5,048,043
Waverley	61,611	1,626,255	310,145	1,936,400	62,194	1,630,123	327,185	1,957,308	65,108	1,620,865	350,738	1,971,603
Weddin (S)	3,848	1,102,765	705,460	1,808,225	3,847	1,172,895	743,689	1,916,584	3,762	1,247,507	777,360	2,024,867
Wellington	8,599	1,767,649	964,030	2,731,679	8,618	1,890,736	1,016,520	2,907,256	8,250	1,991,936	1,059,261	3,051,197
Wentworth (S)	7,300	2,147,527	1,407,195	3,554,722	7,405	2,298,057	1,485,485	3,783,542	7,149	2,431,167	1,551,641	3,982,808
Willoughby (C)	63,959	1,093,255	420,934	1,514,189	65,029	1,160,311	444,558	1,604,869	68,387	1,262,852	475,298	1,738,150
Wingecarribee (S)	44,670	2,385,716	1,229,577	3,615,293	44,912	2,391,389	1,299,325	3,690,714	44,862	2,377,807	1,359,876	3,737,683
Wollondilly (S)	41,463	1,609,859	958,028	2,567,887	41,977	1,613,688	1,002,609	2,616,297	41,831	1,604,523	1,054,043	2,658,566
Wollongong (C)	192,402	11,460,692	1,620,046	13,080,738	192,131	11,590,997	1,778,431	13,369,428	195,768	11,818,627	1,795,761	13,614,388
Woollahra (M)	52,747	901,607	302,277	1,203,884	53,033	946,267	317,960	1,264,227	53,990	996,993	334,737	1,331,730
Wyong (S)	143,393	7,239,246	1,602,479	8,841,725	144,297	7,441,926	1,685,196	9,127,122	143,988	7,616,578	1,769,169	9,385,747
Yass Valley	12,936	1,465,333	911,948	2,377,281	13,075	1,481,652	962,642	2,444,294	14,112	1,504,923	1,000,569	2,505,492
Young (S)	12,035	1,689,873	893,800	2,583,673	12,126	1,820,375	946,265	2,766,640	12,535	1,944,282	997,908	2,942,190
TOTAL	6,773,615	385,938,812	150,403,831	536,342,643	6,827,065	406,050,359	158,991,890	565,042,249	6,888,501	424,015,792	166,893,787	590,909,579

Notes:

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

- * 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).
- * The source for estimated resident population as at 30 June 2007 is ABS publication *Regional Population Growth, Australia, 2006-07* (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 2008-09 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 (follow the "Commissions & Tribunals" links).

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

Local Governing Body	Urban Local Roads (km)	Non-Urban Sealed Local Roads (km)	Non-Urban Unsealed Local Roads (km)	Total Local Roads (km)
Albury (C)	333	90	58	481
Armidale Dumaresq	161	181	589	931
Ashfield (M)	91	0	0	91
Auburn	203	0	0	203
Ballina (S)	208	232	117	557
Balranald (S)	31	89	1,204	1,325
Bankstown (C)	542	0	0	542
Bathurst Regional	306	387	486	1,179
Baulkham Hills (S)	601	201	23	825
Bega Valley (S)	239	243	685	1,168
Bellingen (S)	87	211	196	495
Berrigan (S)	122	383	754	1,259
Blacktown (C)	1,042	95	15	1,151
Bland (S)	90	465	2,375	2,929
Blayney (S)	70	223	394	686
Blue Mountains (C)	561	89	70	719
Bogan (S)	56	159	1,192	1,407
Bombala	30	92	507	629
Boorowa	29	160	450	639
Botany Bay (C)	89	0	0	89
Bourke (S)	37	11	1,835	1,883
Brewarrina (S)	21	15	1,228	1,264
Broken Hill (C)	189	15	7	211
Burwood	82	0	0	82
Byron (S)	148	271	96	516
Cabonne (S)	96	453	1,270	1,819
Camden	202	134	2	338
Campbelltown (C)	536	79	2	617
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	231	313	875
Clarence Valley	340	783	965	2,087
Cobar (S)	60	75	1,546	1,681
Coffs Harbour (C)	308	283	123	714
Conargo (S)	5	510	769	1,284
Coolamon (S)	74	247	954	1,275
Cooma-Monaro (S)	89	118	726	934
Coonamble (S)	67	176	1,150	1,393
Cootamundra (S)	99	215	256	570
Corowa (S)	124	400	772	1,296
Cowra (S)	133	339	725	1,198
Deniliquin	66	31	44	141
Dubbo (C)	253	464	460	1,176
Dungog (S)	43	278	273	594
Eurobodalla (S)	293	186	423	902
Fairfield (C)	565	39	2	605
Forbes (S)	139	515	1,149	1,803
Gilgandra (S)	36	238	972	1,247
Glen Innes Severn	96	231	736	1,063
Gloucester (S)	29	163	448	640
Gosford (C)	874	107	65	1,046
Goulburn Mulwaree	206	529	369	1,104
Great Lakes	261	249	458	967
Greater Hume (S)	265	482	1,025	1,772
Greater Taree (C)	243	400	930	1,573
Griffith (C)	156	292	726	1,173
Gundagai (S)	34	249	404	687
Gunnedah (S)	117	257	969	1,344
Guyra (S)	53	264	554	871
Gwydir (S)	64	292	1,542	1,898
Harden (S)	58	300	408	767
Hawkesbury (C)	209	421	262	892
Hay (S)	46	135	596	777
Holroyd (C)	315	0	0	315
Hornsby (S)	477	100	42	619
Hunters Hill (M)	61	0	0	61
Hurstville (C)	209	0	0	209
Inverell (S)	145	314	1,311	1,770
Jerilderie (S)	24	290	684	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)	105	121	4	231
Kogarah (M)	169	0	0	169
Ku-ring-gai	441	0	0	441
Kyogle	57	211	816	1,083
Lachlan (S)	90	356	3,015	3,460
Lake Macquarie (C)	1,006	176	60	1,242
Lane Cove (M)	95	0	0	95
Leeton (S)	102	295	479	876
Leichhardt (M)	136	0	0	136
Lismore (C)	203	465	455	1,123
Lithgow (C)	215	235	424	874
Liverpool (C)	554	195	9	758
Liverpool Plains (S)	94	242	864	1,200
Lockhart (S)	94	356	1,033	1,483
Maitland (C)	351	199	35	586
Manly	105	0	0	105
Marrickville	190	0	0	190
Mid-Western Regional	185	442	1,281	1,908
Moree Plains (S)	162	485	1,993	2,640
Mosman (M)	85	0	0	85
Murray (S)	77	190	1,095	1,362
Murrumbidgee (S)	27	180	383	590
Muswellbrook (S)	94	380	106	580
Nambucca (S)	104	203	343	651
Narrabri (S)	130	334	1,650	2,114
Narrandera (S)	88	274	1,101	1,463
Narromine (S)	59	528	750	1,337
Newcastle (C)	720	19	1	740
North Sydney	143	0	0	143
Oberon	35	249	626	909
Orange (C)	207	143	51	400
Palerang	61	317	645	1,022
Parkes (S)	154	355	1,271	1,780
Parramatta (C)	519	0	0	519
Penrith (C)	722	229	12	963
Pittwater	235	0	0	235
Port Macquarie-Hastings	397	373	439	1,209
Port Stephens	324	213	66	603
Queanbeyan (C)	196	65	3	264
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	323	543	999
Rockdale (C)	262	0	0	262
Ryde (C)	313	0	0	313
Shellharbour (C)	309	29	11	349
Shoalhaven (C)	677	467	379	1,523
Singleton (S)	123	504	103	730
Snowy River (S)	59	225	458	742
Strathfield (M)	86	0	0	86
Sutherland Shire (S)	764	15	0	779
Sydney (C)	300	0	0	300
Tamworth Regional	381	648	1,928	2,957
Temora (S)	72	254	809	1,134
Tenterfield (S)	93	276	1,087	1,456
Tumbarumba (S)	40	147	286	473
Tumut (S)	89	237	237	563
Tweed (S)	426	466	186	1,078
Upper Hunter (S)	105	309	1,161	1,575
Upper Lachlan (S)	81	418	1,170	1,669
Uralla (S)	42	255	520	817
Urana (S)	50	194	637	881
Wagga Wagga (C)	494	496	1,023	2,012
Wakool (S)	37	307	930	1,274
Walcha	26	148	599	774
Walgett (S)	64	46	1,840	1,950
Warren (S)	28	287	646	960
Warringah	436	35	2	473
Warrumbungle (S)	126	457	1,693	2,276
Waverley	113	0	0	113
Weddin (S)	33	388	547	968
Wellington	97	260	889	1,245
Wentworth (S)	45	200	1,696	1,941
Willoughby (C)	202	0	0	202
Wingecarribee (S)	360	345	287	991
Wollondilly (S)	147	453	101	700
Wollongong (C)	769	84	2	855
Woollahra (M)	132	0	0	132
Wyong (S)	656	244	105	1,005
Yass Valley	72	372	598	1,042
Young (S)	112	242	719	1,072
Total	31,330	32,448	81,339	145,117

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. Clr Pangallo is a past Chair of the NSW Country Mayors Association

Appendix 2: Public hearings during 2007-08

Venue	Date
Hornsby Shire	13 February 2008
Cessnock City	13 February 2008
Gosford City	14 February 2008
Blacktown City	14 February 2008
Fairfield City	14 February 2008
Bankstown City	15 February 2008
Campbelltown City	15 February 2008
Richmond Valley	3 April 2008
Glen Innes Severn	3 April 2008
Clarence Valley	4 April 2008
Narrabri Shire	29 May 2008
Coonamble Shire	29 May 2008
Warrumbungle Shire	29 May 2008
Gilgandra Shire	30 May 2008
Corowa Shire	25 June 2008
Murray Shire	26 June 2008
Deniliquin	26 June 2008
Conargo Shire	26 June 2008
Total	18

Appendix 3: Standards used in calculation of expenditure allowances – 2008-09

Standard Costs are based on a five year average of the annual average net expenditures, per unit, by all councils in the State, using the 2002-03 to 2006-07 Financial Reports, Special Schedule 1.

1. Administration	
administration: corporate support; other support services; governance:	\$122.71
governance	
2. Aerodromes	
transport & communication: aerodromes	\$0.99
3. Aged Persons' Services	
community services & education: aged & disabled	\$1.17
4. Animal Control	
public order & safety: animal control	\$1.52
5. Cemeteries	
housing & community amenities: public cemeteries	\$0.42
6. Children's Services	
health: immunisation community services & education: family day care;	\$2.44
child care; other families & children	
7. Community Services	
community services & education: administration; education; migrant	\$9.92
services; aboriginal services; other community amenities.	
8. Cultural Facilities	
recreation & culture: museums; art galleries; public halls; other cultural	\$10.94
services	
9. Fire Control and Emergency Services	
public order & safety: fire protection; emergency services; statutory	\$14.19
contributions to fire service levy	
10. Health and Safety	
health: administration & inspection; food control; insect/vermin control;	\$9.17
health centres; other health services housing & community amenities:	
public conveniences public order & safety: enforcement of local	
government regulations; other	
11. Libraries	
recreation & culture: public libraries	\$25.19
12. Noxious Plants and Pest Control (per non-urban property)	
health: noxious plants	\$87.01

13. Planning and Building Services	housing & community amenities: town planning mining, manufacturing & construction: building control	\$19.95
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	\$68.39
15. Stormwater Drainage and Flood Control (per urban property)	housing & community amenities: environmental protection; urban stormwater drainage	\$48.34
16. Street and Gutter Cleaning (per urban property)	housing & community amenities: street cleaning	\$28.53
17. Street Lighting (per urban property)	transport & communication: street lighting	\$23.22
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.	\$11,754.10
	(b) urban length (m) per urban properties.	11.5m
	(c) cost of maintenance of bridges and culverts per network km of roads.	\$98.73
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.	\$3,582.14
	(b) sealed rural length (m) per non-urban properties.	273.6m
	(c) cost of maintenance of bridges and culverts per network km of roads.	\$215.42
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.	\$1,311.97
	(b) urban length (m) per non-urban properties.	685.7m
	(c) cost of maintenance of bridges and culverts per network km of roads.	\$65.76

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), 2006 Census, usual residents profile.
Standard:	2.11%
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 225 is used with councils whose population is greater than 20,000 receiving nil disability and those whose population is less than 1,250 receiving the maximum disability.
Source:	ABS, Regional Population Growth, Australia, 2006-07.
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, 2006 Census, usual residents profile.
Standard:	16.88%
Weighting:	0.03

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, 2006-07.
 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, 2006-07.
 Standard: 0.273
 Weighting: 0.01

Aerodromes

Net Expenditure: Aerodromes

Recognises: above average expenditure, which is generally beyond council control.
 Measure: adjusted net expenditure per capita averaged over 5 years.
 Source: Special Schedule 1 (2002-03 to 2006-07); ABS Regional Population Growth, Australia, 2006-07.
 Standard: 0.99
 Weighting: 1.0 (maximum DF of 859)

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 2006.
 Standard: 18.27%
 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 2007, (Recipients of Pensions,

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

Standard: 12.59%
 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, 2006 Census of Population and Housing, selected social and housing characteristics for statistical local areas.
 Standard: 16.07%
 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 2006.
 Standard: 6.43%
 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, 2006 Census, usual residents profile.
 Standard: 2.11%
 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, 2006 Census, usual residents profile.
 Standard: 16.88%
 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, 2006 Census, usual residents profile.
 Standard: 25.67%
 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 - 2007, (recipients of pensions, benefits and family payments), adjusted for council boundaries.
 Standard: 25.56%
 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 2006.
 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, 2006-07; Special Schedule 1, 2006-07; Regional Population Growth, Australia, 2006-07.
 Standard: 3.72
 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, 2006-07; Regional Population Growth, Australia, 2006-07.
 Standard: 0.053
 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, 2006-07; Regional Population Growth, Australia, 2006-07.
 Standard: 20.64
 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 (2002-03 - 2006-07).
 Source: NSW Rural Fire Service, 2002-03 - 2006-07.
 Standard: 2.66
 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 (2006-07).
 Standard: 8.44
 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, 2006-07.
 Standard: 6.05
 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, 2006 Census, usual residents profile.
 Standard: 16.88%
 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, 2006-07.
 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, 2007.
 Standard: 1.60%
 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 2006.
 Standard: 18.27%
 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, 2006 Census, usual residents profile.
 Standard: 16.88%
 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, 2006-07.
 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 2006 Census, usual residents profile.
 Standard: 20.12%
 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:

$$R = 39.50 + (2593.36 \times a) + (-0.00016 \times b)$$

Source: Special Schedule 1, 2005-06; ABS, Regional Statistics 2005.
 Standard: 50.86
 Weighting: 0.78 (maximum DF of 45)

Environmental Sensitivity

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

Source: Environmental Protection Authority, in consultation with the Grants Commission.

Standard: 1
 Weighting: 0.06

Heritage

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

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

Non-English Speaking Background

Recognises: additional costs of information provision.
 Measure: proportion of population born in non-English speaking countries.
 Source: ABS, 2006 Census, usual residents profile.
 Standard: 16.88%
 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, 2006-07 Rating Return.
 Standard: 2.67
 Weighting: 0.2 (maximum DF of 30)

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, 2006-07.
 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 2006.
 Standard: 33.64%
 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, 2006-07.
 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, 2006-07; Special Schedule 1, 2006-07; Regional Population Growth, Australia, 2006-07.

Standard: 8.92

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, 2006-07; ABS, Regional Population Growth, Australia, 2006-07.

Standard: 1.13

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, 2006-07.

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, 2006-07.

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, 2006-07.

Standard: 0.215

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 (maximum DF of 200)

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, 2006-07 Rating Return.
 Standard: 6.71%
 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, 2006-07.
 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, 2006-07 Rating Return; Special Schedule 1, 2003-04 - 2006-07.
 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: 2007-08 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.

Ninety-two audits have taken place since 1992-93, four during 2007-08.

The Project

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

Summary of 2007-08 Audit Results

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

The road and bridge length figures submitted by each of the councils was generally considered to be of good quality.

Appendix 10: Information data returns

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

135 Councils submitted their General Return by the due date.

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

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

Albury	Coonamble	Kyogle	Randwick
Armidale Dumaresq	Cootamundra	Lake Macquarie	Richmond Valley
Ashfield	Corowa	Lane Cove	Rockdale
Auburn	Deniliquin	Leeton	Ryde
Ballina	Dungog	Leichhardt	Shellharbour
Balranald	Eurobodalla	Lismore	Shoalhaven
Bankstown	Fairfield	Lithgow	Singleton
Bathurst Regional	Forbes	Liverpool	Snowy River
Baulkham Hills	Gilgandra	Liverpool Plains	Strathfield
Bega Valley	Glen Innes Severn	Lockhart	Sutherland
Berrigan	Gloucester	Maitland	Tamworth Regional
Blacktown	Gosford	Manly	Temora
Bland	Goulburn Mulwaree	Marrickville	Tumut
Blayney	Great Lakes	Mid-Western Regional	Tweed
Bogan	Greater Hume	Mosman	Upper Hunter
Bombala	Greater Taree	Murray	Upper Lachlan
Boorowa	Griffith	Murrumbidgee	Uralla
Botany Bay	Gundagai	Muswellbrook	Urana
Bourke	Gunnedah	Narrandera	Wakool
Brewarrina	Guyra	Narromine	Walcha
Burwood	Hastings	Newcastle	Walgett
Byron	Hawkesbury	North Sydney	Warren
Camden	Hay	Oberon	Warringah
Campbelltown	Holroyd	Orange	Weddin
Canada Bay	Hornsby	Palerang	Wellington
Carrathool	Inverell	Parkes	Willoughby
Central Darling	Jerilderie	Parramatta	Wollondilly
Cessnock	Junee	Penrith	Wollongong
Cobar	Kempsey	Pittwater	Woollahra
Coolamon	Kiama	Port Stephens	Wyong
Cooma-Monaro	Ku-ring-gai	Queanbeyan	Yass 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 five year average of the annual average net expenditure, per unit, by all councils, excluding extreme values, results in the standard cost.

Standardised revenue and expenditure

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

Unit cost

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

Units

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

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

