Queensland Local Government Grants Commission

Methodology review

General Purpose Grant
Financial Assistance Grant

Information paper

September 2011

Preface

The Queensland Local Government Grants Commission (the Commission) is an independent body whose main role is to make recommendations to the Minister for Local Government for the distribution of the untied Commonwealth's Financial Assistance Grant (FAG), to the 73 local governing bodies (councils) in Queensland, which are constituted under the Queensland *Local Government Act 2009.*

The Commission is releasing this information paper as a means of communicating the decisions that have been made in reviewing the current methodology for determining the General Purpose Grant (GPG) component of the FAG with local governments and other stakeholders.

Local government reforms in Queensland present a number of challenges for the Commission with regard to its funding methodology. The Local Government Reform Commission (LGRC) recommended in its 2007 report, that the Commission undertake a review of the funding methodology used to examine the long-term impact of the new local government structure.

The Commission released a discussion paper in September 2009 inviting comments on all aspects of the current methodology and presented alternative proposals to use as inputs. Twenty-six submissions were received and the main themes arising from these submissions are presented in Section 2.2.

The feedback received has been carefully considered by the Commission and suggestions adopted. This information paper is intended to provide details on the proposed new methodology and provides potential grant outcomes using the 2010-11 GPG allocation amount.

The Commission will conduct regional information sessions in a number of locations throughout Queensland during 2011-12 to provide an opportunity for the Commission to talk through the new methodology and how this will affect grant outcomes. These sessions will be open to all mayors and councillors, chief executive officers, council staff and other stakeholders.

The members of the Commission are listed below. All current members were appointed for a three year term in November 2010.

Mr Kelvin Spiller, Mr Carl Wulff and Cr Mark O'Brien are re-appointments having been originally appointed to the Commission in November 2007.

Kelvin Spiller	Chairperson	Director, Bevin Pty Ltd
Kathy Schaefer	Deputy Chairperson	Deputy Director-General Strategy and Governance Department of Local Government and Planning
Stuart Duncan	Member	Chief Executive Officer Northern Peninsula Area Regional Council
Cr Lyn McLaughlin	Member	Mayor Burdekin Shire Council
Cr Mark O'Brien	Member	Mayor Murweh Shire Council
Carl Wulff	Member	Chief Executive Officer Ipswich City Council

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Glossary of terms

ARIA – Accessibility/Remoteness Index of Australia
The ARIA is a geographic measure of remoteness. The indexes are derived from measures of road distance between populated localities and service centres. These road distance measures are then used to generate a remoteness score for any location in Australia.

Consolidated Data Collection Return
The Consolidated Data Collection Return is a comprehensive collection of financial data and other statistical information about key activities and functions of Queensland local governments. The data is used by several agencies for a number of different purposes including: Queensland Local Government Grants Commission and the Australian Bureau of Statistics.

The Commission – Queensland Local Government Grants Commission
The Commission is an independent statutory body that makes recommendations to the Minister for Local Government on the distribution of the Commonwealth's Financial Assistance Grant to local governments. When endorsed by the State Minister for Local Government, the Commission's recommendations are forwarded to the Commonwealth Minister for Local Government. When satisfied that all legislative requirements are met, the Commonwealth Minister approves payment.

FAG – Financial Assistance Grant
The FAG is a Commonwealth grant provided to local government each year that aims to:

- improve the financial capacity of councils
- support councils in providing residents with an equitable level of service
- support the provision of council services to Aboriginal and Torres Strait Islander communities.

It has two components, being the General Purpose Grant and Identified Roads Grant.

GPG – General Purpose Grant
The GPG is a component of the FAG. Its objectives include improving local governments' capacity to provide communities with an equitable level of services. The GPG is an untied grant.

IRG - Identified Road Grant
The IRG is a component of the FAG and is allocated to councils to assist with the maintenance of road infrastructure. As IRGs are untied grants, councils are not specifically required to spend the funds on local roads.

SEIFA - Socio-economic Indexes for areas
SEIFA indexes are rankings of geographic areas developed by the Australian Bureau of Statistics. A score is created for an area based on characteristics of people, families and dwellings collected at the Census. The indexes compare areas of relative affluence, disadvantage, educated and highly-skilled attributes.
There are four indexes:

- Relative Socio-economic Disadvantage (IRSD)
- Relative Socio-economic Advantage and Disadvantage (IRSAD)
- Economic Resources (IER)
- Education and Occupation (IEO)

Each index summarises a different set of social and economic information from the 2006 Census. These indexes for each local government area are available free on the ABS website.

Horizontal fiscal equalisation
Horizontal fiscal equalisation is one of the national principles as part of the Commonwealth legislation, *Local Government (Financial Assistance) Act 1995.* It requires that the methodology determines an average standard of service delivery.

Effort neutrality
Effort neutrality is one of the national principles as part of the Commonwealth legislation, *Local Government (Financial Assistance) Act 1995.* It means that policies of individual councils are not taken into account in terms of expenditure and revenue effort.

Executive Summary

The Queensland Local Government Grants Commission (the Commission) has completed a review of the methodology used for the allocation of the General Purpose Grant component of the Commonwealth's Financial Assistance Grant. This Information Paper details the final decisions made regarding the methodology.

The calculation for the Identified Road Grant component of the Financial Assistance Grant (FAG) has not been reviewed. The calculation for this component is based on road length and population and has not been affected by local government reform.

The Commission at all times must operate within objectives and principles of the Commonwealth legislation – the *Local Government (Financial Assistance) Act 1995*. This requires a determination on how each council operates according to the average standard of service delivery. In order to arrive at an average level of service delivery, an assessment of revenue and expenditure is carried out for each council.

It is within these areas of arriving at an assessed revenue and expenditure for each council where the most attention was paid in this review.

The Commission has sought to ensure equity of outcomes for all councils considering the diversity of councils across the state and the enormous range of issues councils face across rural, remote, Indigenous, regional centres and large urban centres in the South East. The difficulty has been to revise the methodology to provide outcomes that are equitable across different local government areas.

In the area of assessed revenue, the process brings together valuations across three valuation categories – residential, industrial/commercial and rural. Over the past five years there has been significant growth in rural valuations in many areas that do not necessarily reflect a council's capacity to raise revenue. Therefore the practice of averaging land valuations over a number of years will continue.

The other area of change in assessed revenue are the inputs used for other grant support with Roads to Recovery and Library Grant funding being removed. The removal of the Library Grant will have little impact on the assessed revenue of councils due to the small value of funding associated with this grant.

The expenditure categories used in the methodology largely remain the same, with the exception of street lighting which has been removed given the minimal impact this category has on grant outcomes. Actual expenditure on environmental factors is no longer included and has been replaced by an average amount that will be determined for each council with residential properties as the driver.

In the administration/governance expenditure category, estimated amounts have been included for basic governance functions for all councils using the Local Government Remuneration and Discipline Tribunal (LGRDT). These amounts have been added to mid-level remuneration levels for mayors, deputy mayors and councillors as an input for all councils.

By completing this review the Commission has now met the recommendation of the Local Government Reform Commission from 2007. The Commission is confident this new methodology will provide a greater balance and equity of grant outcomes across Queensland councils now and into the future.

1.0 Introduction

1.1 Financial Assistance Grant

The Financial Assistance Grant (FAG) commenced in the 1970s and is a Commonwealth grant to local governments throughout Australia. The aim of the funding is to equalise the resource capacity and expenditure differences of local government. The purpose of the grant is to supplement local government own-source revenue.

In 1990 a Special Premiers' Conference decided to untie Commonwealth local road funding and for the recommendations regarding allocation of this road funding to be responsibility of the respective State Grants Commissions. This resulted in the current two component arrangement of the grant – General Purpose Grant (GPG) and Identified Road Grant (IRG).

Both of these grants are untied and are paid quarterly. As untied grants, there are no reporting requirements associated with the expenditure of these funds.

1.2 Queensland Local Government Grants Commission

The *Local Government Act 2009* provides the legislative basis for the operation of the Queensland Local Government Grants Commission (the Commission). The Commission is an independent body and its main role is to make recommendations on the distribution of the untied Commonwealth's FAG to local governing authorities in Queensland. The operations of the Commission are funded by the state government with all funds under the FAG allocated to councils.

The Commission does not decide on the value of the funding pool. The funding amount for each State is detailed in the Commonwealth budget delivered in May of each year. When the final adjustments are made (in July each year) for corrected CPI and population growth, the Commission presents its recommendations to the State Minister for Local Government for endorsement.

Final approval is provided by the Commonwealth Minister for Local Government. This occurs during late July to early August of each year to allow for the first quarterly payment to be made in mid-August (see Appendix 1).

For the majority of local governments the funding forms a significant part of the revenue base. For some local governments it can be as high as 78 per cent of the recurrent operational revenue, while for other councils it is as low as two per cent.

1.3 New local government structure

Following the Local Government Reform Commission's recommendations in 2007 to reduce existing councils from 157 to 73, local government structural reform was completed on 15 March 2008 with the quadrennial elections.

The Local Government Reform Commission in its report presented to the Queensland Government in August 2007, made the following recommendation:

Recommendation 24

With respect to the distribution of the Financial Assistance Grants:

(a) following the March 2008 local government elections the QLGGC should undertake a review of the funding methodology to examine the long-term impact of the new local government structure, and

(b) any such review should be completed before the current four year guarantee for amalgamated councils ends.

The Commission recognises such a significant change to the structure of local government in Queensland created a need to re-examine all inputs and calculations of the GPG component of the FAG to ensure equity and fairness in grant allocation.

1.4 History of the current methodology

The current GPG methodology was introduced in 2003-04 after an extensive review. This review was undertaken at the direction of the Commonwealth government to address subjectivity and inconsistency in the use of data for grant calculation. The methodology was then phased-in over a four year period.

1.5 The need for a review

The Local Government Reform Commission report of 2007 included a recommendation on the review of the FAG. The review undertaken has examined the calculations used for the GPG. The IRG methodology has not been reviewed.

The current methodology was developed with data inputs and calculations based on the revenue capacity and expenditure needs for the former local government structure of 157 councils. It is important to note that in the existing local government environment of 73 councils, there remain 38 local governments with a population of less than 5 000 people. The most significant change arising from local government structural reform has been the creation of 31 new regional councils with five of these councils having a population less than 5 000 people. These have been important considerations in the review of the current methodology.

New local government boundaries necessitate the need to review the calculations of the GPG that include the following:

- amalgamated regional councils, associated revenue capacity and the on-going potential for reduced expenditure needs of these councils
- capacity of rural and remote councils including Indigenous local governments to meet expenditure requirements
- identification of councils with significant or above average revenue raising capacity.

The Commission has sought to develop a methodology capable of adapting to the growing potential of regional local governments to increase financial capacity, while simultaneously recognising the ongoing financial position of rural, remote and Indigenous local governments.

1.6 The legislative environment

The Commonwealth *Local Government (Financial Assistance) Act 1995* (the Act) governs the way in which the grants are to be allocated.

The legislation details the way in which the Commonwealth determines the value of the pool of available funding at a national level and how it is distributed to the states and territories.

National principles introduced with this legislation apply to the allocation process by each of the states and territories.

This Act outlines that:

> *The allocation of funds for local government purposes on a full horizontal equalisation basis is a reference to an allocation of funds that:*

(a) *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*
(b) *takes account of differences in expenditure required to be incurred by local governing bodies in the performance of their functions and in their capacity to raise revenue.*

National principles

The national principles were first introduced by the Commonwealth with the *Local Government (Financial Assistance) Act 1995.* All states and territories must comply with these principles.

The national principles relating to the allocation of General Purpose Grants under Section 9 of the *Local Government (Financial Assistance) Act 1995* are listed in Appendix 2.

The grant allocation methodology used by the Commission is underpinned and bound by this legislation and the related national principles. Changes to the grant allocation methodology must remain consistent with these principles.

1.7 Determining the grant

The methodology used to calculate the General Purpose Grant component of the FAG commences with a determination of state averages for revenue and expenditure against defined categories. In evaluating whether councils can afford to provide the state average service level, the Commission determines each council's assessed revenue and expenditure, based on state average service levels.

A council is considered to have a relative need if it cannot provide the average level of services with its own-source funding, that is, average expenditure less average revenue equates to the funding need. Those councils that have higher assessed revenue than assessed expenditure receive only the minimum grant.

> *The minimum grant is one of the national principles and is calculated as a per capita amount of 30 per cent of the General Purpose Grant. All councils commence the allocation under the General Purpose Grant with a minimum grant component which is a per capita amount. The remaining 70 per cent of the General Purpose Grant is allocated through the methodology.*

The total sum of the assessed expenditure need across all councils statewide is greater than the funding pool available. Therefore a process needs to be employed where initial grant outcomes are scaled back to match the available funding pool.

The methodology calculates assessed revenue and expenditure totals against defined categories for each local government based on state average determinations. It is important to note that these inputs consider only on-going revenue and expenditure operational factors.

The categories chosen are common to all local governments and this allows the Commission to assess the relative differences. The methodology does not include the 'once-off' or special challenges that some councils have. Determining the relativities is based on areas of commonality not of differentiation.

The financial impacts of natural disasters on individual local governments such as droughts or floods are not part of the methodology considered by the Commission. The specific funding that is available for these circumstances, for example, National Disaster Relief and Recovery Arrangements (NDRRA) funding, is not taken into account.

2.0 The review process

2.1 Background

Queensland local governments are facing unprecedented challenges with many regions experiencing economic and social changes that can place significant pressure on councils in delivering services. High population growth in some local government areas requires careful planning to ensure adequate services are provided. There are councils that have experienced population decline between 2008 and 2009 and for these councils, services still need to be provided to a declining population, which in the majority of cases is an ageing population. There are also councils with population growth above the state average of 2.7 per cent, with some councils experiencing four per cent growth (source: *ABS 3218.0 Regional Population Growth*).

In addition to these factors, the decentralised nature of Queensland's population with relatively large regional centres along the coast and population concentrated in the south east corner, contributes to a unique set of circumstances in determining an appropriate methodology for the allocation of the GPG. Many isolated and remote councils face significant challenges in delivering services to their communities. All these factors can impact on the methodology and are issues the Commission must monitor to ensure equitable outcomes.

The Commission commenced this review with a desire to examine all current methodology inputs. This has meant an examination of revenue and expenditure items to determine an average standard of service delivery and how this sits within a context of large metropolitan city, regional and shire councils, and Indigenous councils. In particular the examination of each of these categories of local governments in relation to the capacity to raise revenue was an important consideration.

A particular emphasis was given to Indigenous local governments to ascertain if the most equitable funding levels have been provided in the past. The issue for Indigenous councils will always be that road lengths are comparatively low, which is an important factor not only for the distribution of the IRG, but also for the roads assessment component of the GPG. A number of Indigenous local governments need to provide additional services to the standard suite of local government functions to relatively high population communities.

Another area for consideration was review of criteria used to determine minimum grant councils. A minimum grant council receives its entitlement as part of the initial distribution of 30 per cent of the GPG allocated on a per capita basis. The Commission wanted to ensure those local governments with above average assessed revenue raising capacity, only receive the minimum grant.

Overall the aim of the review has been to ensure simplification of the methodology so mayors councillors, chief executives and council staff can identify the areas of input and understand the process for determining grant outcomes.

2.2 Feedback from Discussion Paper

A total of 21 responses were received to the September 2009 Discussion Paper with 18 of these being from local governments. One of the general themes arising in many submissions was the need for the Commission to be able to demonstrate empirical analysis on all aspects of the methodology. In general there was agreement that the methodology needed to be simplified and easier to explain.

There was general support for more local governments to move to a minimum grant allocation. However in this instance, and in other areas of feedback, the suggestion for how this might occur would most certainly be inconsistent with the requirements of the Commonwealth legislation, such as the use of the LGRDT determinations as decision points for minimum grant councils. The legislation requires an assessment of revenue raising capacity and expenditure required at an average level of service delivery.

Overall the feedback was not uniform and in some places quite mixed with equal agreement and opposition to some suggested alternatives. On the other hand, some areas had total agreement, such as the use of the asset preservation model for assessing expenditure on roads maintenance to be included in the General Purpose Grant.

The Commission considered all feedback and has adopted suggestions made where possible and reasonable while retaining the integrity of the methodology and consistency with the governing Commonwealth legislation.

3.0 Assessing revenue raising capacity

3.1 Introduction

As stated previously, the Commonwealth *Local Government (Financial Assistance) Act 1995* requires that the Commission take into account the ‘revenue raising capacity of councils in order to deliver services at a state-wide average standard.’ The new methodology includes four revenue categories standard across all councils. These categories are unchanged from the current methodology with changes only to the process for calculating values for each category.

The revenue areas are:

- an assessed amount for rate income (refer 3.2)
- garbage charges (refer 3.3)
- other fees and charges (refer 3.4)
- other grants received (refer 3.5)

3.2 An assessed amount for rate income

It is this area of the methodology where the greatest volatility can occur in terms of grant outcomes for councils. Over recent years Queensland has seen a number of significant increases in property valuations.

Local governments have a number of revenue sources but in general across all councils, revenue from rates represents approximately 55 per cent of total operating income. Due to the significance of this, it is important the methodology accurately reflects the rate raising capacity of all Queensland local governments, as this directly influences grant outcomes. If a council is assessed as having greater revenue raising capacities, its level of grant need is reduced.

An assessment of potential rate income is based on property valuations across residential, rural and industrial/commercial land categories, as provided by Queensland’s Valuer General. It is important to note that it is not possible to use actual revenue raised from rates, as this is a policy decision of each individual council and it is better for the Commission to rely on specific data where available. If the Commission based its decisions on a council policy, it would be inconsistent with the effort neutrality National Principle, as the decision for increases in rates each year is a council policy decision.

In recent years there have been dramatic fluctuations in property valuations across the state, with some councils experiencing increases of 500 per cent, with some marked decreases also noted. The Commission views this situation as not being representative of the underlying financial capacity of councils, as higher valuations do not necessarily translate to increased capacity to raise rates. Similarly a council that experiences a significant decrease in land valuations does not necessarily reduce rate income. Therefore it is not considered appropriate to use land valuations, but rather find an alternative means of managing the impact of significant changes in land valuations.

The Grants Commission explored many different options to determine assessed rate revenue for each council. These are described below.

- **Limiting valuation increases and decreases**

One option is to limit the increase or decrease in valuations from one year to the next by a set percentage. For example, a council’s valuations for each category (residential, commercial-industrial or rural) cannot increase or decrease by more than five per cent from the previous year. While this would remove the volatility in valuations, it would also mean that over time the valuations used would be quite different from the actual valuations as provided by the Valuer General.

The Grants Commission does not consider this to be an appropriate option.

- **Limiting regional variations**

This option would group councils according to the valuation data over previous years and link councils according to similar land use patterns, the impact of the valuations within the region and the regions share of the state total valuation. The intent would be that volatility would occur only within grouped councils and therefore not affect other councils across the state.

The Commission did not adopt this option as it could prove difficult to administer and reliant on the subjectivity of grouping like councils.

- **Averaging property valuations**

In order to minimise the effects of significant changes in valuations, and primarily for those councils experiencing increases, an averaging over a period of time such as three, four or five years was explored. This may be appropriate for the majority of local governments but there are many councils that in some years experienced a 250 per cent increase in land valuations.

After examining different scenarios, the Commission decided that ten year averaging of property valuations resulted in the most equitable assessment of rate raising capacity.

The Commission has adopted a ten year averaging of property valuations.

The Commission also acknowledges that a local government's capacity to levy rates is affected by a range of socioeconomic factors within the council area. The Socio-Economic Indexes For Areas (SEIFA) is used to adjust a council's assessed rate income.

The four indexes are:

- Index of Relative Socio-economic Disadvantage (SEIFA 1)
- Index of Relative Socio-economic Advantage and Disadvantage (SEIFA 2)
- Index of Economic Resources (SEIFA 3)
- Index of Education and Occupation (SEIFA 4)

The current methodology uses only SEIFA 1; the new methodology will use SEIFA 2, 3 and 4.

New methodology

- SEIFA index 2,3, and 4 used
- ten-year averaging of property valuations issued by the Valuer-General.

3.3 Garbage charges

Garbage charges account for approximately ten per cent of all councils' income. The current methodology calculates an average occupied urban property revenue amount by dividing the state total garbage charge revenue by the number of occupied urban residential properties in Queensland. To determine each local government's garbage charge revenue, the average occupied urban revenue amount is multiplied by the council's number of occupied urban residential properties.

The Commission understands that some properties classified as rural residential properties receive a garbage collection service. This classification however is not present in all councils, so the Commission has decided to use the number of bins serviced as the unit of measure for this category.

Therefore, to ascertain an amount for each council in this category, the new methodology uses the state total revenue for garbage collection divided by the total number of bins serviced to calculate the value per bin.

State total revenue (garbage collection) / State total number of bins serviced	=	$ per bin	x	Number of bins serviced by council

New methodology

- The number of bins serviced is the driver used to calculate garbage revenue replacing residential property numbers.

3.4 Other fees and charges

The methodology calculates this revenue as a per capita amount. This is calculated by the sum of all revenue received by user fees and charges across all councils, divided by the state's population. The per capita amount is used to ascertain assessed revenue in this area for each council.

State total revenue (user fees & charges) / State total population	=	$ per capita	x	Council population

New methodology

- There are no changes to this revenue category.

3.5 Other grants received

The inclusion of council revenue from other grants that contribute to the funding of operations and maintenance is a national principle of the Commonwealth legislation and must remain part of the methodology.

In line with the desire to simplify the methodology, a reduction in the number of inputs in this area has occurred. The current and future grants included are detailed below.

	Current Method	New Method	Comments
Library Book Subsidy	100%	Not included	Negligible effect on grant outcomes; Not received by all councils
General Purpose Grant • Minimum component (previous year)	100%	100%	
Identified Road Grant	100%	50%	Commission believes that the change results in more equitable outcomes overall
Roads to Recovery Grant	50%	Not included	Not uniform across state as to application for maintenance or capital expenditure. (Can only include ongoing maintenance expenditure).
State Government Financial Aid	20%	20%	Received by Indigenous councils in lieu of rate revenue

New methodology

- Library book subsidy removed
- Roads to recovery grant removed
- Identified Road Grant component reduced from 100% to 50%
- General Purpose Grant and State Government Financial Aid (SGFA) components remain the same.

4.0 The expenditure assessment

4.1 The expenditure categories

The Commonwealth legislation requires that the differences in expenditure for local governments across the State are taken into account. The following expenditure categories used in the methodology are considered to be common for all councils:

- administration (refer 4.2)
- public order and safety (refer 4.3)
- education, health, welfare and housing (refer 4.4)
- garbage/recycling (refer 4.5)
- community amenities, recreation, culture and libraries (refer 4.6)
- building control and town planning (refer 4.7)
- business and industry development (refer 4.8)
- roads assessment (refer 4.9)
- environment (refer 4.10).

Financial data collected from local governments through the annual data return gives the Commission state expenditure totals for each of these categories. These state totals are then divided by items such as total state population to determine per capita amounts that form the basis for each councils category expenditure. Cost adjustors are then applied to account for service delivery differences across the state.

The categories have remained largely unchanged except for street lighting (refer 4.11) and environment (refer 4.10) and transport which are discussed below.

The cost adjustor process is discussed at section 4.12.

4.2 Administration

The calculations used in the administration expenditure under the current methodology are considered complex and no longer representative of the new local government structure. The starting point in the current methodology is a fixed input (termed the admin constant) to represent the costs of establishing a council. Geographical size, population and property numbers of the council are then factored in to the formula.

The calculations in the new methodology attempt to simplify the formula and use LGRDT determinations as a representation of essential council administration costs. State net transport expenditure has been removed from the environment and transport category and is now included in Administration. The Commission considered that the ongoing use of actual expenditure was inconsistent with the National Principles and therefore moved to a formula similar to other expenditure categories.

The administration component is based on state averages and not on actual expenditure by local governments.

Administration costs are calculated as a total of the following three components:

1. Remuneration category actual expenditure (mayor, deputy mayor and councillors remuneration mid-point); plus CEO, CFO, PA/admin staff, audit expenditure.
2. 75 per cent of remaining state total administration expenditure divided by state population and multiplied by council population ($365.40 per capita (75 per cent) in 2010-11)

3. 25 per cent of remaining state total administration expenditure divided by state total number of properties and multiplied by total number of council properties* ($363.70 per property (25 per cent) in 2010-11)

*Population data is used instead of property numbers for Indigenous local governments.

The following table shows the data used for part one of this calculation. The table contains midpoint remuneration ranges from the LGRDT and estimates of administration expenditure in the listed categories of audit, CEO, CFO, PA/admin provided by Queensland Treasury Corporation (QTC).

Category	**LGRDT**			**QTC Estimates**				
	Councillors (Total for all)	Mayor	Deputy Mayor	Audit	CEO	CFO	Admin/PA	**Total Governance Expenditure**
Special	126,560	60,115	37,965	25,000	130,000	100,000	45,000	**524,640**
1	63,280	50,625	22,145	35,000	143,000	110,000	47,250	**471,300**
2	101,240	63,280	31,640	45,000	157,300	121,000	49,613	**569,073**
3	227,820	75,935	45,880	65,000	173,030	133,100	52,093	**772,858**
4	313,260	91,755	61,700	75,000	190,333	146,410	54,698	**933,156**
5	680,300	110,740	77,520	137,500	209,366	161,051	57,433	**1,433,910**
6	987,180	129,725	91,755	200,000	230,303	177,156	60,304	**1,876,423**
7	1,139,040	151,875	105,990	250,000	253,333	194,872	63,320	**2,158,429**
8	1,271,940	174,020	120,230	425,000	278,667	214,359	66,485	**2,550,701**
9	1,385,820	193,005	132,890	500,000	306,533	235,795	69,810	**2,823,853**
Brisbane	3,002,610	230,000	160,000	600,000	400,000	250,000	73,300	**4,715,910**
Torres Strait	537,880	60,115	37,965	25,000	130,000	100,000	45,000	**935,960**

New methodology

- Administration constant and geographical size has been replaced with Remuneration Tribunal category actual expenditure for each category of local government.
- Transport expenditure included.

4.3 Public order and safety

There is no change for this category which is calculated by dividing the state total expenditure for public order and safety by the state total population and multiplying by council population.

In 2010-11, the amount for each council was $27.10 per capita.

New methodology

- There are no changes to this expenditure category.

4.4 Education, health, welfare and housing

There is no change to the calculation for this category. It is calculated by dividing the state total expenditure for education, health, welfare and housing by the state total population, then multiplying by council population.

In 2010-11, the amount for each council was $25.10 per capita.

New methodology

- There are no changes to this expenditure category.

4.5 Garbage/recycling

As outlined in the revenue section, over the past three years, the Commission has received many comments from councils that rural residential properties require garbage collection and should therefore be included in the methodology. The lack of uniformity of this land classification across the state meant the Commission has moved to ‘number of bins serviced’ as the driver for this category.

State total expenditure for garbage/recycling divided by state total number of bins serviced, multiplied by council number of bins serviced. For Indigenous local governments, population is used rather than number of bins serviced.

In 2010-11, the amount for each council was $161.90 per bin serviced.

New methodology

- The number of bins serviced is the driver used to calculate expenditure instead of residential property numbers.
- For Indigenous local governments, population is used rather than number of bins serviced.

4.6 Community amenities, recreation, culture and libraries

There is no change to the calculation for this category. It is calculated by dividing the state total expenditure for community amenities, recreation, culture and libraries by state total population, and multiplying by council population.

In 2010-11, the amount for each council was $187.60 per capita.

New methodology

- There are no changes to this expenditure category.

4.7 Building control and town planning

There is no change to the calculation for this category. It is calculated by dividing the state total expenditure for building control and town planning by the state total residential properties multiplied by council residential properties. For Indigenous local governments, population is used rather than residential properties.

In 2010-11, the amount for each council was $193.60 per residential property.

New methodology

- There are no changes to this expenditure category.
- For Indigenous local governments, population is used rather than residential properties.

4.8 Business and industry development

There is no change to the calculation for this category. It is calculated by dividing the state total expenditure for business and industry development by the state total population and multiplying by council population.

In 2010-11, the amount for each council was $50.26 per capita.

New methodology

- There are no changes to this expenditure category.

4.9 Roads assessment

There is no change to the calculation for this category. The roads assessment expenditure for each local government is according to base costs per kilometre, considering traffic volumes against rural and urban roads. The Commission seeks advice from the Department of Transport and Main Roads on a regular basis for these base costs, which include an allowance for gravel availability and cartage.

The base costs are adjusted for soil sub-grade, terrain, climate and locality on-costs that are relevant for each council.

The previous methodology capped the final expenditure totals at five percent (increase or decrease) to the previous year's assessment. This capping has been removed to ensure road assessment expenditures are equitable and reflective of changes in councils' road network.

New methodology

- The 5% capping on variations in road expenditure has been removed to ensure that the road assessment expenditures are equitable and reflective of changes in councils' road network.

The following tables show the base costs and cost adjustors applied in the roads expenditure assessment:

Rural roads

Standard	Traffic volume range (adjusted vehicles per day)	Base cost $/km	Climate		Soil sub-grade	Locality on-cost		Terrain		
			Favourable (TI -50)	Adverse (TI +100)	MR reactive	<1.0p/km^2	<0.1p/km^2	Undulating	Hilly	Mountainous
Unformed		$250	0%	25%	0%	5%	10%	2%	5%	0%
Formed	<40	$500	0%	20%	0%	5%	10%	2%	5%	0%
Paved	40–150	$2 300	0%	20%	10%	5%	10%	2%	5%	0%
Sealed 4/8	150–250	$4 650	-10%	15%	10%	2.5%	5%	2%	5%	10%
6/8	250–1000	$6 600	-7.5%	10%	10%	2.5%	2.5%	2%	5%	10%
7/10	1000–3000	$8 100	-7.5%	10%	10%	2.5%	2.5%	2%	5%	10%
8/12	>3000	$11000	-7.5%	10%	10%	2.5%	2.5%	2%	5%	10%

Urban roads

Traffic volume range (adjusted vehicles per day)	Base cost $/km	Climate		Soil sub-grade	Locality on-cost		Terrain		
		Favourable (TI -50)	Adverse (TI +100)	MR reactive	<1.0p/km^2	<0.1p/km^2	Undulating	Hilly	Mountainous
<500	$8 500	-7.5%	10%	5%	2.5%	2.5%	0%	2%	5%
500–1000	$15 500	-7.5%	10%	5%	2.5%	2.5%	0%	2%	5%
1000–5000	$25 400	-7.5%	10%	10%	2.5%	2.5%	0%	2%	5%
5000–10 000	$41 800	-7.5%	10%	10%	2.5%	2.5%	0%	2%	5%
>10 000	$66 700	-7.5%	10%	10%	2.5%	2.5%	0%	2%	5%

Light to medium trucks, two axles = 1 vehicle
Heavy rigid and/or twin steer tandem = 2 vehicles
Semi-trailers = 3 vehicles
B-doubles = 4 vehicles
Road trains = 5 vehicles

4.10 Environment

The current methodology uses actual expenditure for each local government in this category, including transport costs. Variations by councils in the expenditure as recorded in the annual consolidated data return, would result in significant differences to individual grant outcomes. Transport expenditure is now part of the administration category.

The Commission considered that the ongoing use of actual expenditure was inconsistent with the national principles and therefore moved to a formula similar to other expenditure categories. The Administration component is based on state averages and not on actual expenditure by local governments.

Expenditure is calculated by dividing the state total expenditure for environment by the state total number of properties, and multiplying by council number of properties. For Indigenous local governments, population data is used rather than total properties.

In 2010-11, the Environment amount for each council was $31.90 per residential property.

New methodology

- The calculations for this are based on the average cost per property with Indigenous local governments using population as the driver.

4.11 Street lighting

This category has been removed. It is acknowledged that street lighting is a substantial expenditure item for many local governments. The inclusion of this category in the methodology, however, made little difference to the overall grant outcomes. The Commission therefore made the decision to remove the category in the interests of simplifying the methodology.

This category has been removed in the new methodology.

New methodology

- Age determinations now include Indigenous over the age of 50
- New calculations result in a score for each council on a sliding scale between one-and-two.

4.12 Cost adjustors

A significant part of the methodology is the application of cost adjustors. These are indices that adjust the expenditure totals for each local government in recognition of the additional costs in delivering core services and reflect factors outside council's control.

4.12.1 Cost adjustors that have been retained

Demography: Represents the additional use of facilities and increased service requirements due to the composition of the population according to age and Indigenous descent.

These are calculated on a sliding scale from one-to-two reflecting the proportion of Indigenous, aged and young residents. The categories are:

- over 65 years of age
- Indigenous, over 50 years of age (new category)
- under 19 years of age
- Indigenous.

New methodology

- Age determinations now include Indigenous over the age of 50
- New calculations result in a score for each council on a sliding scale between one-and-two.

Location: represents the additional costs in the provision of services wholly related to where the council is located and is based on the Accessibility/Remoteness Index for Areas (ARIA). ARIA is an index of remoteness derived from measures of road distance between populated localities and service centres. A continuous score of remoteness is generated for any location in Australia. ARIA+ is the standard Australian Bureau of Statistics (ABS) endorsed measure of remoteness.

The current methodology uses Construction Cost Index as part of the location cost adjustor. This has been removed due to inconsistency and unsuitability of the data available.

New methodology

- This cost adjustor is based on accessibility/remoteness index for areas with the removal of the use of the construction cost index.

Scale: recognises economies of scale. It is generally accepted that smaller councils incur additional costs per unit of service and larger ones incur lower costs. The formula used in the current methodology to calculate this cost adjustor uses a sliding scale based on a threshold population of 10 000.

In order to make this cost adjustor reflective of movements in population, the new calculation involves a sliding scale from one-to-two, based on the average local government population. The state total population is divided by number of councils (73).

Therefore local governments with higher than average council population receive a cost adjustor of one, providing no advantage. Councils below the average population are scored on a scale from one-to-two, reflecting population, with two being the smallest local government population in the state.

This means that the calculations for this cost adjustor are based around a dynamic average rather than a fixed threshold.

New methodology

- The 'average' size council is determined in terms of population
- Those councils above average size do not receive a cost adjustor benefit
- Councils below average size receive a score based on a sliding scale.

4.12.2 Cost adjustors that have been removed

Dispersion: Represents the additional costs on local governments that have a number of population centres in a sparse area to service, rather than one main centre. It reflects the impact of the number of townships in a local government area and its population density.

The calculations were based on a population density logarithm with low density having a higher weighting. Multiple towns within a local government area received 0.5 per cent increase in expenditure for each additional town.

This cost adjustor was removed due to unavailability of reliable data.

New methodology

- This cost adjustor was removed.

Growth: An adjustment is made for local governments experiencing above average population growth or negative growth, to recognise additional expenses incurred.

- Higher than average growth – expenditure increased by amount in excess of average growth
- Negative growth – expenditure increased by positive amount of negative growth

This cost adjustor was removed as the Commission considered positive growth results in significant injection of capital expenditure rather than operational expenditure. In addition, the adjustor made little difference to grant outcomes and was overly complex to calculate and apply.

New methodology

- This cost adjustor was removed.

Urban density: Represents the additional costs borne by high-density residential areas to obtain the average level of amenity and higher maintenance expenditure on infrastructure due to higher levels of use.

- amount of urban population density in excess of 90 per cent
- increase to expenditure of three times difference to a maximum of 30 per cent.

This cost adjustor was removed as the Commission felt that this impact on expenditure was minimal and could result in inequities in expenditure assessments.

New methodology
- This cost adjustor was removed.

Non-resident service expenditure: Reflects the increase in costs faced by local governments in providing services and facilities regularly used by non-residents. This is determined by comparing the number of people working in a local government area with the number of employed people living in the area.

- Non-resident service expenditure per cent above state average employed persons – employed residents ratio capped at 1.50

This cost adjustor was removed as the Commission considered that this impact on expenditure varies significantly across the state and to a large extent is no longer a factor given the new local government structure.

New methodology
- This cost adjustor was removed.

Tourism: Recognises the additional costs caused by overnight visitors and day-trippers on a council's facilities and services.

This cost adjustor was removed as reliable data is difficult to obtain by local government area.

New methodology
- This cost adjustor was removed.

The expenditure categories, units of measure and cost adjustors are outlined in the table below.

Service expenditure category	Unit of measure	Services cost adjustors		
		Scale	Demography	Location
Administration	Remuneration category actual $ + $365.40 per capita (75%) + $363.70 per property (25%) *	yes		yes
Public order and safety	$27.10 per capita	yes	yes	yes
Education, health, welfare and housing	$25.10 per capita	yes	yes	yes
Garbage / recycling	$161.90 per bin serviced *	yes		yes
Community amenities, recreation, culture & libraries	$187.60 per capita	yes	yes	yes
Building control and town planning	$193.60 per residential property *	yes		yes
Business and industry development	$50.26 per capita	yes		yes
Roads **	Assessed expenditure	yes		yes
Environment	$31.90 per residential property *	yes		yes

* Indigenous population used instead of property numbers/bins serviced
** On-cost factors used in the road assessment are shown in the tables on page 15

After the application of cost adjustors, assessed expenditure for each category is higher than the state actual expenditure for that category. Therefore to maintain the balance between the categories, the expenditure categories are scaled back proportionally to the actual expenditure totals. This is often referred to as 'natural weightings' and is an important aspect of the methodology to reflect actual state expenditure patterns.

5.0 Scaling back: Matching available funding

5.1 Overview

The process to adjust initial grant outcomes to match available funding is the final step in the methodology and could be argued to be the most important. To this point the methodology has considered assessed expenditure and assessed revenue for each council based on the state average level of service.

For the 2010-11 grant calculation, the overall assessed expenditure was valued at $5.8 billion and the assessed revenue was valued at $4.02 billion. The resulting difference is the raw grant, which in 2010-11 was approximately $1.8 billion. The 2010-11 Commonwealth allocation was $288 million and after each council was allocated the minimum grant (30 per cent of GPG) approximately $201 million remained to meet the remaining raw grant need.

The following diagram illustrates the process up to this point in the methodology and the next steps to match the initial grant outcomes against the available funding pool.

Assessed expenditure	less	**Assessed revenue**	=	**Raw grant**
• based on state averages • cost adjustors used to allow for local characteristics		• revenue raising capacity based on state averages		• determines the share of the grant pool the council receives • must be scaled back to match the available funding

5.2 Scaling back

The scaling back that occurs within the methodology is based on two processes; proportional and equalisation.

Under the proportional method, each council's funding is reduced by the same proportion.

Under the equalisation method, the General Purpose Grant is allocated so that assessed revenue together with the grant equals the same proportion of assessed expenditure for all deficit councils, that is, where assessed expenditure exceeds assessed revenue.

The current methodology uses a combination of both methods, with a 25 per cent weighting given to the proportional method and 75 per cent weighting given to the equalisation method.

The following table illustrates the scaling back process under the proportional method.

Council A		Council B		Council C	
Assessed revenue	$500,000	**Assessed revenue**	$1,500,000	**Assessed revenue**	$4,000,000
Assessed expenditure	$2,000,000	**Assessed expenditure**	$3,000,000	**Assessed expenditure**	$5,000,000
Assessed GPG need	$1,500,000	**Assessed GPG need**	$1,500,000	**Assessed GPG need**	$1,000,000
GPG grant allocation	$750,000	**GPG grant allocation**	$750,000	**GPG grant allocation**	$500,00

The illustration above assumes there is exactly half of the General Purpose Grant (GPG) funds (net of the minimum grant) available to meet assessed deficits for all councils – 50 per cent.

This proportional method of scaling back is simple and tends to favour local governments with a large funding deficit. As this method does not completely meet the requirements of the national principle of horizontal fiscal equalisation, a 25 per cent weighting is given to this scaling back option.

The equalisation method is given a 75 per cent weighting. It calculates the value of the grant required, in conjunction with assessed revenue, to finance a percentage of assessed expenditure needs equal to that financed in other councils.

For example, assuming the GPG pool (net of the minimum grant) is sufficient to bring each local government up to 80 per cent of its assessed expenditure, the GPG allocations ensure that assessed revenue plus the GPG equates to 80 per cent of assessed expenditure. Examples using the equalisation method are detailed below.

Council A				
Assessed revenue $500,000	Plus	$1,100,000 **GPG grant allocation**	=	$1,600,000 or 80% of $2,000,000 **Assessed expenditure**.
Council B				
Assessed revenue $1,500,000	Plus	$900,000 **GPG grant allocation**	=	$2,400,000 or 80% of $3,000,000 **Assessed expenditure**
Council C				
Assessed revenue $4,000,000	Plus	$0 **GPG grant allocation** (other than minimum grant)	=	$4 million, or 80% of $5,000,000 **Assessed expenditure**

The Commission in the new methodology has moved to an equal weighting of proportional and equalisation – 50 per cent to proportional and 50 per cent to equalisation. This is seen as another way of simplifying the methodology and producing more equitable outcomes.

The current methodology also includes a regression step, which is a statistical tool for developing averages based on more than one variable. The current methodology averages grant outcomes against road length and population.

The intention of the regression step is that if there are two councils with similar populations but different road lengths, this step will reduce the gap in grant outcomes. The Commission considers that this averaging step diminishes the significance of the assessed revenue and expenditure categories and should be removed.

New methodology

- Scaling back formula now based on 50% proportional, 50% equalisation
- Regression step (averaging based on road length and population) was removed.

6.0 Grant outcomes: Capping

The Grants Commission utilises capping for all grant outcomes under the General Purpose Grant. The capping process limits the value of any increases experienced by any individual local governments.

The Grants Commission determines a capping percentage from year to year. The cap, expressed as a per cent, is determined by the Commission when it is aware of the range of volatility in the raw grant outcomes.

Capping has been part of the Commission's annual review and determination process for a number of years.

The cap utilises the comparative outcomes from the previous year. In some circumstances, the Commission adjusts the comparative data to ensure equitable outcomes for all local governments. An example of this is the outcomes from the audits of road related data, where the comparative data is adjusted to ensure the capping process takes account of the adjustment to the underlying data.

7.0 Grant outcomes: New methodology

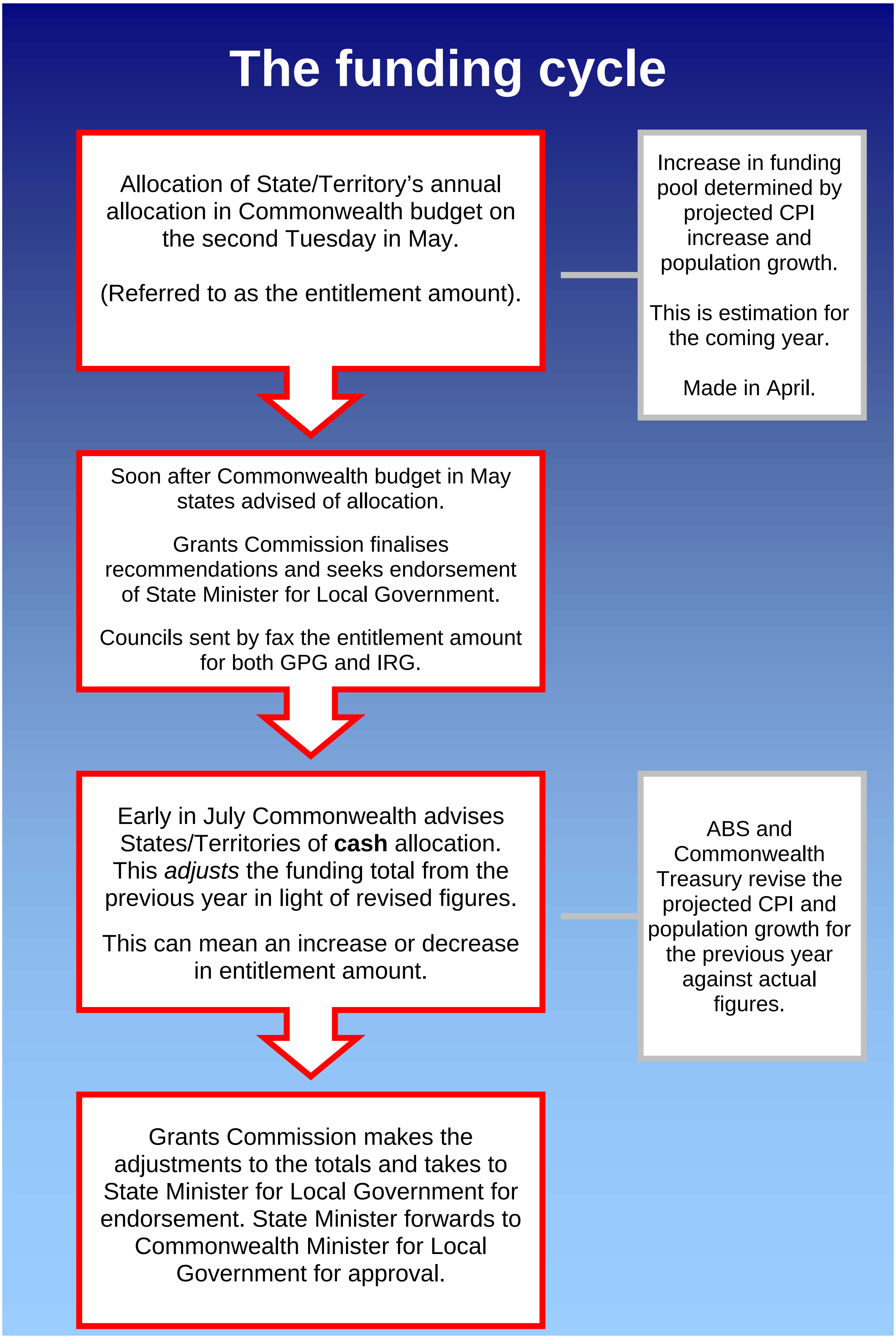
The following table shows the new methodology indicative grant outcomes for 2011-12 compared to the current methodology outcomes from 2010-11.

Council	Current methodology – 2010-11 GPG Entitlement	New methodology – 2011-12 GPG entitlement	% difference
Balonne	3,349,781	3,652,602	9%
Banana	5,036,605	5,747,875	14%
Barcaldine	5,470,826	5,430,923	-1%
Barcoo	2,375,748	2,658,466	12%
Blackall-Tambo	2,921,850	2,900,539	-1%
Boulia	2,284,509	2,043,491	-11%
Brisbane	20,780,009	21,471,370	3%
Bulloo	2,979,598	3,402,216	14%
Bundaberg	5,388,784	5,673,943	5%
Burdekin	1,756,591	2,005,741	14%
Burke	2,114,360	2,414,255	14%
Cairns	3,602,337	3,575,843	-1%
Carpentaria	3,222,211	3,627,732	13%
Cassowary Coast	2,066,923	2,358,814	14%
Central Highlands	7,180,405	7,128,032	-1%
Charters Towers	4,806,944	5,296,842	10%
Cloncurry	2,928,559	3,343,937	14%
Cook	5,192,074	5,928,502	14%
Croydon	1,742,761	1,989,949	14%
Diamantina *	4,165,452	2,003,890	-52%
Etheridge	2,273,073	2,595,478	14%
Flinders	2,970,345	3,391,650	14%
Fraser Coast *	4,887,467	4,071,332	-17%
Gladstone	4,446,631	4,998,839	12%
Gold Coast	10,169,386	10,618,495	4%
Goondiwindi	5,172,064	5,134,340	-1%
Gympie	3,870,834	3,842,601	-1%
Hinchinbrook	1,090,163	1,244,789	14%
Ipswich	3,657,291	3,383,437	-7%
Isaac	4,961,141	4,924,955	-1%
Lockyer Valley	2,006,660	2,290,041	14%
Logan	5,996,326	5,702,226	-5%
Longreach	5,310,504	5,707,436	7%
Mackay	4,442,521	4,410,118	-1%
Maranoa	9,531,137	10,343,935	9%
McKinlay	2,750,312	3,140,408	14%
Moreton Bay	7,753,303	7,691,464	-1%
Mount Isa	2,585,323	2,952,018	14%
Murweh	4,155,093	4,689,994	13%
North Burnett *	7,826,392	6,561,380	-16%
Paroo	3,288,573	3,627,931	10%
Quilpie	3,080,310	3,517,212	14%
Redland	2,990,713	2,873,821	-4%
Richmond	2,193,077	2,504,136	14%

Council	Current methodology – 2010-11 GPG Entitlement	New methodology – 2011-12 GPG entitlement	% difference
Rockhampton	6,691,558	6,642,751	-1%
Scenic Rim	2,130,370	2,114,831	-1%
Somerset	2,158,617	2,142,873	-1%
South Burnett	6,299,965	6,254,014	-1%
Southern Downs	5,572,628	6,359,595	14%
Sunshine Coast	6,815,670	6,658,654	-2%
Tablelands	7,297,260	7,244,035	-1%
Toowoomba	10,085,083	11,299,029	12%
Torres	2,428,900	2,775,446	14%
Townsville	4,738,700	4,703,848	-1%
Western Downs	12,391,692	13,772,779	11%
Whitsunday	2,759,177	3,148,828	14%
Winton *	4,736,080	3,760,594	-21%
Aurukun	1,397,363	1,596,734	14%
Cherbourg	321,052	366,859	14%
Doomadgee	765,306	874,497	14%
Hope Vale	735,815	647,419	-12%
Kowanyama	959,481	1,096,376	14%
Lockhart River	894,366	1,021,970	14%
Mapoon	724,093	827,404	14%
Mornington	1,577,413	1,745,865	11%
Napranum	611,946	699,255	14%
Northern Peninsula Area	2,494,756	2,850,698	14%
Palm Island	685,187	782,947	14%
Pormpuraaw	771,992	882,137	14%
Torres Strait Island	7,099,993	8,112,991	14%
Woorabinda	291,279	332,837	14%
Wujal Wujal	266,997	305,091	14%
Yarrabah	503,085	574,863	14%
Total	290,980,790	302,468,218	

* The decrease in General Purpose Grant for these councils is due to audited road data

Appendix 1


The funding cycle
Allocation of State/Territory's annual allocation in Commonwealth budget on the second Tuesday in May.
(Referred to as the entitlement amount).
Increase in funding pool determined by projected CPI increase and population growth.
This is estimation for the coming year.
Made in April.
Soon after Commonwealth budget in May states advised of allocation.
Grants Commission finalises recommendations and seeks endorsement of State Minister for Local Government.
Councils sent by fax the entitlement amount for both GPG and IRG.
Early in July Commonwealth advises States/Territories of **cash** allocation. This *adjusts* the funding total from the previous year in light of revised figures.
This can mean an increase or decrease in entitlement amount.
ABS and Commonwealth Treasury revise the projected CPI and population growth for the previous year against actual figures.
Grants Commission makes the adjustments to the totals and takes to State Minister for Local Government for endorsement. State Minister forwards to Commonwealth Minister for Local Government for approval.

Appendix 2

The National Principles relating to the allocation of General Purpose Grants under Section 6 of the *Local Government (Financial Assistance) Act 1995* are listed below.

A. Horizontal equalisation

General Purpose Grants will be allocated to local governing bodies, as far as practicable, on a full horizontal equalisation basis. This is a basis that ensures that each local governing body in the state/territory is able to function, by reasonable effort, at a standard not lower than the average standard of other local government bodies in the state. It takes account of differences in the expenditure required of councils and capacity of councils to raise revenue.

Comment: This principle forms the basis of the methodology by taking into account assessed revenue and expenditure and determining an average standard of service delivery. Defining the average standard of service delivery is inherently difficult in a state, such as Queensland, that has a diverse mix of councils with great disparity of population and differences in economic environments and other factors.

B. Effort neutrality

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

Comment: The effort neutrality principle requires the Commission to develop a methodology that does not consider an individual council's capacity to raise revenue through policy-based methods such as parking fines, but instead maintains a higher order examination of revenue and expenditure.

C. Minimum grant

The minimum general purpose grant allocation requires that each council will receive a per capita minimum amount. This is calculated by taking 30 per cent from the annual General Purpose Grant funding pool and dividing by the states population which gives a per capita amount. Each council then receives a per capita amount as a starting base. The remainder 70 per cent is allocated according to the methodology.

Comment: There are some local governments that according to the methodology have above average capacity to meet expenditure needs and receive only the minimum grant.

D. Other grant support

Other relevant grant support provided to local governing bodies to meet any expenditure needs should be taken into account.

Comment: These are grants provided by either the state or Commonwealth government and are considered revenue inputs into the methodology.

E. Aboriginal Peoples and Torres Strait Islanders

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

Comment: This requires the Commission to allow for the needs of Aboriginal and Torres Strait Islander people in relation to both expenditure requirements and revenue raising capacity of councils.

F. Identified Road Grant

The Identified Road Grant component of the Financial Assistance Grants should be allocated to local governing bodies to assist with the maintenance of road infrastructure.

Comment: This national principle is included to ensure that a separate allocation of funding occurs in each state and territory for the Identified Road Grant.

G. 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.

Comment: This is the latest addition to the national principles and was proclaimed in the legislation on February 7 2006. The purpose of this principle is to assure amalgamated councils that the base level of the grant for a four-year period will not decrease to pre-amalgamation levels. This assurance assists with councils' budgeting forecasts.