

Victoria Grants Commission

2017-18 Individual Council Report  
**Melton City Council**



## Victoria Grants Commission

### Role

The role of the Victoria Grants Commission is to determine the allocation of financial assistance grants provided by the Commonwealth Government to Victorian councils.

All of the funds allocated by the Commission are distributed on a formula basis and all funds are united, which means that councils are able to determine how they are to be used.

The Commission allocates funds in two streams – general purpose grants and local roads funding.

### Legislation

The Victoria Grants Commission is an independent statutory body established under the *Victoria Grants Commission Act 1976* (State legislation).

The *Local Government (Financial Assistance) Act 1995* (Commonwealth legislation) makes provision for the allocation of financial assistance grants by Local Government Grants Commissions to their respective councils in each State and the Northern Territory. The Act also provides for a set of national distribution principles which guide each of the Local Government Grants Commissions in the allocation of funds to councils.

### The Commission

The Victoria Grants Commission comprises a Chairperson and two other Members, all of whom are part-time.

The current membership of the Commission is as follows:

|             |                 |
|-------------|-----------------|
| Chairperson | John Watson     |
| Member      | Michael Ulbrick |
| Member      | Julie Eisenbise |

The Commission is supported by staff from Local Government Victoria, within the Department of Environment, Land, Water & Planning.

The current staff members are:

|                                    |
|------------------------------------|
| Colin Morrison (Executive Officer) |
| Brendan Devlin                     |
| Nada Bagaric                       |

All funds provided by the Commonwealth are distributed to councils, with all of the Commission's operating costs being met by the Victorian Government. These costs include staff salaries, accommodation, Members' sessional fees, travel and consultancies.

### Consultation

The Victoria Grants Commission has an extensive program of consultation with councils and other interested parties.

The Commission visits all councils, other than those receiving a minimum grant, once every four years. The purpose of these visits is to provide Councilors and staff with a detailed overview of the Commission's role and allocation methodology and how grant outcomes are determined. These meetings also help the Commission to improve its understanding of the issues facing individual councils.

A group meeting with those councils receiving a minimum grant is also held once every four years.

The Commission conducts an annual series of regional information sessions, to which all councils are invited. These are generally held in late August/early September and follow the finalisation of grant outcomes for that year.

### Submissions

All councils are invited to make written submissions to the Commission about any aspect of the allocation methodology. Submissions can be made at any time, but should be with the Commission by the end of February to ensure they can be considered for the following year's allocation.

### Information Return

The Commission distributes a data return to all councils in August each year, with a return date of early November. The data provided in this return is used by the Commission in determining grant allocations, but is also used by a number of other parties including the Australian Bureau of Statistics.

### Other Information

Information about the Victoria Grants Commission, including key reports and information papers, is available on the Commission's website.

### Contact the Commission

|       |   |
|-------|---|
| Tel   | 03 9948 8530  |
| Email | <a href="mailto:local.government@delwp.vic.gov.au">local.government@delwp.vic.gov.au</a>  |
| Web   | <a href="https://www.localgovernment.vic.gov.au/council-funding-and-grants/victoria-grants-commission">https://www.localgovernment.vic.gov.au/council-funding-and-grants/victoria-grants-commission</a> |

## Allocations 2017-18

### Victoria

An initial estimate of the funds available is provided in the Federal Budget in May each year, and a revised estimate is determined in July. The 2017 Federal Budget confirmed that indexation of the national funding pool would resume in 2017-18.

General purpose grants are allocated between the States and Territories on the basis of their relative population shares, with Victoria receiving 25.3% of the Australian total in 2017-18. Each State and Territory receives a fixed share of the local roads grants pool, with Victoria receiving 20.6% of the available grants.

#### Allocation 2017-18 : Victoria

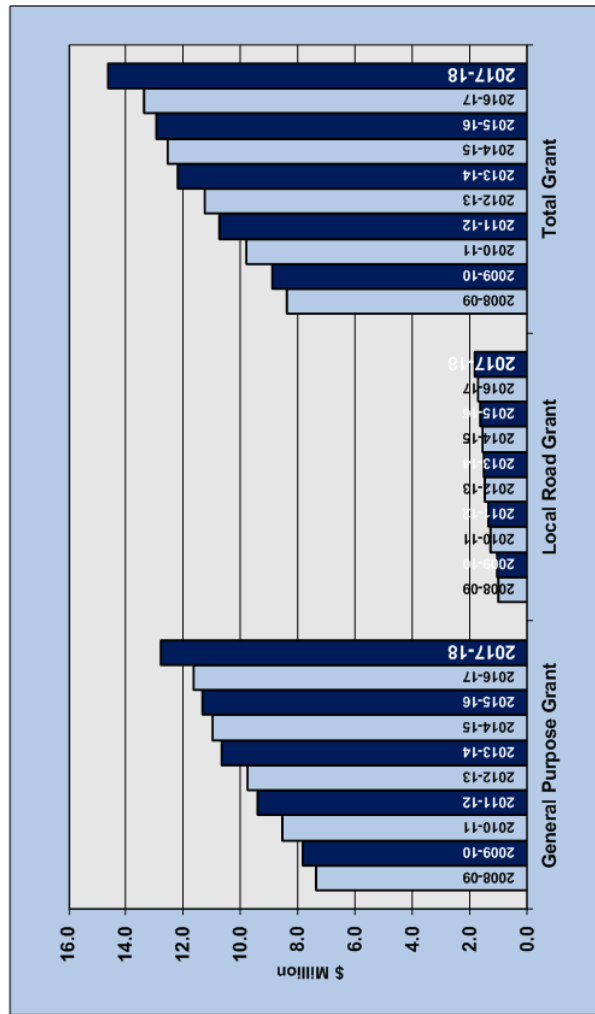
|                         |                     |
|-------------------------|---------------------|
| General Purpose Grants  | \$ 415,741 m        |
| Local Roads Grants      | \$ 150,031 m        |
| <b>Total Allocation</b> | <b>\$ 565,772 m</b> |

#### Allocation 2017-18 : Melton City Council

|                         |                    |
|-------------------------|--------------------|
| General Purpose Grants  |                    |
| - Formula Allocation    | \$ 12,795 m        |
| - Natural Disaster      | \$ 0 m             |
| Local Roads Funding     | \$ 1,825 m         |
| <b>Total Allocation</b> | <b>\$ 14,620 m</b> |

Details of the 2017-18 allocations for all councils can be found on page 14.

Ten-Year Trend : Melton City Council



## Payments 2017-18

### Underpayments

The Commonwealth has determined that the 2016-17 allocations to Victoria were underestimated, as a result of an underestimation of Victoria's share of national population as at 31 December 2015.

As a result, the "cash payments" for 2017-18 are \$8.141 million more than the amounts allocated for that year.

### Cash Payments 2017-18 : Victoria

|                            |                     |
|----------------------------|---------------------|
| General Purpose Grants     | \$ 415.741 m        |
| Local Roads Funding        | \$ 150.031 m        |
| <b>Total Allocation</b>    | <b>\$ 565.772 m</b> |
| Plus 2016-17 Underpayment  | \$ 8.181 m          |
| <b>Total Cash Payments</b> | <b>\$ 573.963 m</b> |

The underpayment is distributed between Victorian councils on the basis of each council's share of the original 2016-17 general purpose grant allocations.

The cash payments for your Council for 2017-18 are as follows:

### Cash Payments 2017-18 : Melton City Council

|                            |                    |
|----------------------------|--------------------|
| General Purpose Grants     | \$ 12.795 m        |
| - Formula Allocation       | \$ 0 m             |
| - Natural Disaster         | \$ 1.825 m         |
| Local Roads Funding        | \$ 1.825 m         |
| <b>Total Allocation</b>    | <b>\$ 14.620 m</b> |
| Plus 2016-17 Underpayment  | \$ 0.234 m         |
| <b>Total Cash Payments</b> | <b>\$ 14.854 m</b> |

### Payments Schedule

Payments are generally made to councils in four equal, quarterly instalments.

However, the Commonwealth Government brought forward approximately one-half of the total payments for each State and Territory to June 2017. This allowed a payment equivalent to approximately 50% of the total payment to each council for 2017-18 to be made on 7 June 2017.

The payment schedule for 2017-18 is:

### Payments Schedule 2017-18 : Melton City Council

|                            |                         |
|----------------------------|-------------------------|
| June 2017                  | \$ 6,913,643.00         |
| August 2017                | \$ 1,985,110.25         |
| November 2017              | \$ 1,985,110.25         |
| February 2018              | \$ 1,985,110.25         |
| May 2018                   | \$ 1,985,110.25         |
| <b>Total Cash Payments</b> | <b>\$ 14,854,083.00</b> |

A more detailed schedule of your Council's payments has been provided separately.

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## General Purpose Grants

### How much is provided?

A total of \$ 415.741 million in general purpose grants has been made available by the Commonwealth Government for allocation by the Victoria Grants Commission to Victorian councils for the 2017-18 year.

### What is taken into account?

In line with the nationally agreed distribution principles, the Commission allocates the available funds on a "relative needs" basis. The Commission's methodology takes account of the relative needs of each of Victoria's 79 councils by assessing their relative expenditure needs and their relative capacity to raise revenue.

### Determining relative expenditure needs

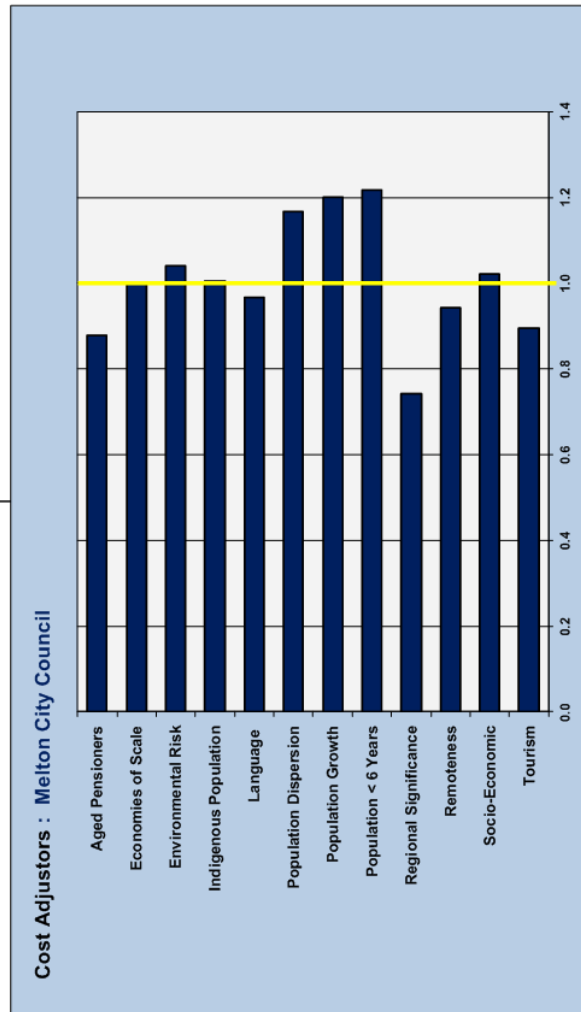
The calculation of relative expenditure needs (or standardised expenditure) is based on nine different areas of recurrent expenditure activity (such as Family & Community Services and Waste Management).

For each of the nine areas of expenditure, the average actual level of expenditure by Victorian councils is derived from data submitted annually by all councils to the Commission. For example, for the 2017-18 allocations, the Commission has used an average level of expenditure for Recreation & Culture of \$ 293.60 per capita.

For each area of expenditure, the Commission also takes into account:

- The relative size of the service provision task for each council using indicators (or major cost drivers) such as population size or the number of dwellings. For some areas, a minimum or base population is assumed and non-resident population is taken into account.
- The relative nature of the service provision task for each council using indicators (or cost adjusters) to take account of factors that may mean that service provision for individual councils will cost more or less than the State average.

The Commission currently uses a set of 12 cost adjusters to take account of the unique characteristics of individual councils. Using statewide data sets, the Commission calculates for each cost adjuster whether the value for a council is above the Victorian average of 1.0 (indicating above average needs) or below 1.0 (indicating below average needs). The chart on this page shows the 12 cost adjusters used and the relative values of these for your Council.



A number of cost adjusters are taken into account for each of the areas of expenditure assessed. For example, in assessing relative expenditure needs for Recreation & Culture, four cost adjusters are taken into account – Population Dispersion, Language, Regional Significance and Tourism.

Because some factors represented by cost adjusters are seen to impact more on costs than others, different weightings are used for the cost adjusters for different areas of expenditure.

The cost adjusters applied in calculating standardised expenditure for the nine different areas of expenditure are shown in the chart on page 7.

The standardised expenditure calculation also takes account of recurrent grant support provided by the Commonwealth or State Governments for each area of expenditure on a statewide average basis. For example, for the 2017-18 allocations, the Commission has used an average level of grant support for Recreation & Culture of \$ 6.41 per capita.

Details of the calculation of standardised expenditure for your Council are provided in Part A on page 8.

**Assessing relative revenue capacity**

For each council, the Commission assesses relative capacity to raise revenue from rates and relative capacity to raise revenue from user fees and charges. Together, these comprise relative revenue capacity or standardised revenue.

Standardised rate revenue is an assessment of each council's relative capacity to raise rate revenue, given the size and composition of its valuation base. A separate calculation is made for each of three main property classes (residential, commercial/industrial/other and farm) using a four year average of valuation data. For each property category, each council's valuation base is multiplied by the average rate in the dollar across all Victorian councils. Any payments in lieu of rates received by a council outside of the normal rating system are added to ensure that councils receiving such payments are treated on an equitable basis.

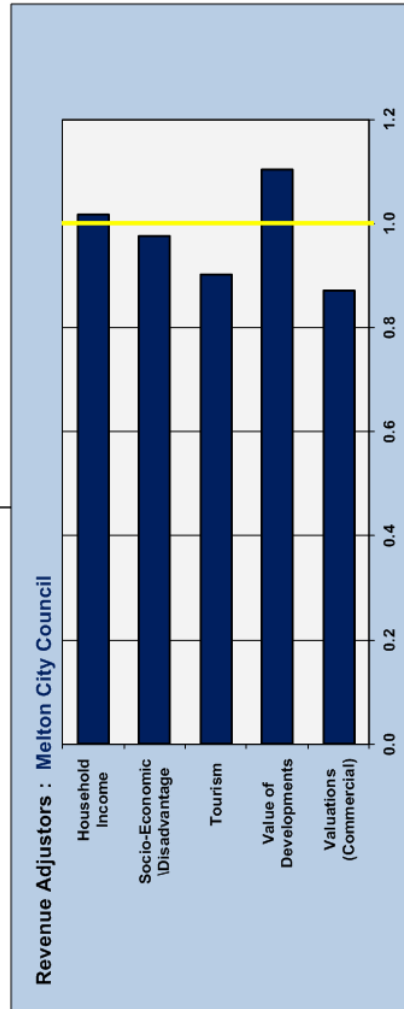
The Commission constrains, or limits, annual increases in each council's standardised rate revenue to mitigate the impact of above average movements in valuations.

Standardised fees and charges revenue is an assessment of each council's relative capacity to generate revenue from user fees and charges. A separate assessment is made for each of the nine areas of expenditure activity and takes account of factors such as the relative size of each council's population and a series of revenue adjustors (including socio-economic disadvantage and household income) that reflect differences between municipalities in their relative capacity to raise revenue from user fees and charges for a given population.

The chart on this page shows the five revenue adjustors used in this calculation for your Council.

Standardised rate revenue and standardised fees and charges revenue are added together to produce standardised revenue.

Details of the calculation of standardised revenue for your Council allocations are provided in Part B on page 9.



|   |  |   |
|---|--|---|
| <p><b>Calculating the final grant</b></p> <p>A raw grant is calculated for each council by subtracting its assessed standardised revenue from its assessed standardised expenditure. The available pool of funds is then allocated in proportion to each council's raw grant, taking into account the minimum grant requirement and the limiting of movements in grants outcomes as outlined below.</p> <p>For councils other than those receiving the minimum grant (see below), the grant allocation for 2017-18 is equivalent to approximately 16.1% of the raw grant.</p> <p>The calculation of the raw grant and actual grant for your Council for the general purpose grant allocations is shown in Part C on page 10.</p> <p><b>The minimum grant</b></p> <p>The Commonwealth Government requires through the <i>Local Government (Financial Assistance) Act 1995</i> and the national distribution principles, that no council may receive a general purpose grant that is less than 30% of the per capita average for the State. This equates to a grant of \$ 20.55 per capita for 2017-18.</p> <p>Thirteen metropolitan councils in Victoria have received the minimum general purpose grant in 2017-18. These councils would have received a grant of less than that amount if the allocations were based only on relative needs. The minimum grant principle has resulted in the general purpose grants to those councils being \$ 20.55 per capita.</p> | <p><b>Limiting movements in grant outcomes</b></p> <p>The Commission loosened its grant movement parameters in 2017-18 with the resumption of indexation of the general purpose grants pool.</p> <p>General purpose grants parameters for 2017-18 are:</p> <ul style="list-style-type: none"> <li>Increases limited to 10.0%</li> <li>Decreases limited to -10.0%.</li> </ul> <p><b>Natural disaster grants</b></p> <p>Natural disaster assistance grants of up to \$35,000 per disaster are made to eligible councils each year to assist with repairs and restoration work.</p> <p>Grants totalling \$ 596,913 have been allocated to 11 councils in 2017-18. This amount is deducted from the general purpose grants pool and reduces by that amount the funding allocated on a formula basis.</p> <p>Any natural disaster grants allocated to your Council are shown in Part C on page 10.</p> | <p><b>Comparative grant outcomes</b></p> <p>Because general purpose grants are allocated on the basis of relative needs, general purpose grant outcomes on a per capita basis vary widely across the State.</p> <p>The average general purpose grant for 2017-18 is \$ 68.50 per capita (including natural disaster assistance). The minimum grant is \$ 20.55 per capita (or 30% of the State average).</p> <p>The map on page 11 shows the variation in general purpose grant outcomes across Victoria.</p> |
|---|--|---|



**Application of Cost Adjustors 2017-18**

| Cost Adjustor                | 1  | 2                  | 3                  | 4                     | 5        | 6                     | 7                 | 8                        | 9                     | 10         | 11             | 12      | Major Cost Driver  |
|------------------------------|--|--------------------|--------------------|-----------------------|----------|-----------------------|-------------------|--------------------------|-----------------------|------------|----------------|---------|--|
| Expenditure Function         | Aged Pensioners  | Economies of Scale | Environmental Risk | Indigenous Population | Language | Population Dispersion | Population Growth | Population Under 6 Years | Regional Significance | Remoteness | Socio-Economic | Tourism |  |
| Governance                   |  | 20%                |                    | 10%                   | 25%      | 25%                   |                   |                          |                       | 20%        |                |         | Modified Population adjusted by Vacancy Rates (minimum 20,000)       |
| Family & Community Services  |  |                    |                    | 10%                   | 10%      | 10%                   | 10%               | 40%                      |                       |            | 20%            |         | Population   |
| Aged & Disabled Services     | 20%  |                    |                    |                       | 20%      | 30%                   |                   |                          |                       |            | 30%            |         | Population > 60 Years & Disabled Pensioners & Carers                 |
| Recreation & Culture         |  |                    |                    |                       | 10%      | 25%                   |                   |                          | 40%                   |            |                | 25%     | Population   |
| Waste Management             |  | 30%                |                    |                       |          | 50%                   |                   |                          | 10%                   |            |                | 10%     | No. of Dwellings   |
| Traffic & Street Management  |  | 10%                |                    |                       |          | 15%                   | 25%               |                          | 35%                   |            |                | 15%     | Population   |
| Environment                  |  | 10%                | 30%                |                       |          | 25%                   | 10%               |                          |                       | 25%        |                |         | Modified Population adjusted by Vacancy Rates (double to max 15,000) |
| Business & Economic Services |  | 30%                |                    |                       |          | 10%                   |                   |                          | 30%                   | 20%        |                | 10%     | Modified Population adjusted by Vacancy Rates (double to max 15,000) |
| Local Roads & Bridges        | Cost Adjustors not applied - based on local road model network costs |                    |                    |                       |          |                       |                   |                          |                       |            |                |         |  |

Melton City Council  
**Calculation of General Purpose Grant 2017-18**  
 Part A: Standardised Expenditure

| Expenditure Function                    | Major Cost Driver   | (A)<br>Units of Need | (B)<br>Average Expenditure Per Unit (\$/Unit) | (C)<br>Composite Cost Adjustor | (D)<br>Gross Standardised Expenditure (AxBxC) (\$) | (E)<br>Average Grant Revenue Per Unit (\$/Unit) | (F)<br>Standardised Grant Revenue (AxE) (\$) | (G)<br>Net Standardised Expenditure (D-F) (\$) |
|---|---|----------------------|---|--------------------------------|--|---|--|--|
| <b>Governance</b>                       | Modified Population Adjusted by Vacancy Rates (reference 20,000)      | 138,641              | 59.51   | 1.019                          | 8,406,400  | 1.64  | 227,091                                      | 8,179,309                                      |
| <b>Family &amp; Community Services</b>  | Population  | 138,641              | 140.38  | 1.126                          | 21,921,735   | 35.26   | 4,888,496                                    | 17,033,239                                     |
| <b>Aged &amp; Disabled Services</b>     | Population >60 Years + Disabled + Carers                              | 25,734               | 394.24  | 1.021                          | 10,360,425   | 182.85  | 4,705,454                                    | 5,654,972                                      |
| <b>Recreation &amp; Culture</b>         | Population  | 138,641              | 293.60  | 0.913                          | 37,179,682   | 6.41  | 888,751                                      | 36,290,931                                     |
| <b>Waste Management</b>                 | Dwellings   | 49,134               | 330.83  | 1.045                          | 16,978,951   | 0.39  | 19,298                                       | 16,959,654                                     |
| <b>Traffic &amp; Street Management</b>  | Population  | 138,641              | 130.52  | 0.972                          | 17,592,322   | 2.44  | 337,884                                      | 17,254,439                                     |
| <b>Environment</b>                      | Modified Population Adjusted by Vacancy Rates (double to max. 15,000) | 138,641              | 62.52   | 1.061                          | 9,193,337  | 1.17  | 162,469                                      | 9,030,868                                      |
| <b>Business &amp; Economic Services</b> | Modified Population Adjusted by Vacancy Rates (double to max. 15,000) | 138,641              | 162.98  | 0.918                          | 20,745,451   | 1.96  | 271,243                                      | 20,474,208                                     |
| <b>Local Roads &amp; Bridges</b>        | % of Local Roads Pool   | 1,216                |   |                                | 13,513,284   |   | 1,763,737                                    | 11,749,547                                     |
|   |   |                      |   |                                | <b>155,891,488</b>                                 |   | <b>13,264,422</b>                            | <b>142,627,066</b>                             |

Notes:  
 (A) - Population: Estimated Resident Population as at June 2016 (ABS).  
 - Population adjusted by vacant dwellings (base 20,000):  
 For councils with a population of less than 20,000, a population of 20,000 is assumed.  
 - Population adjusted by vacant dwellings (base 15,000):  
 For councils with a population of less than 15,000, a population of 15,000 is assumed.  
 - Aged & Disabled Population: Estimated resident population as at June 2014 aged 60+, PLUS Number of Disability Pensioners PLUS Number of Carer Allowances.  
 - No. of Dwellings: Estimated number of Dwellings (ABS).  
 - For Local Roads & Bridges, the Unit of Need is the Council's % share of the total local roads grants pool.  
 (B) State average expenditure per unit of need, derived from Councils' data returns.  
 (C) Composite cost adjustor for this function - see supporting material.  
 (D) Equals Units of Need x Average Expenditure Per Unit x Composite Cost Adjustor (For Local Roads & Bridges, Gross Standardised Expenditure equals Councils' % of local roads grants pool x State total actual expenditure of \$925.0m).  
 (E) State average grant revenue per unit of need, derived from council's data returns.  
 (F) Equals Units of Need x Average Grant Revenue Per Unit (For Local Roads and Bridges, Standardised Grant Revenue equals Councils' % of local roads grants pool x State total actual grant revenue of \$217.6m).  
 (G) Equals Gross Standardised Expenditure less Standardised Grant Revenue.

Part B: Standardised Revenue

| Standardised Rate Revenue                       |                                |                           |   |
|---|--------------------------------|---------------------------|---|
|   | Average Capital Improved Value | Standardised Rate Revenue | Calculated (avg CIV x Std Rate in Dollar) |
| Residential                                     | 15,567,495,663                 | 0.307924                  | 47,936,104                                |
| Comm / Indus / Other                            | 1,692,016,593                  | 0.378947                  | 6,411,853                                 |
| Farm  | 1,955,795,015                  | 0.345787                  | 6,762,888                                 |
| <b>Total</b>                                    |                                |                           | <b>61,110,845</b>                         |
| + Revenue in Lieu                               |                                |                           | 0   |
| <b>+ Std Rate Revenue (Unconstrained)</b>       |                                |                           | <b>61,110,845</b>                         |
| <b>Total Std Rate Revenue (Constrained) (a)</b> |                                |                           |   |
|   |                                |                           | <b>48,859,268</b>                         |

| Revenue Function             | Major Cost Driver                        | (H) Units of Need | (I) Median Fees & Charges Per Unit (\$) | (J) Composite Revenue Adjustor | (K) Standardised Fees & Charges (HxIxJ) (\$) |
|------------------------------|--|-------------------|---|--------------------------------|--|
| Governance                   | Population                               | 138,641           | 15.43                                   | 1.000                          | 2,139,105                                    |
| Family & Community Services  | Population                               | 138,641           | 10.18                                   | 0.976                          | 1,377,807                                    |
| Aged & Disabled Services     | Population >60 Years + Disabled + Carers | 25,734            | 43.64                                   | 1.019                          | 1,143,839                                    |
| Recreation & Culture         | Population                               | 138,641           | 21.88                                   | 0.872                          | 2,644,176                                    |
| Waste Management             | Population                               | 49,134            | 24.83                                   | 1.000                          | 1,220,243                                    |
| Traffic & Street Management  | Population                               | 138,641           | 10.10                                   | 0.872                          | 1,220,756                                    |
| Environment                  | Population                               | 138,641           | 1.18                                    | 1.000                          | 162,921                                      |
| Business & Economic Services | Population                               | 138,641           | 30.21                                   | 1.003                          | 4,199,559                                    |
| Local Roads & Bridges        | Population                               | 138,641           | 1.97                                    | 1.000                          | 273,548                                      |
|                              |  |                   |   |                                | <b>14,381,956</b>                            |

Notes:  
 (a) Changes in standardised rate revenue are constrained by the change in statewide standardised revenue, adjusted for each council by its change in estimated resident population.  
 (b) Average Capital Improved Value is based on a 4 year average.  
 (H) - Population: Estimated Resident Population as at June 2016 (ABS).  
 - Population > 60 years: Estimated resident population as at June 2015 aged 60+.  
 (I) - No. of Dwellings: Estimated number of Dwellings (ABS).  
 (J) State median fees & charges per unit of need, derived from Councils' data returns.  
 (K) Composite revenue adjustor for this function - see supporting material.  
 (K) Equals Units of Need x Average Revenue Per Unit x Composite Revenue Adjustor.

Part C: Raw Grant & Actual Grant

| Raw Grants                 |                   |
|----------------------------|-------------------|
| Net Std Expenditure        | 142,627,066       |
| Less Standardised Revenue  | 63,241,224        |
| - Std Rate Revenue         | 48,859,268        |
| - Std Fees & Charges       | 14,381,956        |
| <b>Total Raw Grant (b)</b> | <b>79,385,842</b> |

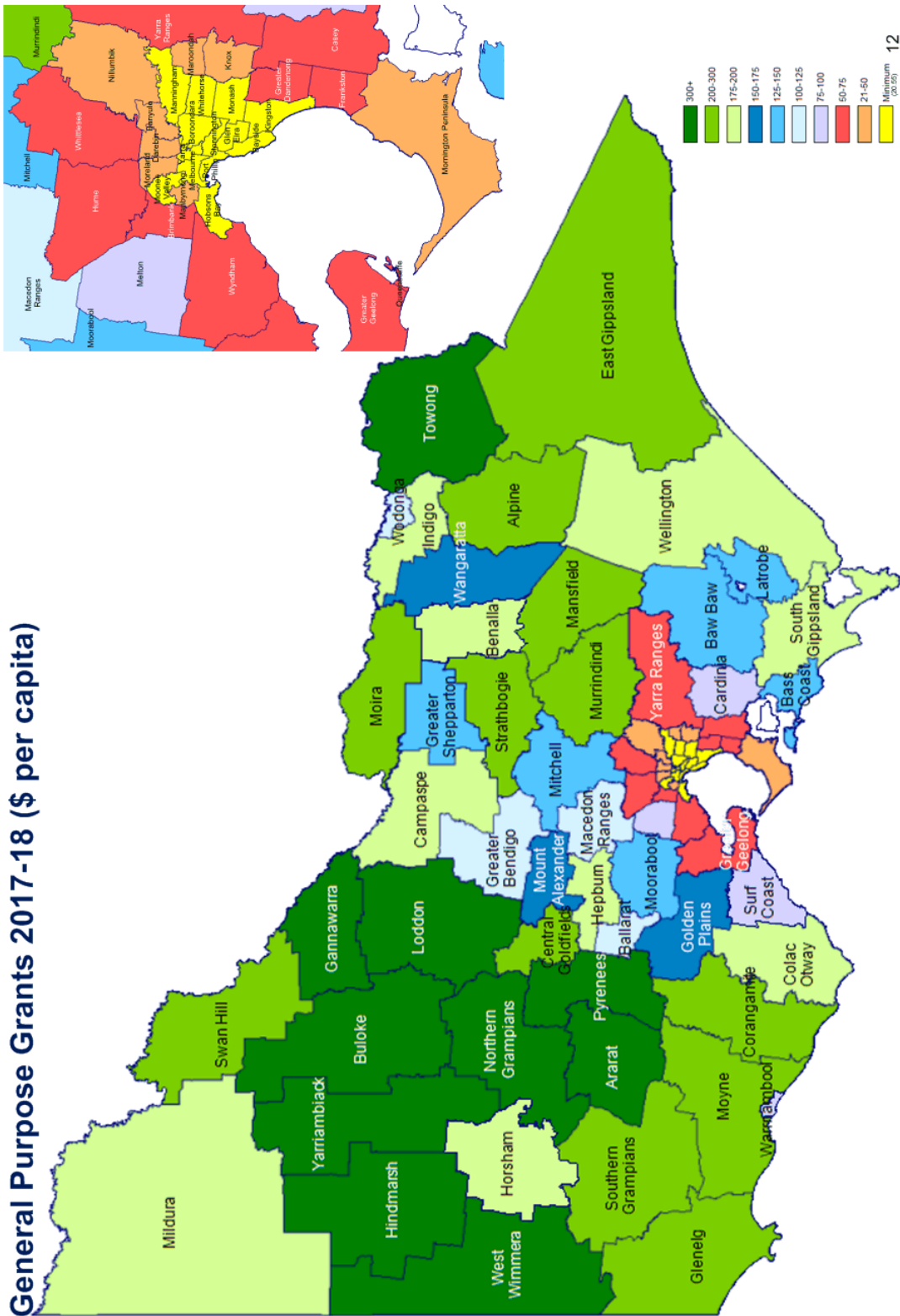
  

| General Purpose Grant              |                   |
|------------------------------------|-------------------|
| Unadjusted Allocation (c)          | 12,784,858        |
| Net Impact of Adjustment           | 10,518            |
| Adjusted Allocation                | 12,795,376        |
| Natural Disaster Grants            | 0                 |
| <b>Total General Purpose Grant</b> | <b>12,795,376</b> |

Notes:

(b) The raw grant is scaled back relative to the total general purpose grants pool, and adjusted to take account of the minimum grants received by some councils and limits on movements in grant levels.

(c) For councils other than minimum grant councils, the "Unadjusted Allocation" is equivalent to approximately 16.1% of the raw grant. For minimum grant councils, this calculation would produce an "Unadjusted Formula Allocation" equivalent to less than \$20.55 per capita, which is the minimum general purpose grant for 2017-18. The "Unadjusted Allocation" is therefore set to the equivalent of \$20.55 per capita for these councils.



## Local Roads Grants

### How much is provided?

A total of \$ 150.031 million in local roads grants has been made available by the Commonwealth Government for allocation by the Victoria Grants Commission to Victorian councils for the 2017-18 year.

### What is taken into account?

Under the nationally agreed distribution principles, the Victoria Grants Commission is required to allocate the available funds "to councils as far as practicable on the basis of the relative needs of each council for roads expenditure and to preserve its road assets".

As at June 2016, Victorian councils were responsible for 131,182 kilometres of local roads.

The Commission uses a "network cost" model to assess the relative needs of the 79 Victorian councils for local roads grants. This takes into account:

- the length of each council's local roads network;
- the distribution of that network across roads of different types and traffic volumes;
- a set of statewide average annual asset preservation costs;
- a series of cost modifiers to reflect the impact of local conditions in relation to freight movements on local roads, climate, access to road-making materials, sub-grade conditions and strategic routes (such as bus routes); and
- the deck area of bridges on local roads.

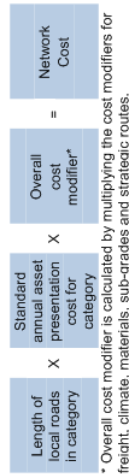
### Data sources

Councils are asked to identify annually in their information return the total length of their local roads broken down into nine broad traffic volume ranges - four for urban roads and five for rural roads. They are also asked to identify which of these roads are considered to be strategic routes (against criteria set out by the Commission) and the deck area of bridges on local roads.

The Commission uses a range of data to calculate the five cost modifiers used to reflect the impact of local conditions: Freight, Climate, Materials, Sub-Grade and Strategic Routes.

### Grants calculation

The Commission calculates a "network cost" for each of the nine local road categories it uses.



\* Overall cost modifier is calculated by multiplying the cost modifiers for freight, climate, materials, sub-grades and strategic routes.

The calculation uses a series of standard, statewide annual asset preservation costs, which vary according to the road category but are standard across all Victorian councils:

Network costs for council bridge assets are also included, at a rate of \$120 per square metre for bridges with concrete decks and \$200 per square metre for bridges with timber decks.

| Road Type | Daily Traffic Volume Range (vehicles per day) | Annual Asset Preservation Cost \$/km |
|-----------|---|--------------------------------------|
| Urban     | < 500   | \$ 7,200                             |
|           | 500 - <1000                                   | \$ 9,800                             |
|           | 1000 - <5000                                  | \$ 13,200                            |
| Rural     | 5000 +  | \$ 21,400                            |
|           | Natural Surface                               | \$ 700                               |
|           | < 100   | \$ 5,000                             |
|           | 100 - <500                                    | \$ 10,400                            |
|           | 500 - < 1,000                                 | \$ 11,600                            |
|           | 1,000 +                                       | \$ 13,200                            |

The nine separate network cost calculations for each of the nine road categories and two bridge categories are combined to provide an overall network cost for each council – this represents the relative annual costs faced by each council in maintaining their road and bridge networks.

The total network costs for each council are used to apportion the local roads grants pool. For 2017-18, the local roads grant allocated to each council is equivalent to approximately 15.9% of their network cost.

### Limiting movements in grant outcomes

During the 'pause' on indexation, the Commission has constrained movements in local roads grant outcomes for individual councils.

With the resumption of indexation in 2017-18, the Commission has determined that no constraints will be applied to movements in local roads grant outcomes.

Melton City Council  
**Calculation of Local Roads Grant 2017-18**

| Local Road Type                               | Daily Traffic Volume Range (vehicles/day) | Road Length    |              | Strategic Routes |       | Cost Modifiers (b) |         |           |            | Overall Cost Modifier (c) | Average Annual Asset Preservation Cost (\$/km) | Network Cost (\$)       |
|---|---|----------------|--------------|------------------|-------|--------------------|---------|-----------|------------|---------------------------|--|-------------------------|
|   |   | (a) (kms)      | (a) (kms)    | (a) (kms)        | (a) % | Freight            | Climate | Materials | Sub-grades |                           |  |                         |
| Urban   | Under 500                                 | 241.0          | 3.0          | 1.2              |       | 0.95               | 0.98    | 0.96      | 1.10       | 1.01                      | 0.98   | 1,706,324               |
|   | 500 - < 1,000                             | 364.0          | 13.0         | 3.6              |       | 0.95               | 0.98    | 0.96      | 1.10       | 1.01                      | 0.98   | 3,498,322               |
|   | 1,000 - < 5,000                           | 103.0          | 32.0         | 31.1             |       | 0.95               | 0.98    | 0.96      | 1.10       | 1.05                      | 1.02   | 1,388,049               |
|   | 5,000 +                                   | 74.0           | 56.0         | 75.7             |       | 0.95               | 0.98    | 0.96      | 1.10       | 1.11                      | 1.09   | 1,720,097               |
| <b>Total Urban</b>                            |   | <b>782.0</b>   | <b>104.0</b> |                  |       |                    |         |           |            |                           |  |                         |
| Rural   | Natural Surface                           | 5.0            | 0.0          | 0.0              |       | 0.95               | 0.84    | 0.96      | 1.09       | 1.00                      | 0.87   | 3,055                   |
|   | Under 100                                 | 14.0           | 0.0          | 0.0              |       | 0.95               | 0.84    | 0.96      | 1.09       | 1.00                      | 0.84   | 58,474                  |
|   | 100 - < 500                               | 156.0          | 13.0         | 8.3              |       | 0.95               | 0.84    | 0.96      | 1.09       | 1.01                      | 0.85   | 1,372,209               |
|   | 500 - < 1,000                             | 37.0           | 18.0         | 48.6             |       | 0.95               | 0.84    | 0.96      | 1.09       | 1.05                      | 0.88   | 375,973                 |
| 1,000 +                                       | 64.0                                      | 33.0           | 51.6         |                  | 0.95  | 0.84               | 0.96    | 1.09      | 1.00       | 0.84                      | 705,702  |                         |
| <b>Total Rural</b>                            |   | <b>276.0</b>   | <b>64.0</b>  |                  |       |                    |         |           |            |                           |  |                         |
| <b>Bridges</b>                                | <b>Timber (sq m)</b>                      | <b>1,058.0</b> | <b>168.0</b> |                  |       |                    |         |           |            |                           |  | <b>0</b>                |
| <b>Deck Area</b>                              | <b>Concrete (sq m)</b>                    | <b>5,245.0</b> |              |                  |       |                    |         |           |            |                           |  | <b>629,400</b>          |
| <b>Total Network Cost</b>                     |   |                |              |                  |       |                    |         |           |            |                           |  | <b>11,457,604</b>       |
| x 0.159264                                    |   |                |              |                  |       |                    |         |           |            |                           |  |                         |
| <b>Local Roads Grants (Unadjusted)</b>        |   |                |              |                  |       |                    |         |           |            |                           |  | <b>( \$ ) 1,824,784</b> |
| Share of Total Victorian Local Roads pool (%) |   |                |              |                  |       |                    |         |           |            |                           |  | 1.216                   |

Notes:  
 N/A - not applicable  
 (a) Data provided by councils.  
 (b) Cost modifiers are derived by the Commission from external data (for freight, climate and sub-grade) and from councils (for strategic route).  
 (c) The overall cost modifier is calculated by multiplying the cost modifiers for climate, materials, sub-grade and strategic route.  
 (d) The Network Cost is calculated by multiplying the kms in each category by the overall cost modifier and the average annual cost. The network costs are aggregated for each and then added to the bridge costs to generate the total network cost for a Council.



**Financial Assistance Grants 2017-18**

| Council                | General Purpose Grants  |                       |                    | Local Roads Funding (\$) | Total Financial Assistance Grants (\$) |
|------------------------|-------------------------|-----------------------|--------------------|--------------------------|--|
|                        | Formula Allocation (\$) | Natural Disaster (\$) | Total (\$)         |                          |  |
| Alpine S               | 2,474,558               | 35,000                | 2,509,558          | 1,055,160                | 3,564,718                              |
| Ararat RC              | 3,324,423               |                       | 3,324,423          | 2,167,570                | 5,491,993                              |
| Bairrat C              | 10,544,456              |                       | 10,544,456         | 12,797,335               | 21,341,791                             |
| Banyule C              | 2,938,161               |                       | 2,938,161          | 924,220                  | 3,862,381                              |
| Bass Coast S           | 4,645,592               |                       | 4,645,592          | 1,391,133                | 6,036,725                              |
| Baw Baw S              | 6,240,137               |                       | 6,240,137          | 2,746,952                | 8,987,089                              |
| Bayside C              | 2,114,081               |                       | 2,114,081          | 552,047                  | 2,666,128                              |
| Benalla RC             | 2,500,022               |                       | 2,500,022          | 1,470,823                | 3,970,845                              |
| Boroondara C           | 3,631,595               |                       | 3,631,595          | 885,675                  | 4,517,270                              |
| Brimbank C             | 12,551,974              |                       | 12,551,974         | 1,670,412                | 14,222,386                             |
| Bunoke S               | 3,493,035               |                       | 3,493,035          | 2,377,271                | 5,870,306                              |
| Campaspe S             | 7,166,741               |                       | 7,166,741          | 3,915,280                | 11,082,021                             |
| Cardinia S             | 8,216,315               |                       | 8,216,315          | 2,480,461                | 10,696,776                             |
| Casey C                | 16,630,604              |                       | 16,630,604         | 2,389,287                | 19,019,891                             |
| Central Goldfields S   | 2,600,728               |                       | 2,600,728          | 1,167,701                | 3,768,429                              |
| Colac Otway S          | 3,588,119               |                       | 3,588,119          | 2,515,556                | 6,103,675                              |
| Corangamite S          | 3,990,738               |                       | 3,990,738          | 3,367,449                | 7,358,187                              |
| Darebin C              | 3,291,442               |                       | 3,291,442          | 868,125                  | 4,159,567                              |
| East Gippsland S       | 9,861,358               | 70,000                | 9,931,358          | 4,424,034                | 14,355,392                             |
| Frankston C            | 7,423,754               |                       | 7,423,754          | 1,099,644                | 8,523,398                              |
| Gannawarra S           | 3,269,120               |                       | 3,269,120          | 1,950,518                | 5,219,638                              |
| Glen Elira C           | 3,058,577               |                       | 3,058,577          | 630,465                  | 3,689,042                              |
| Glengly S              | 4,256,696               |                       | 4,256,696          | 3,355,055                | 7,611,751                              |
| Golden Plains S        | 3,426,936               |                       | 3,426,936          | 1,977,861                | 5,404,797                              |
| Greater Bendigo C      | 12,502,137              |                       | 12,502,137         | 3,327,019                | 15,829,156                             |
| Greater Dandenong C    | 9,790,643               |                       | 9,790,643          | 1,455,709                | 11,246,352                             |
| Greater Geelong C      | 16,994,888              |                       | 16,994,888         | 3,243,794                | 20,238,672                             |
| Greater Shepparton C   | 8,917,097               |                       | 8,917,097          | 3,012,406                | 11,929,503                             |
| Hepburn S              | 2,989,277               | 35,000                | 3,024,277          | 1,436,285                | 4,460,562                              |
| Hindmarsh S            | 2,626,916               | 35,000                | 2,661,916          | 1,571,547                | 4,233,463                              |
| Hobsons Bay C          | 1,953,062               |                       | 1,953,062          | 714,117                  | 2,667,179                              |
| Horsham RC             | 3,881,041               |                       | 3,881,041          | 2,120,009                | 6,001,050                              |
| Hume C                 | 12,272,342              |                       | 12,272,342         | 2,259,346                | 14,531,688                             |
| Indigo S               | 2,835,795               | 35,000                | 2,870,795          | 1,595,010                | 4,465,805                              |
| Kingston C             | 3,221,075               |                       | 3,221,075          | 1,230,163                | 4,451,238                              |
| Knox C                 | 6,181,237               |                       | 6,181,237          | 1,081,480                | 7,262,717                              |
| Latrobe C              | 9,270,651               | 51,286                | 9,321,937          | 2,493,993                | 11,815,930                             |
| Loddon S               | 4,684,704               |                       | 4,684,704          | 3,534,863                | 8,219,567                              |
| Macedon Ranges S       | 4,873,310               |                       | 4,873,310          | 2,062,314                | 6,935,624                              |
| Manningham C           | 2,480,545               |                       | 2,480,545          | 796,616                  | 3,277,161                              |
| Mansfield S            | 1,886,060               |                       | 1,886,060          | 871,753                  | 2,757,813                              |
| Maribyrnong C          | 2,279,628               |                       | 2,279,628          | 531,197                  | 2,810,825                              |
| Maroondah C            | 4,199,629               |                       | 4,199,629          | 4,960,153                | 9,159,782                              |
| Melbourne C            | 2,801,514               |                       | 2,801,514          | 694,116                  | 3,495,630                              |
| Melton S               | 12,795,376              |                       | 12,795,376         | 1,824,784                | 14,620,160                             |
| Mildura RC             | 10,459,165              |                       | 10,459,165         | 3,997,640                | 14,456,805                             |
| Mitchell S             | 5,193,991               |                       | 5,193,991          | 1,724,512                | 6,918,503                              |
| Moira S                | 6,508,727               |                       | 6,508,727          | 3,759,760                | 10,268,487                             |
| Monash C               | 3,909,042               |                       | 3,909,042          | 1,153,073                | 5,062,115                              |
| Moonee Valley C        | 2,500,826               |                       | 2,500,826          | 676,230                  | 3,177,056                              |
| Moorabool S            | 4,235,483               | 35,000                | 4,270,483          | 1,800,042                | 6,070,525                              |
| Moreland C             | 4,408,171               |                       | 4,408,171          | 916,732                  | 5,324,903                              |
| Mornington Peninsula S | 3,399,495               |                       | 3,399,495          | 2,387,135                | 5,786,630                              |
| Mount Alexander S      | 3,048,452               |                       | 3,048,452          | 1,604,698                | 4,653,150                              |
| Moyness S              | 4,023,828               |                       | 4,023,828          | 3,984,192                | 8,008,020                              |
| Murrindindi S          | 2,862,830               |                       | 2,862,830          | 1,608,612                | 4,471,442                              |
| Nilumbik S             | 1,933,527               |                       | 1,933,527          | 1,122,438                | 3,055,965                              |
| Northern Grampians S   | 4,217,984               |                       | 4,217,984          | 2,721,611                | 6,939,595                              |
| Port Phillip C         | 2,228,948               |                       | 2,228,948          | 411,816                  | 2,640,764                              |
| Pyrenees S             | 3,026,727               | 70,000                | 3,096,727          | 2,059,914                | 5,156,641                              |
| Queenscliffe B         | 212,351                 |                       | 212,351            | 55,790                   | 268,141                                |
| South Gippsland S      | 5,580,200               |                       | 5,580,200          | 3,566,813                | 9,147,013                              |
| Southern Grampians S   | 4,024,151               |                       | 4,024,151          | 2,929,226                | 6,953,377                              |
| Stonnington C          | 2,272,038               |                       | 2,272,038          | 437,962                  | 2,710,000                              |
| Strathbogie S          | 2,925,289               |                       | 2,925,289          | 2,122,474                | 5,047,763                              |
| Surf Coast S           | 2,502,828               |                       | 2,502,828          | 1,585,376                | 4,088,204                              |
| Swan Hill RC           | 4,323,799               |                       | 4,323,799          | 2,087,635                | 6,411,434                              |
| Towong S               | 2,502,950               |                       | 2,502,950          | 1,697,261                | 4,200,211                              |
| Wangaratta RC          | 4,433,335               |                       | 4,433,335          | 2,317,364                | 6,750,699                              |
| Warrambool C           | 2,922,886               |                       | 2,922,886          | 627,453                  | 3,550,339                              |
| Wellington S           | 7,998,144               | 35,000                | 8,033,144          | 4,505,530                | 12,538,674                             |
| West Wimmera S         | 2,856,653               |                       | 2,856,653          | 2,235,412                | 5,092,065                              |
| Whitehorse C           | 3,450,788               |                       | 3,450,788          | 976,457                  | 4,427,245                              |
| Whittlesea C           | 12,443,212              |                       | 12,443,212         | 2,111,764                | 14,554,976                             |
| Wodonga RC             | 4,221,839               |                       | 4,221,839          | 872,726                  | 5,094,565                              |
| Wyndham C              | 14,322,081              |                       | 14,322,081         | 2,124,119                | 16,446,200                             |
| Yarra C                | 1,876,087               | 160,627               | 2,036,714          | 388,770                  | 2,425,484                              |
| Yarra Ranges S         | 10,669,855              | 35,000                | 10,704,855         | 3,268,596                | 14,099,078                             |
| Yarrablack S           | 4,145,425               |                       | 4,145,425          | 1,939,134                | 6,084,559                              |
| <b>TOTAL</b>           | <b>415,144,196</b>      | <b>596,913</b>        | <b>415,741,109</b> | <b>150,030,890</b>       | <b>565,771,999</b>                     |