NYLGA
NORTHERN & YORKE
LOCAL GOVERNMENT ASSOCIATION

Submission to the South Australian Local Government Grants Commission

Review of the Identified Local Road Grants Methodology

October 2026

Submitted by: Northern & Yorke Local Government Association (N&YLGA)
Representing: 15 member councils across the Northern and Yorke region of South Australia

Executive summary

The Northern & Yorke Local Government Association (N&YLGA) welcomes the South Australian Local Government Grants Commission's review of the Identified Local Road Grants (ILRG) methodology.

N&YLGA represents 15 councils across a diverse regional area where local roads underpin agricultural production, freight movement, regional employment, tourism, access to essential services and the long-term viability of communities.

For regional councils, maintaining roads is not simply a matter of servicing the needs of the resident population. Their networks frequently carry commercial vehicles, agricultural machinery, freight, tourism traffic and through-traffic generated by industries and communities beyond council boundaries. These demands create costs that are not necessarily reflected in population figures or the capacity of local ratepayers to fund infrastructure.

N&YLGA considers that the current methodology requires fundamental reconsideration to ensure that funding recommendations more accurately reflect the relative needs of councils for road expenditure and the preservation of road assets.

The Association draws particular attention to the June 2022 submission from Wakefield Regional Council, which demonstrated the potential inequity arising when population is given substantial weight in a methodology intended to assess road funding needs. The Commission has subsequently identified this matter as a high-priority methodology review issue.

N&YLGA supports the principles underlying Wakefield's submission and seeks a broader, regionally informed approach that recognises the diversity of road networks, economic activity, traffic demands, road conditions, maintenance costs and financial capacity across regional South Australia.

The Association's principal recommendations are to:

1. Adopt a genuine road-needs-based methodology that prioritises the relative cost of maintaining and preserving local road assets.
2. Reduce the disproportionate influence of resident population and avoid treating population as a sufficient proxy for road use or road expenditure.
3. Recognise the economic and freight function of regional roads, including heavy vehicles, agricultural production, mining and quarrying where relevant, tourism and interregional traffic.
4. Improve the quality, accuracy and transparency of road network data, including road length, classification, condition, usage and renewal requirements.

5. Assess the actual cost of road maintenance and renewal, taking account of road surface, construction standards, climate, remoteness, input costs and other material regional cost drivers.
6. Remove the automatic fixed 15% prior allocation from the ILRG and Supplementary Local Road Funding (SLRF) pools, subject to transparent arrangements that preserve appropriate funding for strategic regional roads through a separately assessed and adequately funded Special Local Roads Program (SLRP).
7. Require transparent modelling and impact assessment before any revised methodology is adopted, including its effects on regional councils and the 15 N&YLGA member councils.
8. Introduce transitional arrangements and ongoing review to ensure that reforms are evidence-based, equitable and capable of responding to changing road needs.

N&YLGA recognises the importance of funding roads of regional significance through a coordinated program. Its concern is that a predetermined allocation should not unnecessarily reduce the funding available for distribution according to assessed road needs without a transparent assessment of the consequences for individual councils.

The objective should be a fairer, more defensible and sustainable allocation of available funding, aligned with the legislative principles governing identified road grants.

About Northern & Yorke Local Government Association

N&YLGA provides a collective regional voice for 15 member councils in South Australia. Its role includes regional advocacy, policy development, collaboration, coordination and engagement with State and Commonwealth governments.

The region's councils are responsible for maintaining local road networks that support agricultural production, freight and logistics, regional businesses, tourism, mining and quarrying activities where applicable, and access to education, health, emergency services and employment.

The scale and function of these networks vary considerably. Some roads principally serve local communities, while others provide important links between towns, production areas, freight facilities, regional centres and broader transport networks.

The consequences of an inadequate road funding methodology extend beyond the immediate cost of maintenance. They can affect freight efficiency, road safety, emergency access, business investment, regional productivity and the ability of councils to maintain assets over their useful lives.

N&YLGA considers the ILRG review an important opportunity to improve the relationship between funding allocations and the actual responsibilities borne by regional councils.

Legislative and policy context

The Commission's review is intended to ensure that the methodology aligns with the Commonwealth *Local Government (Financial Assistance) Act 1995*, the applicable National Principles, and relevant State legislation.

The identified road component is subject to a specific national principle requiring allocation, as far as practicable, according to the relative needs of each local governing body for roads expenditure and the preservation of road assets. Relevant considerations expressly include the length, type and usage of roads.

N&YLGA submits that these considerations should be interpreted as an integrated assessment of road need rather than as a narrow formula based principally on a small number of readily available indicators.

Road length is important, but kilometres alone do not establish the cost of maintaining a network. Road type is important, but classification alone does not establish the volume or nature of traffic. Road usage is important, but resident population does not adequately measure all traffic using a council's roads.

The Commission should develop a methodology that reflects the practical implications of these factors for road expenditure and asset preservation.

The current methodology has remained substantially unchanged since 1991, according to the Commission's public review material. The present review is an opportunity to ensure that the methodology responds to contemporary transport demands, available data and the changing economic and operating circumstances of councils.

Evidence from Wakefield Regional Council's 2022 submission

N&YLGA endorses the underlying concern raised by Wakefield Regional Council in its submission of 30 June 2022.

Wakefield identified a significant disparity between the size of its road network, its relatively small population and the grant funding it received under the then-current methodology.

Its submission reported approximately 2,728 kilometres of roads and highlighted the potential disadvantage for regional councils where population has a substantial influence on funding allocations.

Wakefield's historical comparison of grant allocations illustrated the issue:

Council	Road length reported in 2022 submission	Population reported in 2022 submission	Local road grant reported
Wakefield Regional Council	2,686kms	6,660	$582,815
City of Playford	850kms	98,120	$1,441,199
City of Charles Sturt	591kms	120,000	$1,330,340
Adelaide Hills Council	1,020kms	40,233	$759,439
City of Marion	475kms	94,927	$1,062,273

Source: Wakefield Regional Council, Submission to the South Australian Grants Commission, 30 June 2022, drawing on the Commission's 2020–21 Annual Report. These are historical figures presented by Wakefield and are not current grant allocations.

These figures should not be interpreted as a direct comparison of each council's complete road expenditure requirements. They nevertheless demonstrate why population, and total road length must be examined together with other relevant factors when assessing relative road need.

Wakefield also identified the significance of commercial activity, agricultural production, freight movements and tourism to road usage. Its submission highlighted the difficulty of funding extensive road networks from a comparatively small ratepayer base.

The Commission's 2024–25 to 2026–27 methodology review work program subsequently identified Wakefield's submission as a high-priority item, specifically examining whether the current methodology disadvantages rural councils with low populations and significant road lengths.

N&YLGA submits that the issues raised by Wakefield are relevant beyond one council. They warrant a systematic assessment of whether the current methodology adequately recognises the circumstances of regional councils across South Australia.

The Association also notes that the Commission's review program identifies heavy vehicle usage on local roads as an issue raised by regional councils over an extended period. The Commission has acknowledged the difficulty of assessing this factor because of limitations in traffic data, variations in road hierarchies and the placement and timing of traffic counts.

These data limitations should be addressed through the review rather than treated as a reason to exclude a material road-cost driver.

Key concerns with the current methodology

Population is an inadequate proxy for road need

N&YLGA considers that population should not be used as a dominant indicator of road funding need where it does not adequately reflect the use, condition and cost of maintaining the road network.

Regional roads are used by people who do not reside within the council area, including freight operators, agricultural contractors, visitors, tourists, workers and businesses operating across council boundaries.

A council may be responsible for maintaining roads that support economic activity well beyond its resident population.

At the same time, regional councils with small populations can have extensive networks and limited opportunities to spread the costs of maintenance and renewal across a large ratepayer base.

The Association recommends that population be treated as a contextual indicator, where relevant, rather than a substitute for direct measures of road demand and expenditure need.

Road length and geographic area must be assessed in context

Road length is an essential measure of a council's infrastructure responsibilities. However, an additional kilometre of road does not necessarily generate the same maintenance cost as another kilometre elsewhere.

The cost of maintaining a sealed arterial road carrying heavy freight traffic may differ substantially from that of an unsealed rural road with low traffic volumes. Both may be essential to the communities and industries they serve.

Likewise, geographic area can indicate remoteness, dispersion and the challenges of servicing a large territory, but it does not directly establish the amount of road infrastructure a council must maintain or the associated costs.

N&YLGA recommends that road length, road type and geographic dispersion be retained as important variables but incorporated into a broader assessment of road expenditure and asset preservation.

Regional economic activity and freight movements

Roads are productive economic infrastructure.

Across Northern and Yorke, local roads support the movement of agricultural commodities, livestock, farm inputs, machinery and other freight. Depending on the location, they also

support mining and quarrying, industrial activity, tourism and connections to regional freight and logistics facilities.

These activities can generate substantial road usage without a corresponding increase in the resident population of the council area.

Heavy vehicles can also impose different maintenance and rehabilitation demands from those associated with ordinary passenger vehicle traffic. The relevant effect depends on factors including vehicle loads, traffic volumes, road construction and pavement condition.

N&YLGA recommends that the methodology incorporate measurable indicators of commercial road use and freight function where reliable data are available.

The assessment should also recognise that some roads have strategic significance because they connect production areas, freight routes, regional centres or essential services, even where their resident catchment is relatively small.

Road condition, maintenance and renewal costs

An equitable methodology should recognise the difference between the size of a network and the cost of preserving it.

Material factors include:

- Sealed and unsealed road lengths and surface types
- Pavement construction, condition and remaining useful life
- Traffic volumes, vehicle types and heavy vehicle movements
- Drainage, flood exposure, erosion and other environmental impacts
- Rainfall variability, drought, extreme heat and other climate-related pressures
- The cost and availability of road construction materials, plant and contractors
- Remoteness, travel distances and the ability to mobilise maintenance crews
- The cost of rehabilitation and renewal required to maintain an agreed service standard.

The methodology should not assume that every factor can immediately be measured with precision. Instead, the Commission should establish a consistent evidence base, identify data gaps and progressively improve the assessment.

N&YLGA recommends that the Commission test a road-cost model that estimates the relative expenditure required to maintain and preserve comparable road assets under differing regional conditions.

Accuracy and currency of road network data

The Commission's review program identifies the need to examine the collection, storage and ongoing management of local road length data and its geographic information system (GIS).

This is fundamental to the integrity of the methodology.

If the road network data used by the Commission are incomplete, outdated or inconsistent with councils' own asset records, even a well-designed formula may produce inequitable outcomes.

N&YLGA recommends:

1. Establishing a consistent State-wide Road asset dataset, with defined responsibilities for maintenance and verification.
2. Providing each council with an opportunity to validate its road lengths, classifications and other relevant data before calculations are finalised.
3. Incorporating material changes to road networks and classifications into the assessment process.
4. Establishing regular updates and an accessible process for resolving data disputes.
5. Publishing the principal data inputs, assumptions and calculation methods used to determine allocations.

A reliable and transparent evidence base is a prerequisite for a credible methodology.

N&YLGA has commissioned and finalised a review of its Road Transport Plan out to 2040 and Parts A and B of this review are provided with this submission, for the information of the Commission.

Revenue-raising capacity and regional financial sustainability

N&YLGA recognises that the capacity of councils to raise revenue is relevant to broader financial sustainability and may be relevant to the Commission's consideration of relative need.

However, the Association cautions against allowing revenue-raising capacity to displace the primary purpose of the identified road grant: assessing relative need for road expenditure and asset preservation.

The capacity to raise rates does not itself determine the cost of maintaining a road network. Nor does a large geographic area, a small population or a particular pattern of property values necessarily establish a council's actual capacity to fund all required infrastructure.

Regional councils may face a combination of extensive road networks, dispersed communities, high infrastructure costs and comparatively limited opportunities to increase revenue without placing additional pressure on residents and businesses.

Yorke Peninsula example:

Council's 2026-2027 primary production rate in the dollar is approximately half its residential rate and approximately half the primary production rate in the dollar applied by several other councils. This illustrates why property values or an assumed capacity to rate should not, in isolation, be taken as evidence that there is significant untapped revenue capacity.

Any revenue capacity measure should:

- Recognise differences between theoretical rating capacity and practical revenue-raising capacity
- Not disadvantage councils simply because they have a large rateable agricultural land base.

N&YLGA recommends that:

- Road expenditure need be assessed independently and transparently before any adjustment for revenue capacity is considered.
- Any revenue-capacity adjustment be supported by evidence demonstrating its relevance to the road grant's legislative purpose.
- Revenue capacity be assessed using consistent, defensible indicators that do not systematically disadvantage councils with small or dispersed rating bases.
- The Commission publish modelling showing the effect of including, excluding or changing the weighting of revenue capacity in the methodology.

Revenue capacity should complement the assessment of road need, not override it.

The 15% allocation to the Special Local Roads Program

N&YLGA requests a review of the automatic allocation of 15% of the Identified Local Road Grants and Supplementary Local Road Funding pools to the Special Local Roads Program.

The Association recognises that the SLRP has an important purpose: supporting roads of regional significance and projects that may not be adequately addressed through ordinary council allocations.

N&YLGA does not advocate abandoning a mechanism for funding strategically important regional roads. Rather, it questions whether an automatic, fixed proportion of funding should be removed from the relevant grant pools before the needs-based allocation is calculated, without a transparent assessment of the implications for councils.

The present arrangement means that 85% of the ILRG pool is distributed through the Commission's methodology, while the other 15% is set aside for the SLRP. The State Government's published road funding information confirms that the SLRP draws on three funding sources: ILRG, SLRF and the Special Local Roads component of Roads to Recovery.

N&YLGAs position is that the methodology should distinguish clearly between:

1. Needs-based local road funding: allocations made to councils according to the relative expenditure required to maintain and preserve their road assets.
2. Strategic regional road funding: funding for projects of demonstrated regional significance that meet transparent eligibility, assessment and prioritisation criteria.

The Association recommends removing the automatic fixed 15% prior allocation from the ILRG and SLRF pools and establishing a transparent, adequately funded mechanism for strategic regional road projects.

This reform should be accompanied by a separate assessment of the appropriate scale and funding sources for the SLRP. It should not proceed on the assumption that strategic regional projects no longer require support.

A revised approach should:

- Assess the funding required for strategic regional projects against clear and published criteria.
- Identify the appropriate funding sources and provide transparent annual reporting on the amounts committed and distributed.
- Recognise the regional economic, freight, safety and network-connectivity benefits of eligible projects.
- Ensure that regional councils retain a practical opportunity to secure funding for projects whose benefits extend beyond individual council boundaries.
- Model the effects of any change on individual councils, including the distribution of funding across metropolitan and regional South Australia.

N&YLGA does not propose that any estimated increase in funding to member councils be treated as established until the Commission has modelled the alternative methodology and confirmed the relevant funding pools and distribution effects.

The objective is to ensure that funding for strategic projects is deliberate and transparent, while the needs-based component of local road grants is not unnecessarily reduced by a predetermined allocation.

Recommended alternative methodology

N&YLGA recommends that the Commission develop and test a multi-factor road-needs model, with the principal objective of estimating the relative expenditure required to maintain and preserve each council's road assets.

The model should assess the following factors.

Assessment factor	Recommended treatment
Road length	Measure the network for which the council is responsible, using verified data
Road type and surface	Distinguish sealed and unsealed roads and relevant road classification
Road condition and renewal needs	Incorporate condition, deterioration and asset renewal requirements where reliable data are available
Traffic and heavy vehicle use	Reflect measured usage, vehicle mix and freight demands, with consistent treatment of data limitations
Strategic economic functions	Recognise material freight, agricultural, industrial, tourism and interregional connectivity functions
Regional cost factors	Consider construction costs, materials, contractor availability, remoteness and maintenance logistics
Environmental exposure	Account for material climate, flood, drainage, erosion and other conditions affecting maintenance and rehabilitation costs
Geographic dispersion	Recognise the practical cost implications of dispersed communities and road assets where supported by evidence
Revenue capacity	Consider separately and transparently, only where relevant to relative need and the legislative purpose.

N&YLGA does not prescribe fixed weightings for these variables without access to the Commission's underlying data and modelling. The Commission should determine and publish appropriate weightings through analysis, testing and consultation.

The model should avoid double-counting related factors. For example, a road classification, traffic volume and freight function may describe overlapping characteristics and should not automatically receive separate additive weightings.

The Commission should also consider whether a standardised road-cost approach, based on road type and relevant cost drivers, can provide a more defensible assessment than the use of relative shares of road length, population and area alone.

The objective should be a method that is explainable, reproducible and capable of being updated as road asset data and transport demands change.

Other relevant evidence and comparative considerations

N&YLGA considers that the Commission's review should be informed by more than one council's experience.

The Commission's own review program

The Commission's 2024–25 to 2026–27 methodology review program identifies several related issues:

- Wakefield Regional Council's submission and the assessment of ILRG relativities.
- The accuracy and ongoing management of the roads GIS.
- Heavy vehicle usage on local roads, including the impacts of mining industries.
- Alternative measures of relative need.

These matters support the case for a comprehensive assessment of the methodology rather than a limited adjustment to one formula variable.

Regional road funding concerns

Public reporting in June 2025 also documented concerns from regional South Australian councils about their capacity to fund local roads. The reporting referred to representations to the Commission and its consideration of Wakefield's proposed changes.

This evidence reinforces the importance of examining the broader regional consequences of the methodology. However, individual councils' experiences should be tested against consistent data rather than assumed to demonstrate identical circumstances across the State.

Comparative modelling across councils

N&YLGA recommends that the Commission publish comparative modelling covering councils with different population sizes, network lengths, road surfaces, freight demands and geographic characteristics.

The comparison should include regional and metropolitan councils, as well as councils with similar network responsibilities but materially different rating bases.

This would help establish whether the current methodology systematically favours particular network or population profiles, and whether the proposed alternative produces a closer relationship between assessed road need and grant allocation.

The Commission should also examine the distributional consequences for regional councils collectively, while recognising that a regional council's circumstances may differ substantially from those of another regional council.

Implementation, transparency and transition

A revised methodology should be supported by a transparent implementation process.

N&YLGA recommends that the Commission:

1. Publish the proposed methodology, definitions, data sources, assumptions and weightings.
2. Model the revised approach against the existing methodology using a consistent reference year.
3. Provide councils with indicative allocation results and an explanation of the material changes.
4. Identify any councils likely to experience significant reductions and explain the reasons.
5. Consult councils on data accuracy and the practical consequences of the model.
6. Introduce transitional arrangements where necessary to manage significant changes, without allowing transition measures to perpetuate inequities indefinitely.
7. Establish a regular review cycle, including a process for addressing material changes in road networks, usage, costs and asset condition.

N&YLGA further recommends that the Commission publish a clear statement explaining how its final methodology satisfies the applicable National Principle for identified road grants.

Any transition arrangements should be considered separately from the underlying assessment of relative need. The long-term allocation method should not be distorted simply to preserve historical funding shares.

Recommendations

N&YLGA requests that the Commission adopt the following recommendations in developing its revised ILRG methodology.

Recommendation 1: Reaffirm the road-needs principle

Make the relative expenditure required to maintain and preserve road assets the central consideration in the allocation methodology.

Recommendation 2: Reduce disproportionate reliance on population

Do not use resident population as a dominant proxy for road usage or expenditure need where more direct measures are available or can reasonably be developed.

Recommendation 3: Recognise regional road functions

Incorporate reliable evidence of freight, heavy vehicle use, agricultural production, tourism, commercial activity and interregional connectivity.

Recommendation 4: Improve road-cost assessment

Develop a consistent method for reflecting road type, condition, renewal needs, construction and maintenance costs, and material regional cost drivers.

Recommendation 5: Improve data quality

Establish a verified, current and transparent road network dataset with a clear process for council validation and correction.

Recommendation 6: Treat revenue capacity as complementary

Assess revenue capacity separately and transparently, ensuring that it does not displace the assessment of actual road expenditure needs.

Recommendation 7: Reform the automatic 15% prior allocation

Remove the automatic fixed 15% prior allocation from the ILRG and SLRF pools, subject to establishing transparent and adequate funding arrangements for strategic regional roads through a separately assessed SLRP.

Recommendation 8: Publish comparative modelling

Provide an impact assessment of the current and proposed methodologies, including individual council outcomes and the distribution of funding between regional and metropolitan councils.

Recommendation 9 Provide a fair transition

Adopt transparent transitional arrangements where required, with a defined pathway to the new methodology.

Recommendation 10: Maintain ongoing sector engagement

Establish continuing consultation with regional councils and relevant sector representatives to support implementation, data quality and future reviews.

Conclusion

N&YLGA welcomes the Commission's review as an opportunity to establish a more contemporary, transparent and equitable approach to the distribution of identified local road grants.

Wakefield Regional Council's 2022 submission provides an important evidence base for examining the relationship between population, road network responsibilities and funding

outcomes. The Commission's subsequent inclusion of this issue as a high-priority review item demonstrates its relevance to the broader methodology review.

For Northern and Yorke, the issue is one of ensuring that councils can maintain the infrastructure on which regional communities, primary producers, businesses, freight operators and visitors depend.

The Association recognises that the available funding pool is finite and that the Commission must balance competing needs across South Australia. Nevertheless, the allocation methodology should provide a defensible assessment of relative road need, based on the actual responsibilities and costs faced by councils.

N&YLGA accordingly calls for a methodology that gives appropriate weight to road assets, road condition, traffic and freight demands, regional cost factors and the capacity to preserve infrastructure over time. It also seeks transparent arrangements that protect the role of strategic regional road funding without unnecessarily reducing the needs-based allocation available to councils.

The Association looks forward to working constructively with the Commission and other local government representatives to develop a methodology that supports sound asset management, regional productivity and the long-term sustainability of South Australia's local road networks.

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Attachments:

Part A:
N&YLGA Strategic Planning Review and Future Directions of the 2040 Regional Transport Plan

Part B:
N&YLGA Regional Road Network Development.

References

1. Wakefield Regional Council (30 June 2022) — Submission to the South Australian Local Government Grants Commission on ILRG. This provides the historical council comparison and arguments concerning population, road length, regional economic activity and road funding.
2. South Australian Local Government Grants Commission — Current ILRG methodology review and consultation. This sets out the review objectives, discussion paper and matters open for consultation.
3. South Australian Local Government Grants Commission — Methodology Review Work Program 2024–25 to 2026–27. This identifies the Wakefield submission, road GIS and heavy vehicle usage as relevant review matters.
4. South Australian Government — Road funding and the Special Local Roads Program. This explains the existing 15% allocation arrangement and the purpose of the SLRP.
5. ABC News (1 June 2025) — Regional SA councils struggling to pay for roads call for fairer funding model. This provides additional public context on regional road funding concerns.