

Our Reference: F18/A10/000001:JM  
Contact Name: John Martin  
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25 February 2025

Mr Steven Kingshott  
Chair  
Victorian Local Government Grants Commission  
1 Spring Street  
Melbourne Vic 3000

Dear Steven

**Submission into Local Roads Allocation Formula**

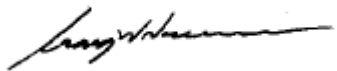
Horsham Rural City Council remains highly appreciative of the annual Financial Assistance Grants made available to Councils. We also appreciate the opportunity to provide submissions aiming to improve the formulae used to determine the allocations made to Councils.

Council has a long-held view that the life of roads in this area is much shorter than in many other parts of the state due to the nature of the soils, i.e. the sub-grade found within this municipality is highly reactive, leading to significant soil movement and road deterioration.

Horsham has previously made submissions to your Commission on this matter in 2012 and 2014, and now presents new information in the attached submission which aims to further substantiate Council's view on this matter. In part this new submission refers to Council's earlier submissions – this earlier information is also included.

I look forward to your consideration of this submission. Please contact John Martin, Director Infrastructure, should you wish elaboration on any aspect of this submission.

Yours sincerely



CRAIG NIEMANN  
**Chief Executive Officer**

Attachment

## **SUBMISSION**

**TO:** Victorian Local Governments Grant Commission

**DATE:** 24 February 2025

**SUBJECT:** **Variation to the Local Roads Grant Cost Modifier – Sub-Grades**

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### **Introduction**

Horsham Rural City Council has previously made submissions (in 2012 and 2014) in relation to the poor sub-grades in this municipality, and the related Cost Modifier in the Local Roads Grant formulae.

Information from the earlier submissions is again included for reference, as it remains relevant to this new submission, please refer to the attachment.

Council notes that in its response to our 2014 submission, the Commission advised that changes had been made to the formula for the sub-grade cost modifier. This submission seeks to highlight a correlation between the current formula and a key premise of Council's earlier submission as a basis for reviewing the range of the cost modifier. That is, Council contends that the range of 0.95 – 1.10 for the cost modifier is not an adequate representation of the costs of road maintenance and renewal incurred by Councils.

### **Background Information**

In its earlier submissions to the Commission, Council provided the following information, in summary:

- The serviceable life of sealed roads in Horsham Rural City was assessed to be around 40 years.
- In comparison, the lives of roads in some other municipalities are estimated to be up to 180 years.
- This range reflects a variation in lives of 450%, which is proportionate to the variation in whole-of-life costs of maintaining and renewing road assets.
- In contrast, the range in the cost modifier for sub-grade used by the Commission is 0.95 – 1.10, representing a range of only 15%.
- Therefore, this range of cost modifiers is not reflective of the range of maintenance and renewal costs of roads across the state, based on sub-grade conditions.

This information was supported both by reports by Mr Peter Moloney and his participation in a presentation to the Commission on this matter at that time. Horsham and about 40 other Councils used the services of Moloney Asset Management Systems to assess the condition and investment requirements to maintain roads and related assets. Hence, this information is regarded as a credible representation of the variation in the lives of roads across the State.

As Horsham Rural City Council now uses alternative methods for assessing road condition and renewal requirements, we no longer have information that compares our road lives with other parts of the state. However, there has been no change in the geology of our road formations, and the deterioration of our roads continues to follow historic degradation profiles.

## New Cost Modifier Formula

Council noted in the Commission's 2014 response to our submission at that time, that the Commission had modified its method for calculating the sub-grade cost modifier. The 2024-25 formula for the sub-grade cost modifier includes the following information relating to the soil geology:

E	(x5.0)	Extreme reactive clay or silt sites, which can experience extreme ground movement from moisture changes
H-E	(x5.0)	
M-E	(x4.0)	
H	(x3.3)	High reactive clay or silt sites, which can experience high ground movement from moisture changes
M-H	(x2.5)	
M	(x2.0)	Moderately reactive clay or silt sites, which can experience moderate round movement from moisture changes
S-M	(x1.7)	

Geotechnical assessments conducted by Horsham for many projects consistently yield results that demonstrate that soils in our area are classified as highly to extremely reactive. Given this, Council seeks to highlight the alignment of the indices in the table above (x4.0 or x5.0) with Council's previous information relating to the range of road lives from Council's earlier submission, i.e. 450%.

This information appears to reinforce the position previously asserted by Council, that is, that the range in the sub-grade cost modifier of 0.95 to 1.10 is not reflective of the range in cost exposure Councils experience based on varying sub-grades.

In our earlier submission, Council indicated that our costs for road maintenance and renewal are estimated to be twice the average of other Councils.

On the basis of the above information, it would seem that the cost modifier for sub-grade would be more representative of the variation in geology across the state it was to range between 0.5 and 2.0.

## Recommendation

Horsham Rural City Council recommends to the Victorian Local Government Grants Commission that it review its cost modifier for sub-grades for the Local Roads component of the Financial Assistance Grants to be in the range of 0.5 to 2.0 to more appropriately reflect the variation in road sub-grade conditions across the state.

John Martin  
Director Infrastructure

**Submission to Victorian Grants Commission**  
**Local Roads Grants Formula**  
**August 2012**

**Summary**

A significant body of work on road conditions across Victoria has highlighted that road sub-grades play a critical factor in influencing the effective lives of roads.

The cost modifiers currently used in the Local Roads Grants formula already provide an allowance for variations in sub-grades, based on mapping of soil classifications. The indices for this cost modifier recognise that much of western Victoria and some other areas incur higher road costs as a result of these poor sub-grades.

This submission proposes that the magnitude of the effect of poor sub-grades is far greater than the range currently employed as a cost modifier in the grants formula. The current range is 0.95 to 1.10, i.e. an effective variation of 15%.

Empirical evidence indicates that the range in effective lives of roads could vary between 40 years and 180 years – an effective variation of 450%, having a proportionate impact on the cost of road maintenance and renewal. This range of asset life should be applied to the Local Roads Grants formula.

**Background**

Horsham Rural City Council (HRCC) recently received its fifth report on the condition of its road and related assets. This series of reports now spans a period of 13 years, with each report involving the sampling of in excess of 2000 road segments in a road network of about 3300 km.

The condition assessments and reports were prepared by Peter Moloney of Moloney Asset Management Services. Mr Moloney provides similar services for 49 other LGAs across Victoria, hence can be considered to have a high level of expertise in both road asset conditions generally and their relative condition across the State.

Collectively, his work represents a robust dataset for analysis.

In his latest report to HRCC, Mr Moloney stated (on p5):

*In undertaking this work for many councils over the last 17-years one fact has clearly emerged. Those councils within the state that are on poor subgrades really do have a severe disadvantage that needs to be addressed through the Government funding system.*

The condition assessments performed by Mr Moloney allow degradation curves to be developed for classes of road assets. These curves map the condition of roads between inspections, allowing projections of renewal costs to be developed, and importantly determination of the effective (serviceable) life of the assets.

Horsham Rural City Council, and other municipalities in the Wimmera Region incur higher costs as a result of these poor sub-grades. For Horsham Rural City Council, this additional expenditure is estimated to be about \$2.3 M per year on road renewals. This is based on the assumption that extending the useful life of roads from 40 to 80 years would halve the renewal cost, which is currently \$4.7 M per year.

**Victoria-Wide Perspective**

The reports available to HRCC provide information about roads within the municipality. Mr Moloney has provided anonymous information (i.e. the individual Councils are not identified) that indicates the range

of asset lives experienced across the state. As indicated earlier, there is a vast range in the life of road assets across the state, possibly between 40 and 180 years.

Information based on reports of actual asset conditions over a period of ten years or more represents a valuable supplement to the existing information on sub-grades based on soil maps.

The information provided by Mr Moloney for HRCC can also be developed for other municipalities that currently use his services. This set of data would provide a consistent basis of asset life information, which could be correlated against the soil map information to extrapolate to other areas.

### **Recommendations**

1. The Victorian Grants Commission undertake a review of the impact of poor sub-grades on the effective life of road assets, and hence the relevant cost modifiers relating to road sub-grades.
2. The data collected by Mr Moloney of Moloney Asset Management Services be used to assist the Commission in its review.

John Martin

**Director Technical Services**