



# Financial Assistance Grants 2018-19

Fact Sheet June 2019



## Per capita minimum grant

The legislation provides for a per capita minimum grant. The per capita minimum for 2018-19 is \$20.76. Councils on the minimum grant generally:

- Have greater revenue raising capacity
- Are not relatively disadvantaged
- Have economies of scale
- Are geographically smaller
- Experience year on year growth

There are 19 councils on the minimum grant, all located in the Sydney area. Just over 31% of the State's population live in those council areas.

Nine minimum grant councils received a higher than state average increase of 3.7%, including the City of Sydney with the highest increase of 12.6%.

## Why refine the model?

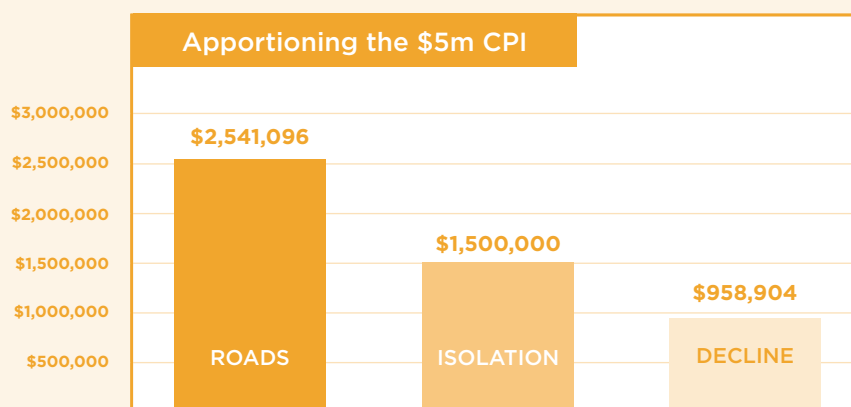
It's important to note that the Commission is not implementing a new model. Over time, the model had become very complex with an increasing number of functions and disability factors. The model had 20 expenditure functions and 47 disability factors applied across 128 councils plus more than 100 individual occurrences of discretionary disability factors. The Commission has taken advice, tested the competing propositions and decided to implement the recommended refinements and improvements.

## The refined model:

- Allocates a higher proportion of grant funding to councils with greatest relative disadvantage
- Is consistent with the National Principles
- Is consistent with NSW policy of grant allocation
- Is transparent and publishable
- Is robust, statistically verifiable and auditable
- Uses best practice financial and modelling principles
- Is modern, simplified and more flexible

## Relative Disadvantage Allowance

The Commission quarantined \$5m of the CPI increase and apportioned it as an allowance for relative disadvantage.



Roads= unsealed local roads. Isolation = increased weighting for isolation allowance. Decline = councils with population decline between 2006-16 (see negative population growth 2006-16 map page 1).

## General Purpose Component (GPC)

The GPC expenditure allowance remains based on council expenditure reported against Financial Data Return grouped as follows:

- Administration & Governance
- Recreation & Culture
- Community Amenity
- Community Services & Education
- Roads, Bridges, Footpaths & Aerodromes
- Public Order, Health, Safety & Other

The 20 council functions are being retained but consolidated to six. The state average per capita cost for each function is still calculated by aggregating expenses (reported by all councils in Financial Data Return) for each function and divided by NSW's population.

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The **GPC expenditure allowance** includes five Cost Adjusters (or Disability Factors/Measures) to enable the Commission to compare councils' relative disadvantage/advantage:

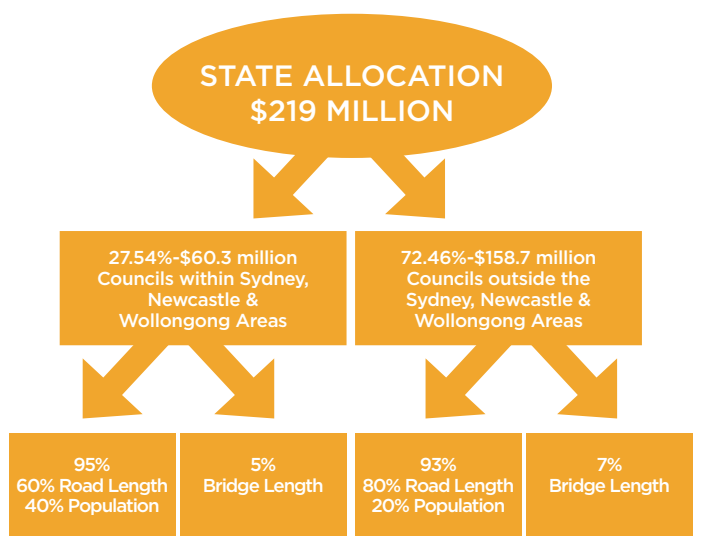
- Population (ABS - Total for LGA)
- Aboriginal & Torres Strait Islanders (ABS - %)
- Road length (council - km)
- Environment (ABS - ha environmental land)
- Rainfall, topography and drainage (Consultants Willing & Partners - index)

The expenditure allowance formula is also retained:

$No. of Units (LGA Population) \times State Ave \$Cost/capita for the function \times council's disability factor = \$ expenditure allowance.$

### Distribution of Local Roads Component

(29% of the national pool)



### Submissions

Special submissions from councils will be considered by the Commission. The purpose of a submission is to give a council the opportunity to present information on the financial impact of inherent expenditure disabilities beyond its control that are not generally recognised in the current methodology. This allows the Commission to adequately consider all legitimate factors that affect councils' capacity to deliver services.

### Contact the NSW Local Government Grants Commission

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Related information:

<https://www.olg.nsw.gov.au/commissions-and-tribunals/grants-commission>  
Includes information such as the original factsheet, Grants Commission Circulars, reports and grant schedules.

### Background and call for the review

The Independent Local Government Review Panel recommendation (Fact Sheet page 1) was supported by a number of other reviews and reports including:

#### 2008 Assessing Local Government Revenue Raising Capacity, Productivity Commission Research Report:

*"A number of councils, particularly in capital city and urban developed areas, have the means to recover additional revenue from their communities sufficient to cover their expenditures without relying on grants. However, a significant number of councils, particularly in rural (87%) and remote (95%) areas would remain dependent on grants from other spheres of government to meet their current expenditure. Given the differences in the scope to raise additional revenue across different classes of councils, there is a case to review the provision of Australian Government general purpose grants to local governments."*

#### 2010 Australia's Future Taxation System Report:

*"The current requirement that each council receives 30% of its per capita share of untied financial assistance grants may prevent state grants commissions from redistributing to councils that require greater assistance."*

#### 2013 The NSW Local Government Grants Commission submission to the Commonwealth Grants Commission Review:

*... "we have seen an increase in concerns being raised about:*

- the widening gap in revenue raising capacity for larger metropolitan councils versus smaller rural councils;
- increasing infrastructure needs;
- declining population."

#### 2014 The NSW Government's Response to the Local Government Review Panel:

*"The Government supports targeting Financial Assistance Grants to communities with the greatest need. It will ask the NSW Grants Commission to continue to identify opportunities to achieve this over time, within the constraints imposed by the national funding principles. It will also ask the Commission to ensure transitional protection for those councils with lower levels of need, to minimise the impact of any redistribution."*

#### 2017 Shifting the Dial: 5 year Productivity Commission Review:

*"The Commission's study into transitioning regional economies noted that where populations have declined in Local Government areas, related declines in revenue are hampering efforts to maintain infrastructure designed to service (and be funded) by larger populations."*