

FAIR INCREASES TO FINANCIAL ASSISTANCE GRANTS

Commitment sought

Restore Financial Assistance Grants to at least one percent of Commonwealth taxation revenue and provide councils with an additional once-off payment of \$3 billion to address the practice of bringing forward FA Grants payments.

Opportunity

Fulfil the Government's commitment to "fair increases to Financial Assistance Grants" and support local governments to help deliver on national priorities at a community level, while reducing cost of living pressures for all Australians.

Further information

Financial Assistance Grants are vital to the continued economic prosperity of communities in every corner of our nation.

Research produced for ALGA by AEC shows that these grants make up more than 20 percent of annual operating revenue for around one in four councils, and this figure is much higher in regional, rural and remote areas.

Since 2009-10, the Australian Government has consistently pre-paid either part or all Financial Assistance Grants to councils in the previous financial year.

Originally implemented as a stimulus measure during the Global Financial Crisis, and then to encourage councils to drive local economic development during the COVID pandemic, these pre-payments are now anticipated by councils every June.

The timing of these payments is controlled by the Federal Government, creating a level of uncertainty for local governments planning their annual budgets.

According to research from SGS Economics and Planning, over the past decade total expenditure per capita by local government has essentially flatlined, as expectations for public services have continued to grow.

The research also shows outlays per capita from the Commonwealth have risen sharply over this period, while those of state and territory governments have steadily grown.

Essentially, Australian councils have been asked for years to do more with less, and many have subsequently become reliant on the early payment of these grants, established fifteen years ago.

The SGS research also shows that local government supports increased productivity in at least nine different ways, including providing urban infrastructure, mitigating externalities in urban development, place making and the visitor economy, providing land for housing, better local labour markets, climate mitigation and adaptation, providing land for business, business clusters and innovation, and the circular economy.

According to the SGS research, investment in Australian local government is low by international standards.

Allowing for the differing scope of local government around the world, by removing the provision of health, education and social services, Australian councils' share of GDP ranks amongst the very lowest of comparator nations.

The Government ran for election in 2022 on a policy of “fair increases” to Financial Assistance Grants. Minister McBain highlighted the importance of Financial Assistance Grants in a speech to Parliament in November 2022, saying “*We know this untied funding enables local governments to deliver their community priorities and enables the best placed solutions to come through.*”

However, since being elected the only increases have been annual indexation, in-line with the *Local Government (Financial Assistance) Act*.

Providing an additional once-off allocation of Financial Assistance Grants equal to one year’s payments will address the bring-forward and meet the Government’s commitment to “fair increases”.

As Australians continue to experience a cost-of-living crisis, local governments are providing relief through a wide range of free and low-cost facilities, services, events and programs.

A substantial increase to Financial Assistance Grants would support local governments to improve and expand on this work, providing much-needed relief to all Australians.

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