



# Financial Assistance Grants

Financial Assistance Grants support the financial sustainability and health and wellbeing of every Australian community.

GRANT

## IMPORTANCE OF THE FINANCIAL ASSISTANCE GRANTS

Local government Financial Assistance Grants are provided by the Commonwealth Government to help councils provide local services and infrastructure. The grants are not tied and can be used by local government bodies at their discretion to meet the needs and priorities of local communities.

The Financial Assistance Grants in 2021/22 totalled \$2.7B. Historically, local government was funded by the Commonwealth Government through a tax sharing arrangement, ensuring funding was aligned with the growth of the Australian economy. In 1989 however, this arrangement was changed to only increase by a population growth and consumer price indexation (inflation). As a consequence, these important grants have fallen to just 0.53 percent of Commonwealth taxation revenue.

Financial assistance to local governments from the Commonwealth is relied upon by all councils to provide local services and infrastructure that enable the liveability of our communities.

The funding provided is a major contributor to local employment and the development of the workforce through traineeships and apprenticeships. Without these grants, councils would need to generate additional revenue to maintain the required levels of service and meet the expectation of all Australians. Alternatively, councils would need to decommission infrastructure and reduce services to communities to remain financially viable.

*A fair share of Commonwealth tax revenue is essential to the continued liveability of our communities.*



# FINANCIAL AND ECONOMIC BENEFITS OF FINANCIAL ASSISTANCE GRANTS (2021/22)

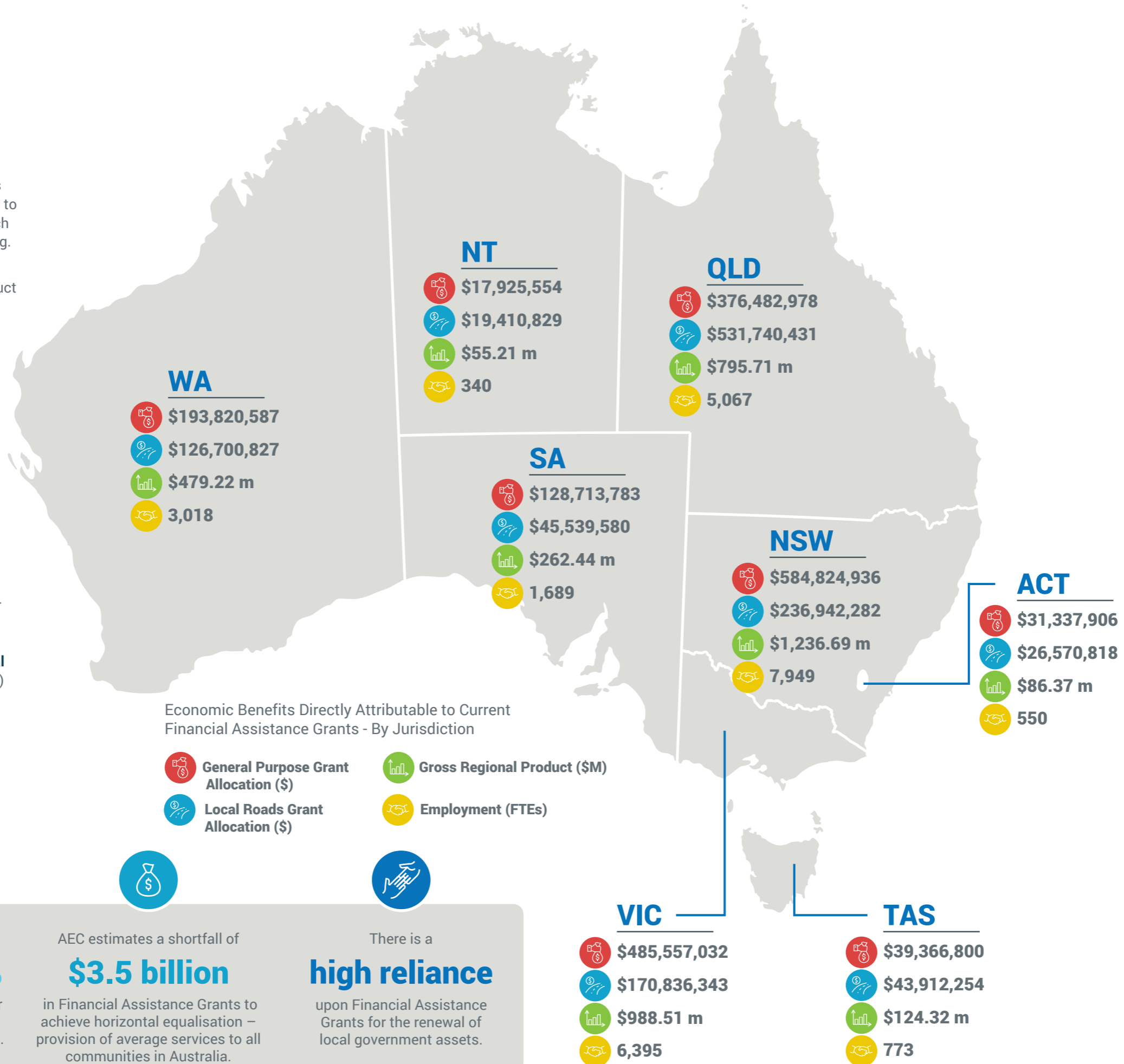
## Benefits of Achieving 1% of Commonwealth Tax Revenue

Increasing the Financial Assistance Grants to 1% of total Commonwealth taxation revenues would provide **\$5,125M** in funding to local government in 2021-22, which is an additional \$2,429M in funding.

An additional **\$2,429M** would increase the Gross Regional Product (GRP) by **\$3,439M** and support an additional 22,814 jobs full-time equivalent jobs.

## Reliance Upon Grants for Financial Sustainability

Financial Assistance Grants contribute more than 10% of the total operating revenue for 270 (or 50%) of local government bodies in Australia - the grant funding contributes more than 20% of **total operating revenue for 123** (or 23%) of local government bodies.



Economic Benefits Directly Attributable to Current Financial Assistance Grants - By Jurisdiction

- General Purpose Grant Allocation (\$)
- Local Roads Grant Allocation (\$)
- Gross Regional Product (\$M)
- Employment (FTEs)



Financial Assistance Grants contribute

**more than 20%**

of the total operating revenue for 42% of rural agriculture councils and 40% of rural remote councils.



AEC estimates a shortfall of

**\$3.5 billion**

in Financial Assistance Grants to achieve horizontal equalisation – provision of average services to all communities in Australia.



There is a

**high reliance**

upon Financial Assistance Grants for the renewal of local government assets.

ALGA surveyed CEOs/GMs across Australian local governments to identify the reliance upon grant funding for provision of services and infrastructure. The CEOs/GMs surveyed told us that:



## A. Services that are most reliant upon Financial Assistance Grants include:

- Response to climate change
- Provision of recreation and open space activities
- Provision of community events and festivals
- Library and educational services
- Equitable access to services
- Public safety
- Healthier communities
- Support for at risk populations
- Protecting communities from natural disasters



## B. Infrastructure most reliant upon Financial Assistance Grants:

- Sealed road maintenance
- Unsealed road maintenance
- Footpaths and cyclepaths
- Stormwater drainage



C. All respondents indicated that they required certainty in the Financial Assistance Grant funding to be able to plan effectively to deliver services and for the ongoing financial sustainability of their Councils.

## A GREATER SHARE OF COMMONWEALTH TAXATION WOULD INCREASE COUNCIL SERVICE LEVELS, IN PARTICULAR IN THE FOLLOWING AREAS

### INFRASTRUCTURE

Sealed road maintenance; unsealed road maintenance; footpaths and cycleways; stormwater drainage; and waste disposal and recycling.

### ENVIRONMENTAL AND REGULATORY

Road safety/ traffic management; management of natural areas/ biodiversity; animal control and pounds.

### COMMUNITY

Parks and open spaces; aquatic centres, leisure centres, and sports fields; community grants; and community halls and venues.

## RESTORING FINANCIAL ASSISTANCE GRANTS

Core federal funding to local government has been in relative decline since the mid-1980s. The ability of many councils to continue providing necessary services and infrastructure was further impacted when the indexation of Financial Assistance Grants was frozen in the 2014-15 Federal Budget, before being reinstated three years later in 2017-18. ALGA's 2021 National State of the Assets report indicates that around 10 percent of the infrastructure owned and managed by Australian councils is in poor condition and requires intervention.

Financial Assistance Grants are particularly valuable for local government, as the funding is untied, meaning it can be spent where it is most needed. This can include building new infrastructure, delivering new programs that meet community needs, as well as maintaining local pools, libraries, sporting grounds and roads. Untied funding provided to councils also enables them to invest in their workforces, through bringing on new staff or upskilling or retraining existing employees, helping address Australia's workforce capacity challenges.

**ALGA POLICY:** ALGA is seeking a commitment from the Australian Government to restore Financial Assistance Grants to at least one percent of Commonwealth taxation revenue via a phased approach.

**IF FUNDED:** Jobs created: **22,813** Contribution to annual GDP : **\$3.44 billion**

**WHAT'S THE ISSUE?** The value of Financial Assistance Grants provided to local government has declined over the past three decades from around 1 percent of Commonwealth taxation revenue to around 0.53 percent.

**WHY DOES IT MATTER?** Local governments only collect around 3.5 percent of taxation nationally and need support from other spheres of government to provide and maintain the infrastructure their communities need such as swimming pools, playgrounds, sports facilities, regional airports, and roads.

For further information on the research into financial, economic and social benefits of Financial Assistance Grants, contact ALGA or AEC Group.



OUTCOME DRIVEN