

Local Government Grants Commission

Metropolitan Councils Public Hearing

2025-26 Grant Allocation

22 May 2025



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Acknowledgment of Country

I acknowledge the Traditional Custodians of the various lands on which we work today and the Aboriginal and Torres Strait Islander people participating in this meeting/webinar.

I pay my respects to Elders past, present and emerging, and recognise and celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of NSW



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Purpose for Today



Who are the new Grants Commissioners and what does the Commission do?

What are the Financial Assistance Grants?

Timeline for decisions/allocation

Understanding the context – Federal Legislation

Discuss allocation methodology

Next Steps

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What is the Grants Commission?

The Local Government Grants Commission



Makes recommendations to the Minister for Local Government:

- on the allocation of general purpose grants to local government entities in New South Wales
- under the provisions of the Commonwealth Local Government (Financial Assistance) Act, 1995

Recently appointed Commissioners:

Linda Scott – Chair

Brett Whitworth – Deputy Chair

Leanne Barnes PSM OAM –
Commissioner

Jason Hamling - Commissioner

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Grants Update and Timeline for Decision

Financial Assistance Grants Update



2024-25

- Total amount from Federal budget for NSW - \$1.002b, \$710.159m General Purpose Component (GPC), \$292.232m Local Roads Component (LRC)
- Federal Govt provided an 85% advance payment on 28 June 2024
- Final payment made 17 May 2025

2025-26

- Federal budget announcement on 23 March for NSW - \$1.053b* (estimated) GPC- \$745.871m, LRC - \$307.884m
- Increase of approx. 5% for 2025-26
- Final funding determination to be made by the Federal Treasurer, no later than 30 June

**Federal Budget Paper 3*

2025 Timeline



- Federal Budget – 23 March
- Public hearings – 22 May (Metro) and 11 June (Regional)
- Commission provides recommendations to Minister – 1 August
- Minister to advise the Federal Treasurer – 11 August
- Quarterly payments commence in August
- Advance payment – decision of the Federal Government – not yet determined

'The Federal Government will continue to work with the states in relation to the financial support of the local government sector, including advancing funding earlier than would usually occur.'

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What are the Financial Assistance Grants?

What are Financial Assistance Grants?

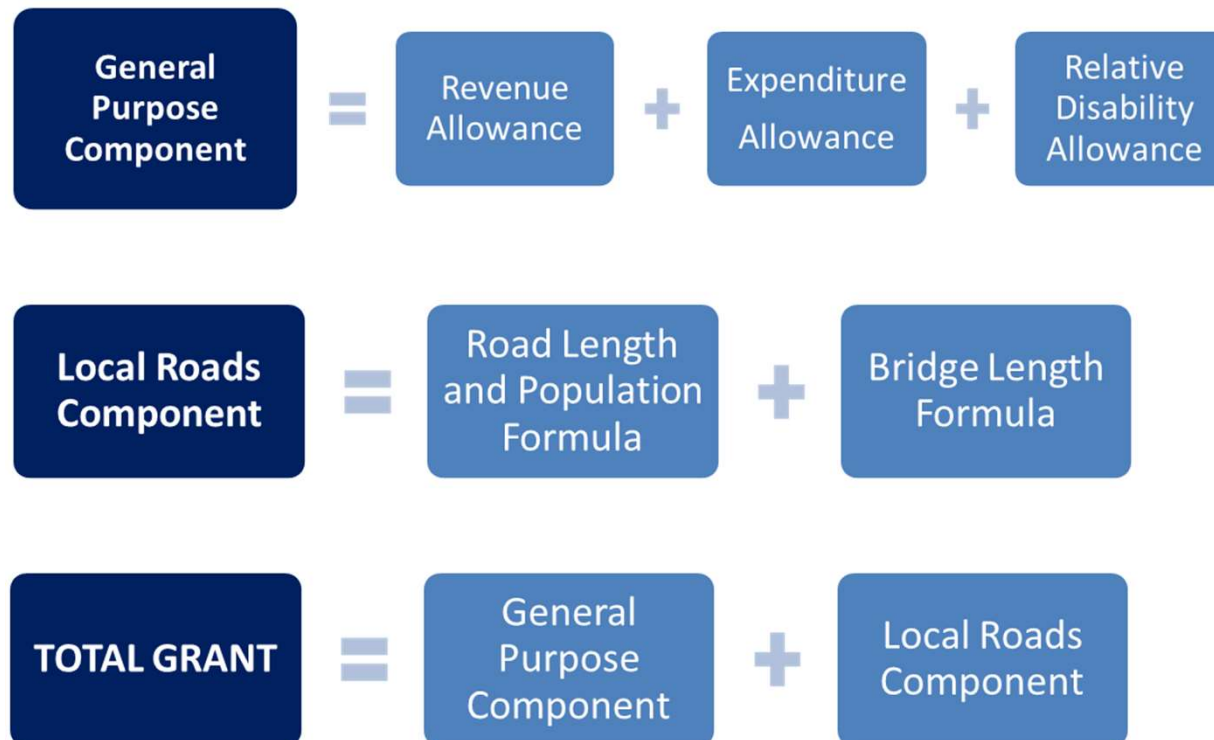


- Untied funds from the Commonwealth to Councils across the nation
- Two components:
 - *General purpose component* - distributed to the states based on population shares
 - *Local roads component* - distributed to the states based on fixed historical shares, including the length of local roads
- Payments made under Federal legislation, with States required to make recommendations using a formula from individual grants commissions

Current Grant Formulas



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Federal Legislation

Federal Legislation



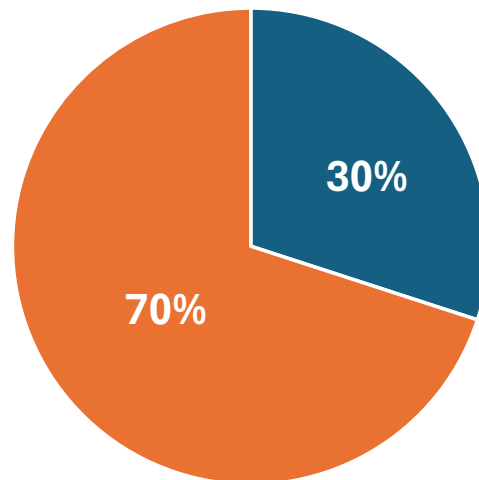
Allocations need to be consistent with the Federal legislation

1. 30% minimum grant
2. **National Principles** require an assessment of:
 - Expenditure needs
 - Revenue capacity

Also contains key elements of

3. Horizontal Fiscal Equalisation (HFE)
4. Effort Neutrality

GPC Per Capita Minimum Grant



2024-25 - \$25.54

Based on 30% of the General Purpose Component pool divided by the State's population.

Federal Legislation



National Principles

- Revenue capacity and expenditure needs of councils
- Horizontal equalisation basis
- Effort neutral approach
- 30% minimum grant per capita
- Recognition of the needs of Indigenous People
- Recognition of other grant support
- Local roads

Horizontal Fiscal Equalisation

‘a mechanism designed to ensure that all states and territories have a similar fiscal capacity to deliver services to their residents, regardless of their individual revenue-raising abilities’

- Assessing relative needs - what is council's relative position based on a basket of indicators
- Role of the minimum per capita grant

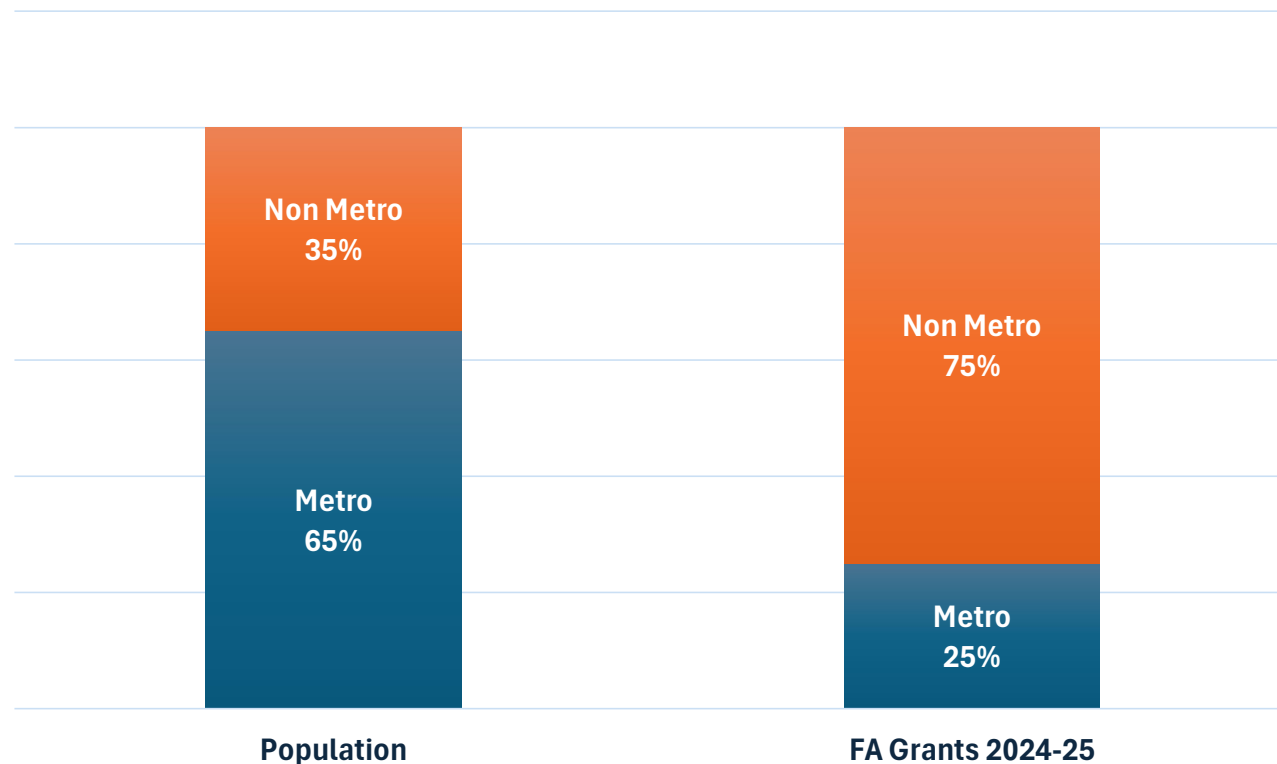
Effort Neutrality

- A council's grant shouldn't be influenced by its policy decisions
- NSW Government policy is to allocate funds, as far as possible, to councils with the greatest relative need

Grant Distribution

NSW Distribution

The grants are based on operational expenditure, not capital works.



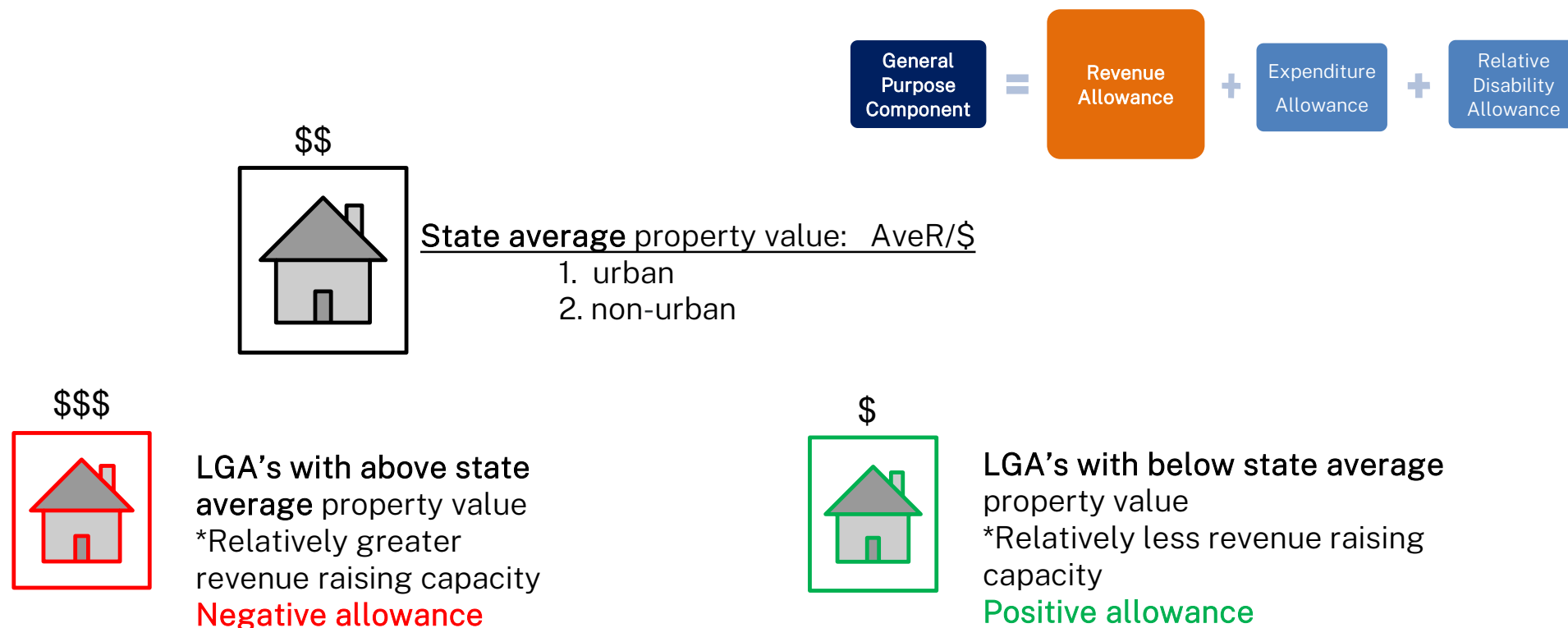
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Current Revenue Allowance Formula

Revenue Allowance



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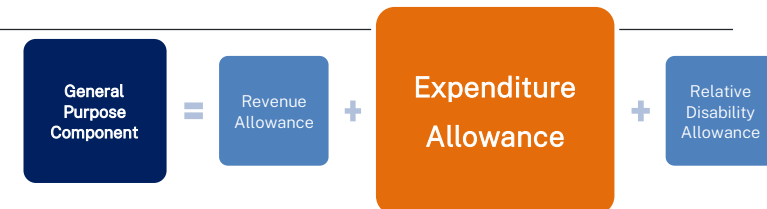


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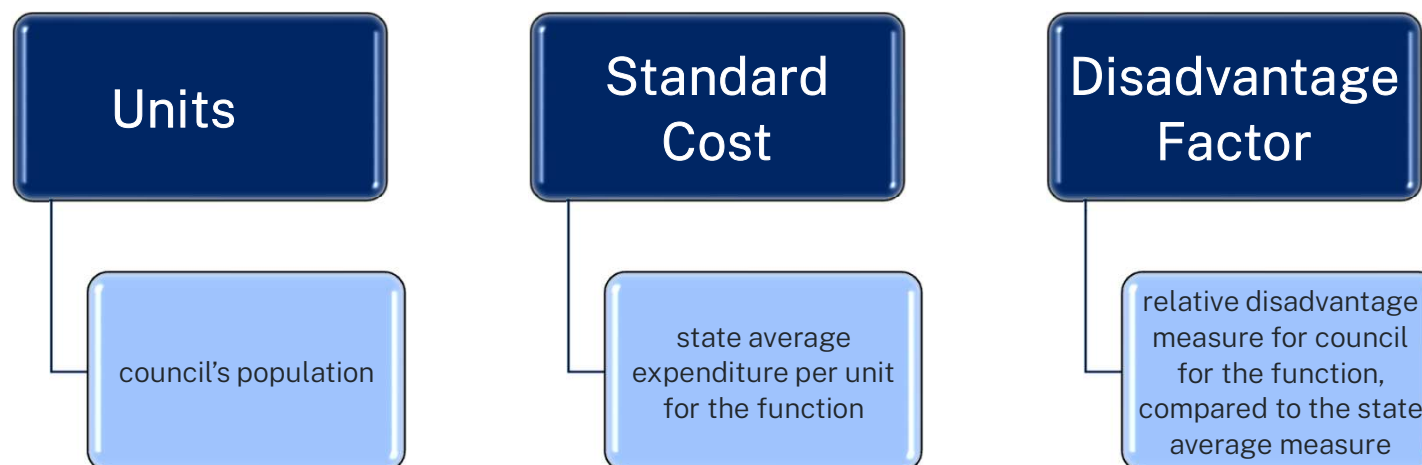
Current Expenditure Allowance Formula

Expenditure Allowance

Expenditure allowances attempt to compensate councils for above average expected costs in providing services due to inherent factors – NOT because of council policy!



Expenditure Allowance = Units x Standard Cost x Disadvantage Factor



Expenditure Allowance

A Disadvantage Factor is the Commission's estimate of the additional cost, (expressed as a percentage), of providing a standard service due to inherent disabilities.



$$\text{Disadvantage Factor} = \left(\frac{\text{Council Measure}}{\text{Standard Measure}} \right)^{\text{Weighting}} - 1$$

Expenditure Allowance

Disadvantage Factors

- Population (ABS - size)
- Aboriginal & Torres Strait Islanders (ABS - %)
- Local Road Length (Council - km)
- Environment (ABS - ha environmental land)
- Rainfall, topography and drainage (Consultants Willing & Partners - index)



Expenditure Allowance

Disadvantage Factor Example

Aboriginal and Torres Strait Islander Population:



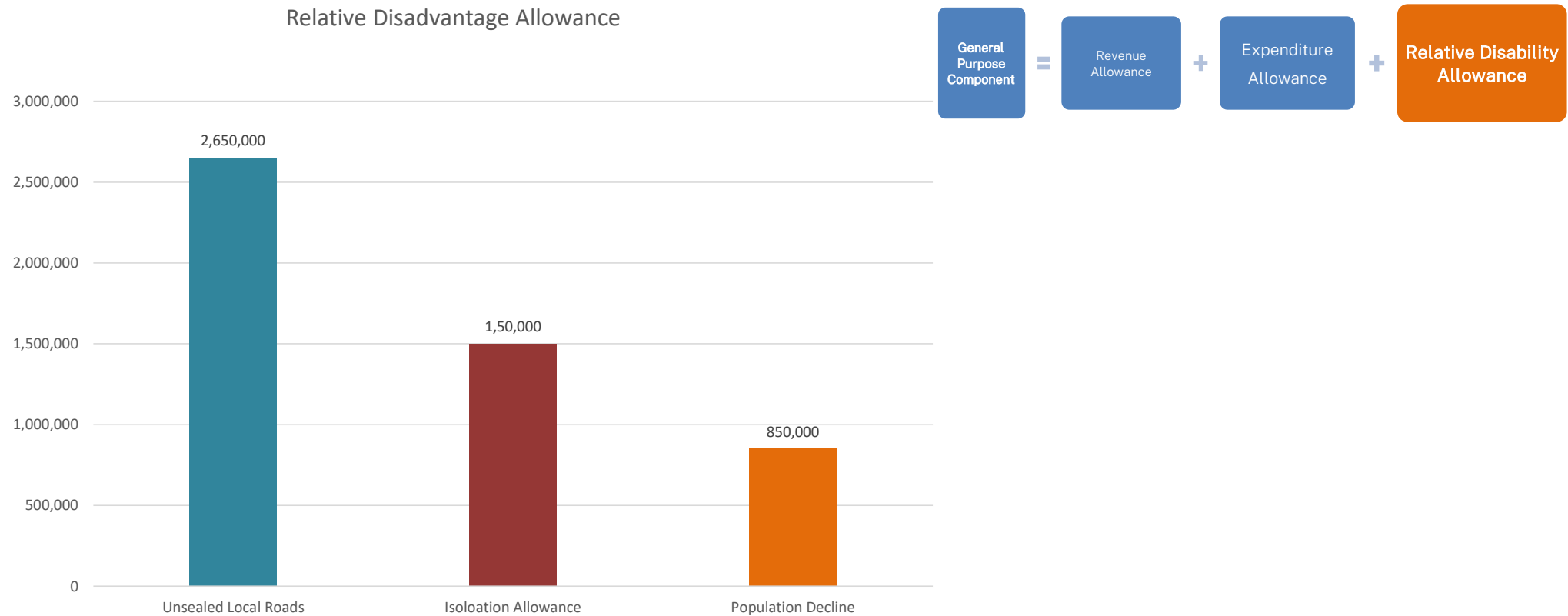
Council with higher than average Aboriginal and Torres Strait Islander Population = **Positive allowance**

State average Aboriginal and Torres Strait Islander Population for NSW



Councils with lower than average Aboriginal and Torres Strait Islander Population = **Nil allowance (negative allowances excl.)**

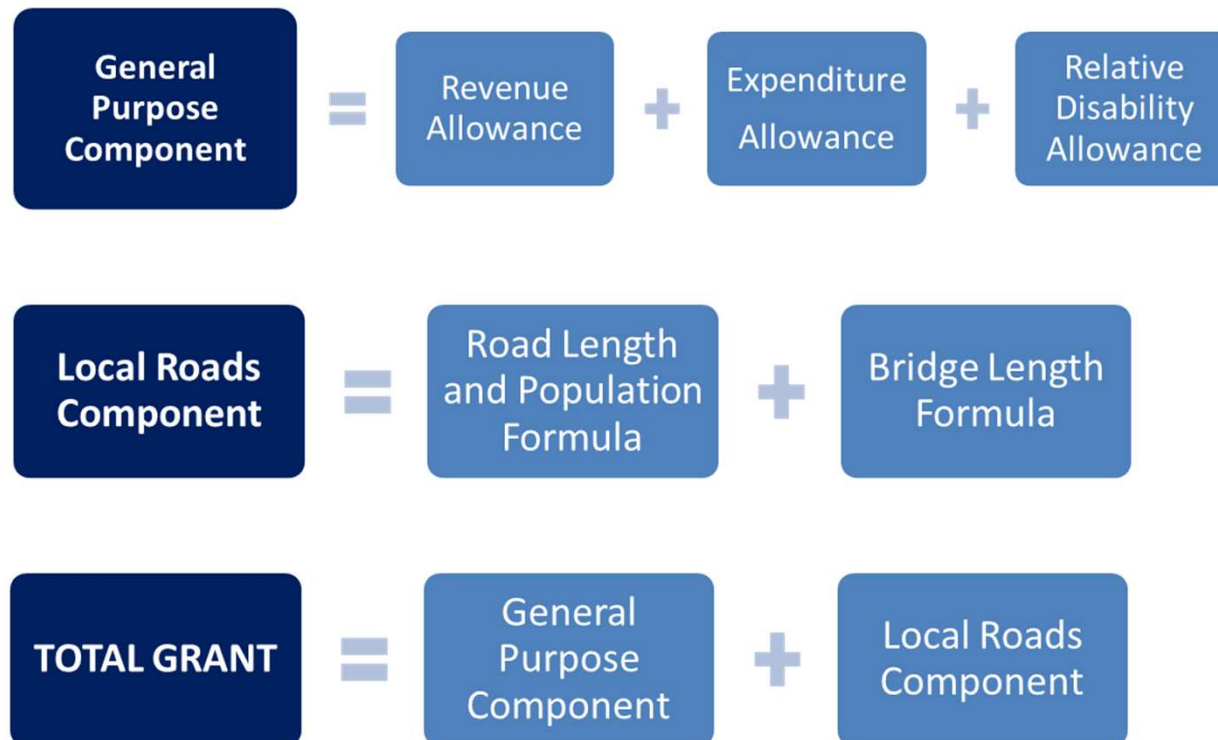
Relative Disability Allowance



Current Grant Formulas



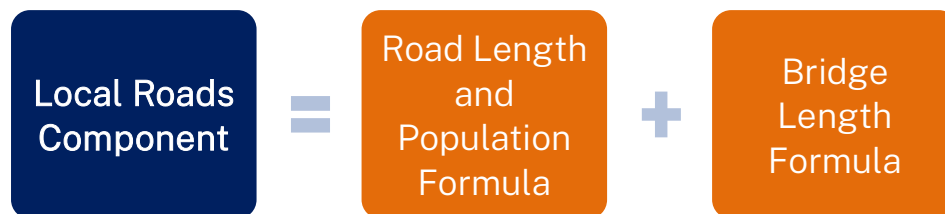
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Local Roads Component

Allocated to local government entities as far as practicable on the basis of the relative needs of each local government entities roads expenditure and to preserve its road assets.

Relevant considerations include length, type and usage of roads in each local government area.



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Next Steps

Likely Outcomes 2025-2026



- Continue to allocate funding to councils with the greatest relative need
- Historically set a range a range of +5% to 0%
- Previous Commission identified range of +6% to -4% for 2025-26

Looking Ahead 2026-2027



- Consideration of current model
- Commission will undertake consultation during this process via webinars and public hearings
- The Commission encourages councils to make a submission via email to:

grantscommission@olg.nsw.gov.au

Questions



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