

## 9.10 Grants Commission Financial Assistance Grant 2021-22

REPORT BY THE FINANCIAL PLANNING COORDINATOR  
TO 15 SEPTEMBER 2021 ORDINARY MEETING  
GOV400087, GRA600041

### RECOMMENDATION

#### That Council:

1. **receive the report by the Financial Planning Coordinator on the Grants Commission Financial Assistance Grant 2021-22;**
2. **note the correspondence received from the Local Government Grants Commission attached to this report;**
3. **amend the 2021/22 Budget to recognise a transfer from other internal restrictions due to the advance payment of part of the 2021/22 financial assistance grant being a general purpose component of \$2,191,640 and local roads component of \$1,309,394 and offset with an equal amount of reduction in grant income;**
4. **amend the 2021/22 Budget to increase grant income for the general purpose component by \$267,560 and the roads component by \$118,020; and**
5. **amend the 2021/22 Budget to increase the Rural Sealed Road Rehabilitation Budget Only expenditure budget by the increased roads component grant amount of \$118,020, with the balance of funds to increase General Fund unrestricted cash by \$267,560.**

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### Executive summary

Council has received the attached letter from the Local Government Grants Commission regarding financial assistance grants (FAGs). The letter advises that Mid-Western Regional Council's 2021/22 financial assistance grant estimated entitlement is an increase of 2.4% compared to the 2020/21 final entitlement. Based on this advice it is recommended to amend Council's 2021/22 budget to recognise the carry forward of the advance payment made in 2020/21 financial year to 2021/22 and to recognise the higher than budgeted grant income for the 2021/22 allocation. This is a net increase of grant funding by \$385,580.

### Disclosure of Interest

Nil.

### Detailed report

The Council's 2021/22 financial assistance grant estimated entitlement compared to 2020/21 final entitlement is as follows:

**Council's Financial Assistance Grants Entitlement**

Year	General Purpose	Local Roads	Total
2020/21 Payments	\$4,233,347	\$2,532,977	\$6,766,344
2020/21 CPI/Population Adjustment	\$70,547	\$38,539	\$109,086
<b>2020/21 final</b>	<b>\$4,303,894</b>	<b>\$2,571,536</b>	<b>\$6,875,430</b>
<b>2021/22 estimate</b>	<b>\$4,430,360</b>	<b>\$2,612,477</b>	<b>\$7,042,837</b>

**Council's 2020/21 Financial Assistance Grants Payments Due**

Year	General Purpose	Local Roads	Total
2021/22 estimate	\$4,430,360	\$2,612,477	\$7,042,837
2020/21 CPI/Population Adjustment	\$70,547	\$38,539	\$109,086
<b>2021/22 entitlement</b>	<b>\$4,500,907</b>	<b>\$2,651,016</b>	<b>\$7,151,923</b>
2021/22 Advance Payment (Paid in June 2021)	\$2,191,640	\$1,309,394	\$3,501,034
2021/22 Anticipated Payments	\$2,309,267	\$1,341,622	\$3,650,889
<b>Total Payments</b>	<b>\$4,500,907</b>	<b>\$2,651,016</b>	<b>\$7,151,923</b>

Council's 2021/22 estimated FAGs entitlement for General Purpose and Local Roads are \$4,430,360 and \$2,612,477 respectively. Council's current FAGs entitlement includes \$4,500,907 for the General Purpose component and \$2,651,016 for the Local Roads component, a total of \$7,151,923 after CPI/Population adjustment for the prior year.

Councils received approximately 48.95 percent of their estimated 2021/22 FAGs on 08 June 2021. Mid-Western Regional Council received a total of \$3,501,034 in advance and have accounted for this as internally restricted funds as at 30 June 2021.

**Proposed Budget Variation**

Budget	General Purpose	Local Roads	Total
2021/22 entitlement	<b>\$4,500,907</b>	<b>\$2,651,016</b>	<b>\$7,151,923</b>
2021/22 Current Budget	\$4,233,347	\$2,532,996	\$6,766,343
<b>2021/22 Proposed Budget Variation</b>	<b>\$267,560</b>	<b>\$118,020</b>	<b>\$385,580</b>

Council's current budget includes \$4,233,347 for the General Purpose component and \$2,532,996 for the Local Roads component, a total of \$6,766,343. Therefore, the budget adjustments required are to increase the General Purpose component by \$267,560 and Local Roads component by \$118,020, a total of \$385,580.

The letter also importantly highlights that:

**SPECIAL SUBMISSIONS RELATING TO 2022-23 GRANTS**

*As usual, special submissions from councils will be considered by the Commission. The purpose of a submission is to give 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 council's capacity to deliver services.*

It is not anticipated that a Special Submission is required at this time.

## Community Plan implications

<b>Theme</b>	<b>Good Governance</b>
Goal	Good communications and engagement
Strategy	Improve communications between Council and the community and create awareness of Council's roles and responsibilities

## Strategic implications

### Council Strategies

Not applicable.

### Council Policies

Not applicable.

### Legislation

Not applicable.

## Financial implications

The total grant funding is not restricted therefore Council's budgeted unrestricted cash will increase by \$385,580.

Budget Year	Operating Performance Ratio	Own Source Revenue	Building & Infrastructure Renewal
2021/22	✓	✗	✓
Future Years	-	-	-

## Associated Risks

Not applicable.

AMANDA COVER  
FINANCIAL PLANNING COORDINATOR

LEONIE JOHNSON  
CHIEF FINANCIAL OFFICER

23 August 2021

*Attachments:* 1. 21-22 Local Government Grants Commission Letter.

### APPROVED FOR SUBMISSION:

BRAD CAM  
GENERAL MANAGER

NSW Local Government Grants Commission  
5 O'Keefe Avenue NOWRA NSW 2541  
Locked Bag 3015 NOWRA NSW 2541

OUR REFERENCE: A784605  
YOUR REFERENCE:  
CONTACT: Helen Pearce  
(02) 4428 4131  
helen.pearce@olg.nsw.gov.au

Mr Brad Cam  
General Manager  
Mid-Western Regional Council  
By email: brad.cam@midwestern.nsw.gov.au  
cc: council@midwestern.nsw.gov.au

20 August 2021

Dear Mr Cam

In accordance with the NSW Local Government Grants Commission's (Commission) policy of providing information to councils about the way the Commission calculates financial assistance grants (FAGs), please find attached a summary of Council's 2021- 22 estimated FAGs entitlement (**Appendix A**).

The Commonwealth Treasury's estimate of the Consumer Price Index (CPI) for 2020- 21 has been adjusted up since the 2021-22 mid-year end of financial year update. When compared to the 2020-21 final adjusted amount, the total national FAGs for 2021-22 increased by 2.2%. The 2020-21 estimated entitlement comparison to the 2019-20 final adjusted amount was 1.1%, and remains the lowest percentage increase since the paused indexation period of 2014-15 to 2016-17. Accordingly, the State's FAGs allocation for 2021-22 is slightly higher than last year, however the ongoing economic impact of the pandemic is difficult to predict.

The national FAGs figure for 2021-22 is \$2.657 billion and is made up of \$1.840 billion for the general purpose component and \$0.817 billion for the local roads component. The national estimated entitlement for 2020-21 increased by \$38.9 million to account for final adjustments to the CPI and population shares for the year.

The national general purpose component was distributed across the states and territories on a population basis. NSW received 31.8% or \$584.8 million in the general purpose component, which represents a 1.7% increase on last year's final figure. The local roads component is based on an historical formula. NSW's share of the total road funding is a fixed 29% share, or \$236.9 million. The total FAGs allocation to NSW for 2021-22 is \$821.7 million.

Council's 2021-22 FAGs estimated entitlement, compared to the 2020-21 final entitlement is as follows:

Year	General Purpose \$	Local Roads \$	Total \$	Change
2020-21 final	\$4,303,894	\$2,571,536	\$6,875,430	
2021-22 est.	\$4,430,360	\$2,612,477	\$7,042,837	2.4%



To assist councils with budgets and bank reconciliations, a breakdown of the 2021-22 quarterly instalments is attached (**Appendix A**). The NSW Statement of Payments is also attached (**Appendix B**).

As councils will be aware, the Commission is required to adhere to the National Principles which mandate a per capita payment based on population growth/decline. It is also the policy of the NSW Government to explore opportunities to direct grants to communities with the greatest relative need. The Commission has had regard to these policies in allocating the grants.

A key challenge for the Commission continues to be the Commonwealth's request to apply the minimum per capita grant, which has a significant impact on the ability of the Commission to redirect funding. The map contained in **Appendix D** identifies the rate of population change in NSW from 2006 to 2016. **Appendix D** also lists the revised expenditure categories, disability factors, data sources used in calculating the expenditure allowance and the relative disability allowance.

Following the impacts of the global economic downturn and the pandemic, last year the Commission faced the challenge of a substantially reduced CPI estimate. NSW received an increase of just 0.9%, or \$5.1 million, on the prior year's final general purpose component figure. This was substantially lower than the 4%, or \$21.3 million, increase NSW received in 2019-20. However, at the time, the CPI had been underestimated by the Commonwealth and the adjustment increase for the 2020-21 final CPI has been welcomed by the Commission. The increase has enabled the Commission to resume the quarantining of \$5.0 million for the application to the relative disability allowance (it had to be reduced to \$4.5 million of quarantined funds in the previous year). This ensures that additional funds are still able to be directed to those councils with a greater relative need whilst ensuring that additional uncertainty is not delivered to the sector during this difficult time with the implementation of the 0% floor to the general purpose grant. However, the CPI has not been restored to higher levels of recent years and further fluctuations cannot be ruled out.

In addition to these calculations, the Commonwealth Government decided to retain the practice of forward payments of approximately half of the financial assistance grants, based on the 2020-21 estimates for payment. The Commonwealth Government decided to make this year's early payment given the ongoing cashflow challenges faced by local government across Australia and to allow councils early access to the funds to help manage the cumulative impacts of drought, bushfires and now the COVID-19 crisis. Councils received approximately 52% of their estimated 2021-22 FAGs on 8 June 2021. The remainder of the grant entitlements will be paid in quarterly instalments in August 2021, November 2021, February 2022 and May 2022.

#### **CONSIDERATIONS FOR 2022-23 GRANTS**

Councils should be mindful that, given the current economic environment, there is a real possibility that there will be an extended period of a reduced CPI going forward. Should that occur, the Commission will likely need to restore the negative floor to ensure the integrity of the FAGs allocation system is maintained. Such a decision will result in some councils receiving less in the 2022-23 GPC than they will in 2021-22.

**SPECIAL SUBMISSIONS RELATING TO 2022-23 GRANTS**

Special submissions from councils for 2022-23 will be considered by the Commission. The purpose of a submission is to give councils the opportunity to present information on the financial impact of inherent expenditure disabilities beyond councils' control that are not generally recognised in the current methodology. Please refer to the expenditure functions and Council's disability factors listed in **Appendix A**. This process allows the Commission to adequately consider all legitimate factors that affect councils' capacity to deliver services.

**Appendix C**, titled ***Guidelines for Special Submissions***, contains guidelines for preparing submissions – please read the guidelines carefully.

Submissions should be e-mailed to the Commission at [olg@olg.nsw.gov.au](mailto:olg@olg.nsw.gov.au) by **15 November 2021**.

I would ask that this letter please be tabled at the next Council meeting.

If you have any questions concerning these matters, please contact me on (02) 4428 4131.

Yours sincerely

A handwritten signature in blue ink that reads "Helen Pearce".

**Helen Pearce**  
**Executive Officer**