

Attachment 1 – Terms of Reference & Timetable for Review

Terms of Reference for Review of Financial Assistance Grants

**COMMONWEALTH GRANTS COMMISSION ACT 1973**

1. Wayne Maxwell Swan, Deputy Prime Minister and Treasurer, pursuant to section 18 of the Commonwealth Grants Commission Act 1973, refer to the Commission for inquiry into and report upon, by 31 December 2013, the intrastate distribution of Financial Assistance Grants (FAGs) paid under sections 9 and 12 of the Local Government (Financial Assistance) Act 1995.
2. The objective of the Review is to identify tangible measures for improving the impact of the Local Government FAGSs on the effectiveness of local governments and their ability to provide services to their residents within the current funding envelope.
3. The Commission should examine the impacts of FAGs on local government bodies and its appropriateness by focusing on:
  - a) examining in the intra-state context whether the National Principles that guide the allocation of the general purpose grants remain valid and are conceptually consistent with each other;
  - b) evaluating the economic and financial benefits of untied vs tied funding for enhancing the effectiveness of the local governments and their ability to ensure effective services for their residents;
  - c) identifying the impact of the minimum grants principle on the intra-state distribution of the FAGs; and
  - d) Assessing the relative need of local governments in each State and Territory with a particular focus on those that service regional and remote communities.

Timescales for Review of Financial Assistance Grants

When	What
End November 2012	Issues paper seeking submissions from the department and other interested parties.
End January 2013	Date for advising if you wish to talk to the commission on 10 April.
1 March 2013	Due date for submissions.
10 April 2013	Hearing on submissions of interested parties in Canberra.
Late April – May	Regional Meetings.
17 – 20 June	Possible further consultation on initial submissions in conjunction with National General Assembly of local governments, Canberra.
September – October 2013	Possible second round of consultation of major issues.
December 2013	Report.

**WALGA Financial Assistance Grants Survey Draft Response from the City of Joondalup**

Local Government CEOs in Western Australia are requested to use this form to record their Council's position on the Financial Assistance Grants issues outlined below.

Please return one completed copy of the questionnaire by 31 January 2013 to Paul Schollum at WALGA, by:

Email [pschollum@walga.asn.au](mailto:pschollum@walga.asn.au) or Fax 9322 2611

**Contact details**

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Council name: City of Joondalup

**Part 1 - The minimum General Purpose Grant**

1. Should the minimum that applies to General Purpose Grants be retained?

Yes ☒ Go to question 3

No ☐

2. Should the minimum that applies to General Purpose Grants be removed immediately or removed over time in an adjustment period?

Remove immediately ☐ Go to question 7

Remove over time ☐ Go to question 6

3. Should the minimum that applies to General Purpose Grants remain at 30%?

Yes ☐ Go to question 7

No ☒

4. What should be the new percentage level of the minimum grant?

Percentage:  %

5. Should the new percentage level nominated above apply immediately or be applied over time in an adjustment period?

Apply immediately ☐ Go to question 7

Apply over time ☒

6. How long should the adjustment period be?

Years: 

7. Do you have any comments on the minimum that applies to General Purpose Grants?

- Minimum grant is essential to maintain a level of fairness and inclusion of all citizens
- 30% minimum is outdated and there does not appear to be any documentation to support it. The minimum % applied that is applied in future should have a credible documented source that can be referred to in years to come.
- Results of Horizontal Equalisation and the 30% value are that the grants per person in many LG are significantly distorted (eg. \$18,653 for one LG compared to \$20 for City of Joondalup)
- Minimum 50% is recommended as a fairer way of allocations per person, phased in over 4 years
- Methodology applied by WALGGC for horizontal equalisation has some duplication. The methodology should be reviewed to avoid duplication. The duplication arises where some factors are related, for example where an LG has issues of remoteness this will be prevalent in both the 'location' disability and the 'population dispersion' disability.
- Hawker Report is mentioned in the CGC Terms of Reference, and that the Hawker Report recommended there should not be any minimum because it is inconsistent with 'horizontal equalisation'. The City does not concur with this recommendation. A process can have 2 objectives that are inconsistent with each other, it simply means a balance has to be achieved.

**Part 2 – Financial Assistance Grants in general**

8. Financial Assistance Grants are a source of untied funding for Local Governments. Local Governments may also receive tied funding from the Australian Government.

Should the Australian Government make greater use of tied funding when providing financial assistance to Local Governments?

Yes ☐  
No ☒

9. Financial Assistance Grants are intended to enable each Local Government to provide a level of service equivalent to the average level of service provided by Councils across the State.

Is the level of funding your Local Government receives from Financial Assistance Grants adequate for this purpose?

Not adequate ☐  
Adequate ☐ ► Go to question 11  
More than adequate ☐ ► Go to question 11  
Insufficient Information to be able to Respond ☒

10. Are there any specific characteristics of your Local Government's area or population that mean you require more Financial Assistance Grant funding?

The City's response to this is yes, there are issues that the City has that should be taken into account, and in particular that Joondalup is Strategic Metropolitan Centre. The comments with regard to Joondalup being a Strategic Metropolitan Centre are:-

- a) Provision of facilities that cater for a regional demand. In its role as a Strategic Metropolitan Centre the City has to cater for demand that is regionally based and not just local. To some extent all local governments cater for the needs non local populations the most obvious being roads. The demands for Strategic Metropolitan Centres, however, are wider than most. The City already hosts major regional facilities such as Hillarys Boat Harbour, Arena Joondalup and six major suburban train stations all of which place a strain on the City's resources to service the needs they generate. There are also a large number of additional facilities in the pipeline, for example:

- Joondalup Performing Arts & Culture Facilities
- Multi Storey Car Park
- Edgewater Quarry
- Synthetic Hockey Pitch
- Wanneroo Basketball Association

The recent parking survey completed in November 2012 in support of the Multi Storey Car Park project, informed us that 59% of the users of two car parks that were surveyed, were people who were not resident within the City of Joondalup district.

- b) Large institutions within The City of Joondalup who do not pay rates but have impacts on services. There are several large institutions within the City who are not required to pay rates including Public Hospital, West Australian Policy Academy, Edith Cowan University and Westcoast College. The employees and users of these facilities do provide economic benefits to the area, however, they also generate demand for services to be provided by the City with no rate revenue to fund them.
- c) The third disability factor applied by WALGGC in applying Horizontal Equalisation is Growth. The basis of the formulae is sound, referring to specific time periods and ABS data, however the formulae only refers to the population of the local government itself, and not of the Regional Catchment that is relevant for the provision of some services by a Strategic Metropolitan Centre. It is acknowledged that there may not be a clear audit trail to define the catchment area for a Strategic Metropolitan Centre. Indeed it could be cumbersome to complicate the Growth disability calculation with this issue. Nevertheless this is an issue that is recommended be reviewed.
- d) If the minimum grant were increased this would be a way of increasing the share that the City receives and the issues it faces as a Strategic Metropolitan Centre.

11. The General Purpose Grant component of Financial Assistance Grants is distributed to each State and Territory on an equal per capita basis.

Should General Purpose Grants continue to be distributed to the States and Territories on this basis?

Yes ☐ ► Go to question 13

No ☒

## 12. How should General Purpose Grants be distributed to the States and Territories?

The major concern with the allocation of FAGs is the allocation by the CGS initially. CGS require States to apply National Principles, as set out in the *Local Government (Financial Assistance) Act 1995*, but these are not followed by CGC themselves. There is therefore an inconsistency as the allocation to the States is inconsistent with the allocation the States are required to adhere to local governments. Specific improvements that relate to this overall concern are:

- a) Roads allocation between the states is based on historical fixed percentages, which are believed by WALGGC to relate to population share of the states at that time. The LRGs allocation should relate to roads i.e. number (kilometres), type, usage, condition. The WALGGC and other States have developed detailed methodology for allocating FAGs to local government and this data and methodology should be used by CGC to ensure the initial State allocation is consistent and fair.
- b) Horizontal Equalisation principles used by each of the States should also be used by the CGC. Although the WALGGC methodology of applying Horizontal Equalisation is considered to have some duplicates, on the whole it contains some excellent principles and models. This provides local governments who have significant disadvantages a mechanism of receiving a greater share of the FAGs. Some of these principles also relate to WA as a state, where the remoteness, growth and location of WA have significant bearing in the ability of local governments to provide an equal service in comparison to other States. The issues affecting WA should be taken into account when CGC are allocating the GPG. Additionally, where the other states have introduced worthwhile methodology that is relevant at a State level, this should also be taken into account. In summary all the methods used by each of the States to apply Horizontal Equalisation should be reviewed and where they are relevant at State level, they should be used by CGC for the allocation to States.

## 13. Do you have any other comments about Financial Assistance Grants?

- a) Payments process – there have been changes during the past couple of years regarding the payments process and timing of payments. Advance payments are welcome but uncertain and do not follow the same pattern every year. It is recommended that there is a consistent process for the timing and split of the payments.
- b) Benchmark other states. It is unclear whether the review by WALGGC took any account/learning point of methods used in other states to apply Horizontal Equalisation.
- c) Effectiveness of Local Governments Financial Sustainability – the processes in regard to the FAG allocations are all related to a distribution methodology. There is no process or measure to indicate how effective the use of the funds is meeting the objectives of the grant program. The terms of reference from the Commonwealth has indicated that it will review FAGs in light of the effectiveness of local government. This is welcome. Is it possible that a series of financial ratios could be prepared each year which indicate the worthiness of each LG in receiving further grant allocations?