

## Fact Sheet FS-004: Australian Government advice in relation to payment of Financial Assistance Grants and distribution to councils.

The State Grants Commission issues Fact Sheets as general purpose educational tools aimed at assisting stakeholders understand, in general terms, concepts associated with the administration of the Australian Government's Local Government Financial Assistance Grant program in Tasmania.

Australian Government Financial Assistance Grants (FA Grants) are comprised of initial estimates for the following year, prior year adjustments and any advance payments. Often the timing of this advice is uncertain and also depends upon the Federal budget cycle.

Given this uncertainty, the State Grants Commission does not provide preliminary estimates to councils until they have been approved by the State Treasurer and Federal Minister for Local Government ahead of the first quarterly payment due on 15 August.

### Initial estimate of FA Grants

Before 1 July each year, the Australian Government is required to make an initial estimate of the amount of FA Grants payable to each state and territory for the following financial year. This is based on forecasts of population and CPI, which are used to index the national funding pool<sup>1</sup>.

### Prior year adjustment

The Australian Government finalises annual entitlements for the prior year once final population and CPI data are known. This may result in a prior period adjustment if the final grant amount differs from the initial estimate. This gets factored into the cash allocations that occur in the following year based on each council's share of the original allocation.

### Advance payment

The Australian Government may also decide to make an advance payment of the following year's entitlement within the current financial year. Typically it uses the most recent year's approved FA Grant allocation proportions as the basis for determining how it will distribute the advance payment.

Sometimes the Australian Government's Federal Budget indicates if an advance payment of the forthcoming year's FA Grant funding will occur in a year. Even if there is no indication of this in the

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<sup>1</sup> Further information on how the national FA Grant Funding Pool is calculated can be found in FACT SHEET FS-001: "The National Assistance Grant (FA Grant) Finding Pool and Australian Government's calculation of Tasmania's allocation: Indexation".

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Federal Budget, the Australian Government may still choose to make an advance payment before the end of the financial year, Sometimes this occurs with very little advance notice.

### Distribution to councils

Councils are advised of their FA Grant entitlements and payment dates after they have been approved by the State Treasurer and Federal Minister for Local Government.

Payments are usually made in quarterly instalments on 15 August, 15 November 15 February and 15 May.

A typical breakdown of FA Grant entitlements for a given year and how this is distributed to councils is demonstrated in the below tables, using 2021-22 and "Council X" as an example:

FA Grant entitlement 2021-22	Council X
Base Grant	\$1,300,000
Road Grant	\$1,700,000
<i>Less:</i> Advance payment already received June 2021	\$1,500,000
<i>Plus:</i> Prior year adjustment 2020-21	\$50,000
<b>Total cash payments 2021-22</b>	<b>\$1,550,000</b>

Payment schedule	Council X
June 2021 – Advance payment	\$1,500,000
Quarterly Instalments:	
15 August	\$387,500
15 November	\$387,500
15 February	\$387,500
15 May	\$387,500
<b>Total payments</b>	<b>\$3,050,000</b>

### Further Information:

The information provided above is general in nature and reflects the Commission's methodology as at September 2021. For further explanation of the Commission's methodology or feedback on this Fact Sheet, please contact the Commission at [sgc@treasury.tas.gov.au](mailto:sgc@treasury.tas.gov.au).