

Fact Sheet FS-001: The National Financial Assistance Grant (FA Grant) Funding Pool and Australian Government's calculation of Tasmania's allocation: Indexation

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.

The State Grants Commission (the Commission) is responsible for determining the allocation of funding that is provided by the Australian Government for Tasmanian councils. The level of funding for Tasmania (and all other states and territories) and timing of the funding is determined by the Australian Government. The following provides information on how the Australian Government determines the total level of funding, and the timing of payment of that funding.

How is the size of the National FA Grant pool determined?

Each year the Australian Government estimates each state and territory's share of the total FA Grant funding pool. The national FA Grant funding pool (which is made up of the General Purpose/Base Grant pool and the Identified Local Government Roads/Road Grant pool) is normally indexed annually by a combined factor of population growth and a CPI factor¹ as follows:

Indexation Factor = (Population of Australia/previous Population of Australia) x (CPI/previous CPI)

For the 2020-21 Funding Pool, the relevant components are:

- The starting point: the size of the 2019-20 funding.
- The Estimated National Population for both December 2018 and December 2017 by state and territory (Australian Bureau of Statistics (ABS) Catalogue 3101.0);
- The Consumer Price Index (CPI) for March 2020 and the estimate for the CPI March 2021 (ABS Catalogue 6401.0).

What is the Prior Year Adjustment?

Each year the Australian Government also finalises each annual entitlement for the prior year once final population and CPI data are known. This recalculation of entitlements results in the adjustment that is

¹ In 2015 the Australian Government froze the indexation of the National FA Grant funding pool for three years.

made to the prior year's entitlements, and gets factored in to the Cash allocations that occur the following year.

The starting point: the size of the 2018–19 funding pool.

- The Estimated National Population for both December 2017 and December 2018 by state and territory (ABS Catalogue 3101.0)
- The Consumer Price Index (CPI) for March 2019 and the estimate for the CPI March 2020 (ABS Catalogue 6401.0).

Do Advance Payments affect the size of the funding pool?

Yes – Advance payments affect the amount of indexation as it affects the base on which indexation applies. A demonstration on how advance payments impacted the indexation in determining the 2020–21 entitlements is detailed in the Determination Instrument available at

<https://www.legislation.gov.au/Details/F2020L00835>

Who decides if and when there is an Advance Payment?

The Australian Government determines if and when an advance payment of the forthcoming year's FA Grants occurs in any year. The Australian Government also decides the distribution of any advance payments amongst councils. Typically the Australian Government 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 Federal Budget, the Australian Government may still choose to make an Advance Payment before the end of a financial year. Sometimes this occurs with very little advance notice.

What is Tasmania's share of each of the National funding pools?

Base Grant funding pool: Tasmania receives a share of this funding pool based on Tasmania's population share of the National Population. Accordingly, Tasmania's share of the National Base Grant funding pool changes each year.

Road Grant funding pool: Tasmania receives a fixed 5.3 per cent of the National Road Grant funding pool. This percentage is based on proportions historically agreed to by all jurisdictions.

Further Information:

The information provided above is general in nature and reflects the Commission's methodology as at 3 December 2020.

For further explanation of the Commission's methodology or feedback on this Fact Sheet, please contact the Commission at sgc@treasury.tas.gov.au.