

Fact Sheet FS-002: The National Financial Assistance Grant (FA Grant) Funding Pool and Australian Government's calculation of Tasmania's allocation: Advance Payments

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. There are two pools of funding, being the Base Grant funding pool and the Road Grant funding pool. Collectively these are referred to as FA Grants. The level of funding for Tasmania (and all other states and territories) and timing of the funding of the FA Grants is determined by the Australian Government. The following provides information on how the Australian Government determines the allocation of the advance payments.

How is the distribution of Advance Payments determined?

The Commission is not involved or consulted in the process of determining the distribution of any advance payment. If the Australian Government decides to make an advance payment of FA Grant funding to councils in any year, the Australian Government Minister determines the distribution of those funds.

The Australian Government Minister uses the previous year's grant allocations submitted by the Commission to determine the allocation of the advance payment. For example, for the 2020-21 FA Grant funding advance payment received by councils in May 2020, the Australian Government Minister based the allocation on the Commission's 2019-20 FA Grant recommendations.

Does a 50 per cent Advance Payment to Tasmania represent 50 per cent of my council's upcoming year's FA Grant funding?

No, not necessarily. The Advance payment allocation determined by the Australian Government Minister is generally based on the proportion of funds according to the previous year's recommendations made by the Commission. When the Commission makes its current year recommendations in July each year, this is based on more up to date information and the current methodologies the Commission is using. To the extent there are changes in the underlying data or changes in methodology from year to year, individual council's share of the FA Grant funding pools will change. This is why the advance payment from the Australian Government may not represent 50 per cent of a council's upcoming year's FA Grant allocation.

While the Australian Government may make an advance payment to states and territories which is approximately 50 per cent of the State's total funding entitlement, differences in council relative needs for assistance as assessed by the Commission's Base Grant Model and Road Preservation Model mean that each councils' share of the State's funding pool will change and the advance payment could be more, or less, than 50 per cent of the council's actual entitlement.

While the Commission's Base Grant Model contains collars (caps and floors) to constrain the extent of volatility in the year on year Base Grant outcomes, there will still be some level of fluctuation in individual council's share of the respective FA Grant funding pools.

In addition to changes in each council's relative share of each FA Grant funding pool, cash payments to councils each year will include some component of the Australian Government's adjustment to the State's prior year entitlement to account for actual population figures and Consumer Price Index rates.

How do I reconcile Commission allocations to cash payments my council will receive this year?

The Commission makes its recommendations of each councils' Base Grant funding and Road Grant funding entitlement each year. It is important to note that these do not directly represent the amount of cash a council will receive in a financial year.

The following formula shows how to reconcile the Commission's allocations (being recommendations that have been approved by the Tasmanian Treasurer and the Australian Government Minister and attached to the advice provided to councils by the Commission every August) to expected cash receipts in a financial year.

Commission Recommendations for a year

- Any Advance payment of funding paid in the previous financial year
- +/- the share of the State's adjustment to the prior year funding entitlement
- = expected Cash receipts for a council.

Councils may also receive additional cash in the current year if the Australian Government decides to pay an advance payment for the following year as well.

When are the FA Grant funding instalments paid to councils?

The Australian Government pays the FA Grant funding to all states and territories as four quarterly instalments. These instalments are paid on 15 August, 15 November, 15 February and 15 May each year or the next business day if these dates fall on either a weekend or public holiday. These are paid to the Department of Treasury and Finance (Treasury) and are distributed promptly to councils following receipt of the funds from the Australian Government.

If the Australian Government decides to make an advance payment of a future year's FA Grant funding, the timing of the advance payment is determined by the Australian Government and is additional to the above mentioned FA Grant quarterly payment cycle.

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.