

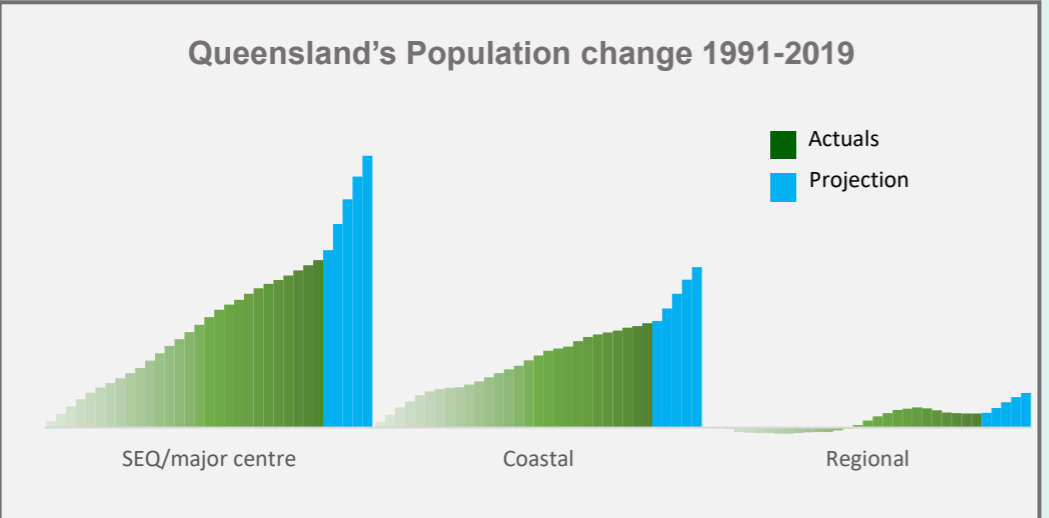
# The Commission has undertaken a review of the FA Grant allocation methodology

## Why review

The objective of the FA Grant is to try to enable all councils to provide services at a standard not lower than average.

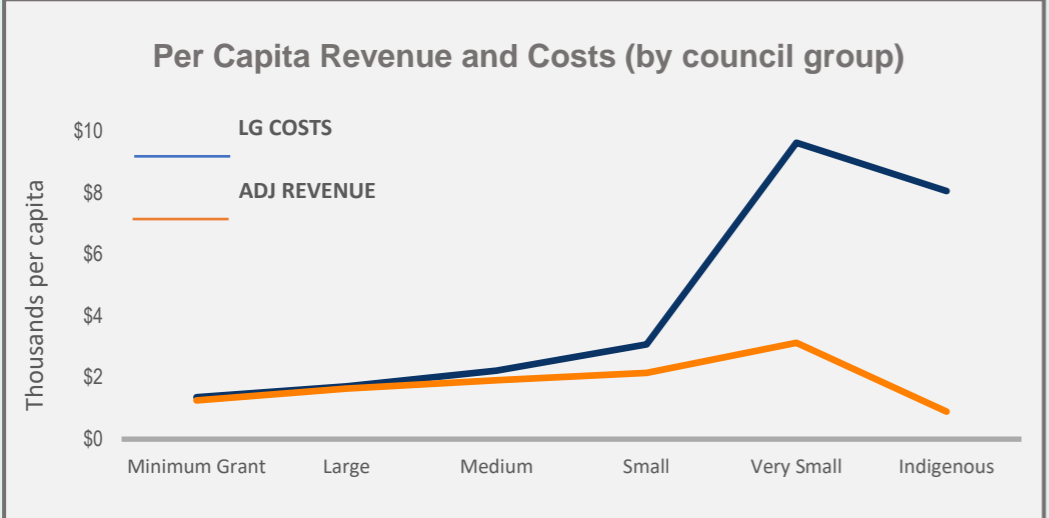


The operating environment for Queensland's 77 councils has changed significantly since the FA Grant was introduced almost 50 years ago. The Commission identified the need for a major review to ensure the allocations were reflective of current conditions.



Sustainability is a challenge for all councils - however some councils have greater challenges due to their location, population and being the provider of last resort.

The ability to provide equitable levels of service is impacted by population, and Queensland's population has changed significantly.



Councils with a population below 20,000 see a significant divergence in their per capita cost and revenue.

Regardless of population size, the minimum operational cost of a council is \$10m per annum (excluding depreciation and financing costs).



The Queensland Local Government Grants Commission believed that a more equitable distribution of the grant was possible – this was the focus of the review.

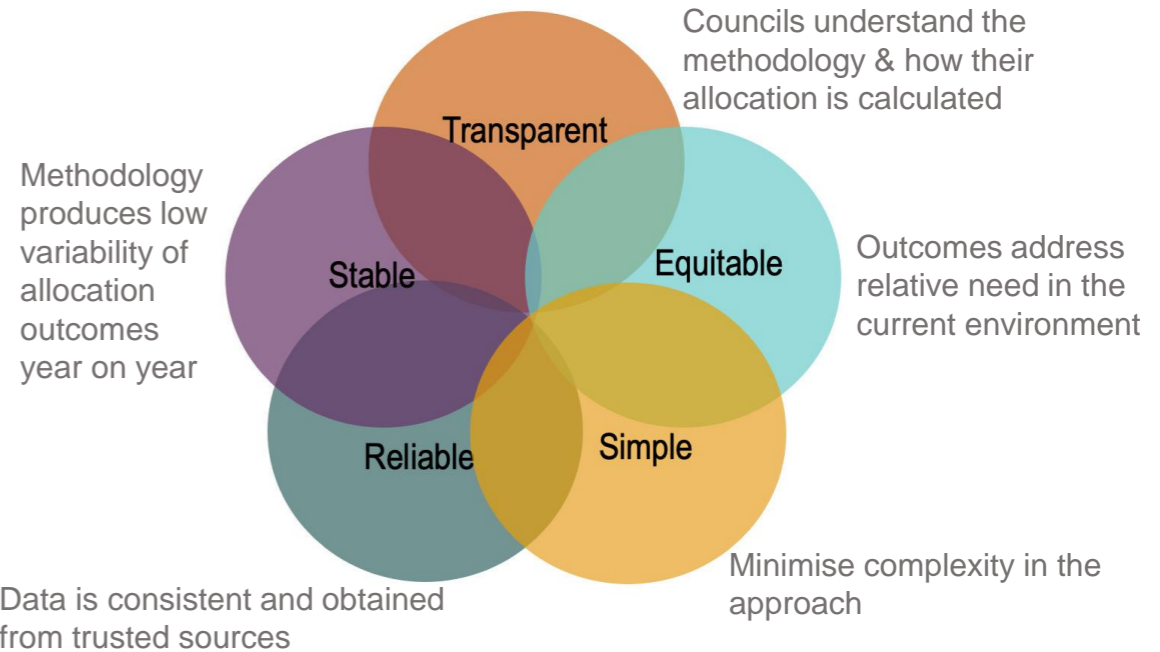
The Commonwealth funding pool and its allocation to Queensland is not changing as a result of the Commission's review. So this is a zero-sum game.



The Commission is very conscious that for some councils to receive more, others will have to receive less - this will therefore be a challenging change for some councils.



## Review Principles



## Outcomes of review

**The Commission is making changes to the FA Grant allocation methodology, which will begin to impact distributions in the 2022-23 financial year**

The new allocation approach focuses on the capacity of a council to raise revenue based on their individual circumstances compared to a theoretical 'potential revenue' based on state averages. The approach also acknowledges the size of a council will materially impact on the range and nature of the services it may be required to deliver and the cost to deliver - specific adjustments are also made to reflect remoteness, socio-economic factors and dispersion.

The Commission believes the new methodology will provide a superior outcome for each of the five review principles compared to the current approach.

A model reflecting the new methodology has been developed and independently quality assured. The Commission will share the indicative outcomes for individual councils in accordance with the timetable below.

**To give councils time to plan for and adjust to changes, there is a 3-year transition period to new allocation.**

## Timeline for implementation

**December:** Councils advised of outcomes and indicative outcomes and feedback from the consultation process

**May 2022:** New method used to allocate FA Grant for 2022-23 financial year

**2022-23 to 2024-25 financial year:** 3 year transition period