



Government
Services

Victorian Local Government Grants Commission

2023-24 Financial Assistance Grants

Statewide Information Sessions
August/September 2023

Agenda

- ❖ Overview
- ❖ General Purpose Grants 2023-24
- ❖ Local Roads Grants 2023-24
- ❖ Summary of Grant Outcomes
- ❖ Consultation & Information
- ❖ Questions & Discussion

Overview

The Commission

Chair

John Watson

Members

Michael Ulbrick

Marg Allan PSM

Executive Officer

Colin Morrison

Staff

Julia Keeble

Nada Bagaric



Our role is to make recommendations for the allocation of financial assistance grants, which are provided annually by the Commonwealth Government, to Victorian councils.

Financial Assistance Grants

- The Commonwealth Government's Financial Assistance Grants Program provides annual funding to councils to support the delivery of services to their communities
- The grants are untied, allowing councils to spend the funds according to local priorities
- The grants are allocated in two components
 - General purpose grants *(allocated between states & territories according to population share)*
 - Local roads grants *(each state & territory receives a fixed share)*
- The recommended allocations are based on a formula reflecting the relative needs of Victorian councils
- Allocations are guided by a set of national distribution principles
- All funding is provided to local government. Administrative costs are met by the Victorian Government

National Principles

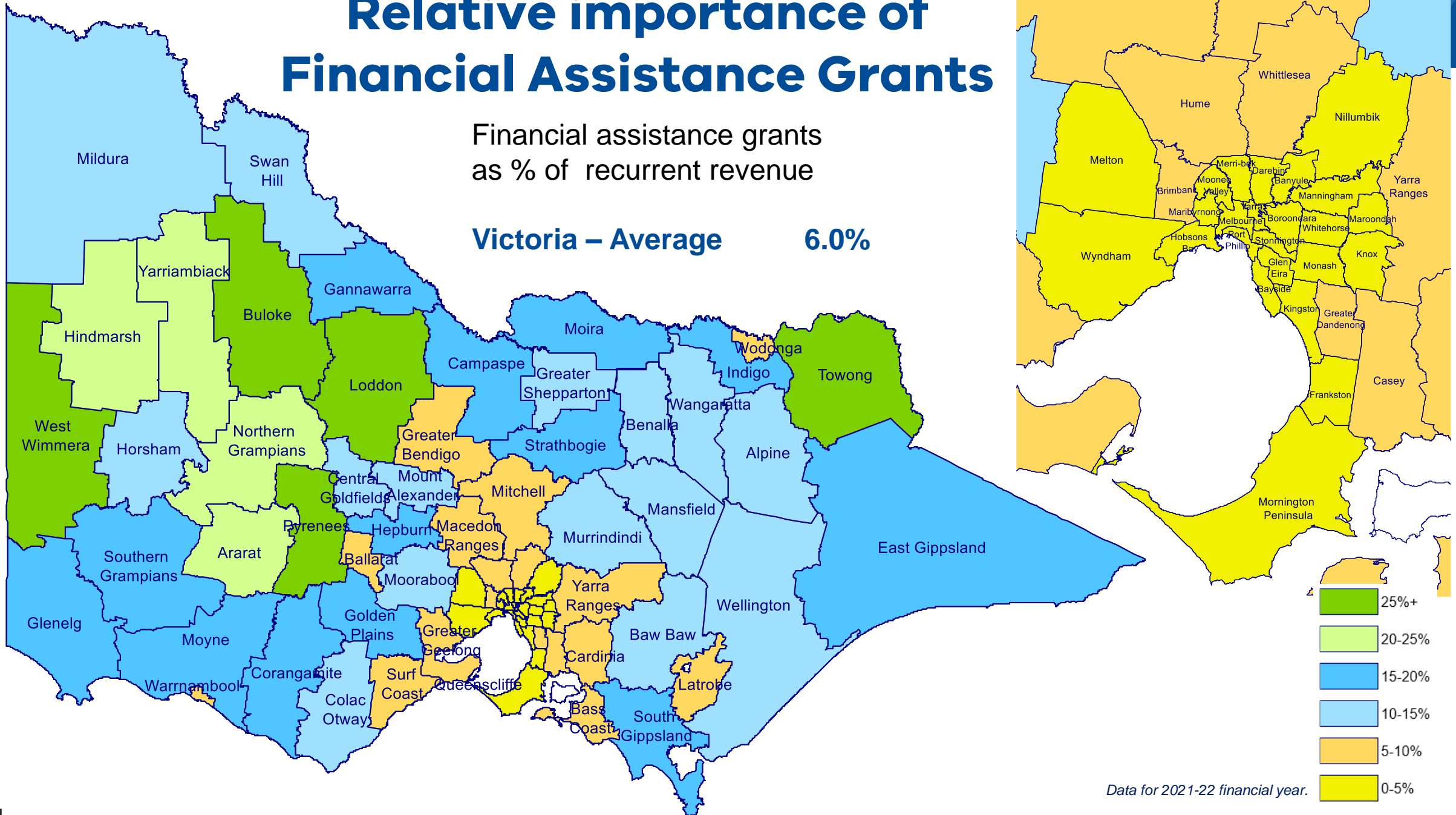
The Commission is required to recommend grants on the basis of seven national distribution principles:

1. **horizontal equalisation** (*relative needs*)
2. **minimum grant** (*30% of the average grant on a per capita basis*)
3. **effort neutrality**
4. recognition of **other grant support**
5. recognition of the **needs of indigenous people**
6. maintenance of grants to **amalgamated councils**
7. local roads grants are allocated to councils based on an assessment of the **preservation of its road assets**

Relative importance of Financial Assistance Grants

Financial assistance grants as % of recurrent revenue

Victoria – Average 6.0%



Data for 2021-22 financial year.

Financial Assistance Grants

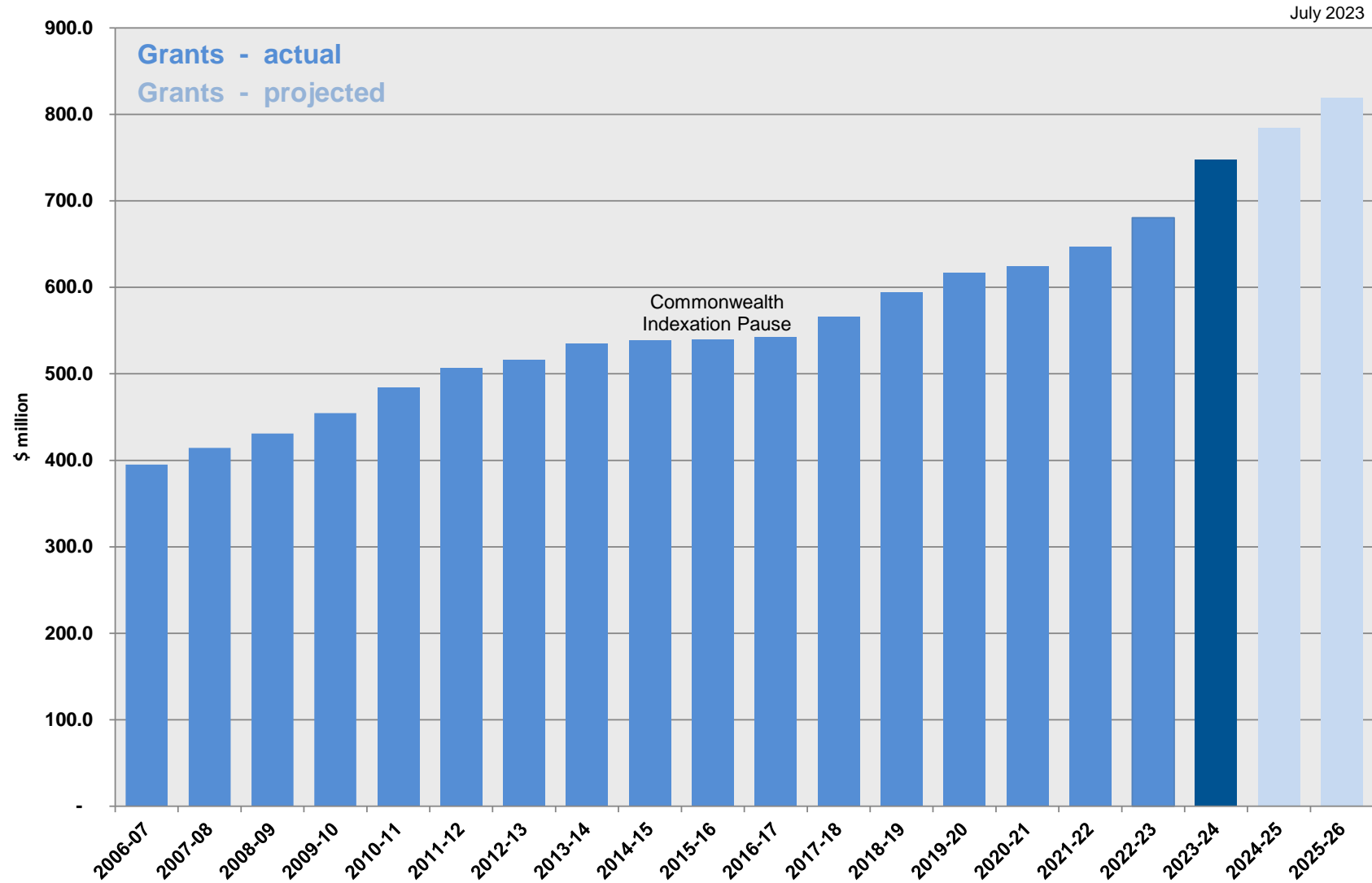
2023-24 Victoria

General Purpose Grants # (25.5% of Aust. Total)	\$ 550.164 m	(+ 9.6% compared to 2022-23)
Local Roads Grants (20.6% of Aust. Total)	\$ 197.213 m	(+ 10.5%)
Total Allocation	\$ 747.377 m	(+ 9.9%)
+ 2022-23 “underpayment”	\$ 31.558 m	
Victoria’s Cash Payment	\$ 778.935 m	

Natural disaster grants (\$0.368 m) are included In the General Purpose Grant component.

History

Financial Assistance Grants to Victorian councils



Timing of Payments

Brought Forward Payment

- The Federal Budget, which was handed down on 9 May 2023 indicated that an “advanced payment” of financial assistance grants for 2023-24 would be paid for each State and Territory
- On 22 June 2023, the Federal Minister for Regional Development, Local Government and Territories confirmed that a brought forward payment would be made, equivalent to the estimate of the 2023-24 grants pool as detailed in the 2023 Federal Budget
- A total of \$745.956 million was paid to Victorian councils on 26 June 2023, based on the estimated allocations to councils for 2023-24 as recommended by the Commission
- The remaining 2023-24 payments are being made in four equal quarterly payments
 - 15 August 2023 (*paid*)
 - mid November 2023
 - mid February 2024
 - mid May 2024

General Purpose Grants

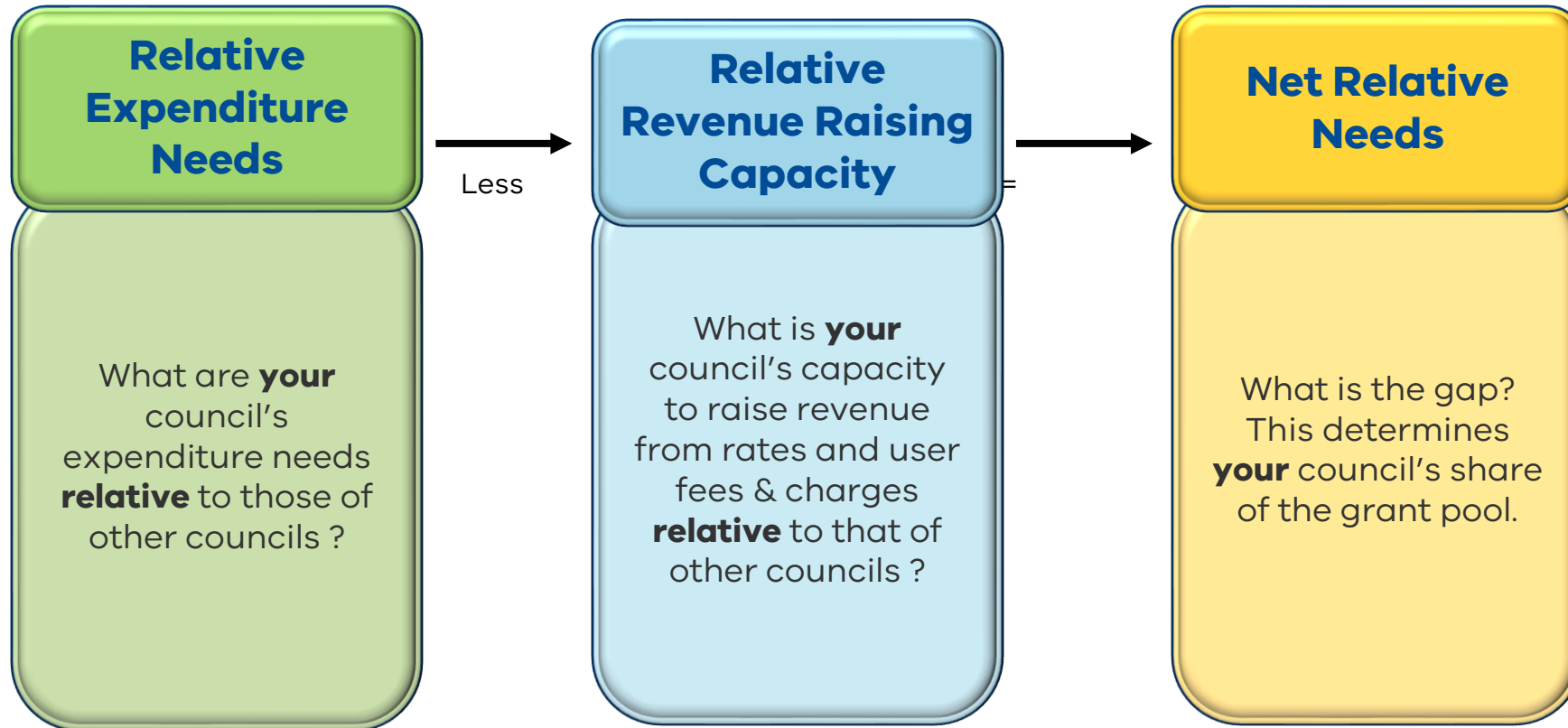
General Purpose Grants

Overview

- Amount available for allocation for 2023-24 **\$ 550.164 m**
- As required by the Commonwealth, general purpose grants are allocated by the Commission based on an assessment of the relative needs of all Victorian councils
- This takes account of each council's:
 - relative expenditure needs; and
 - relative capacity to raise revenue from rates and user fees & charges
- The Commission's allocation formula includes data about each council's population, valuation base and local characteristics (including population growth, population dispersion and socio-economic disadvantage)

General Purpose Grants

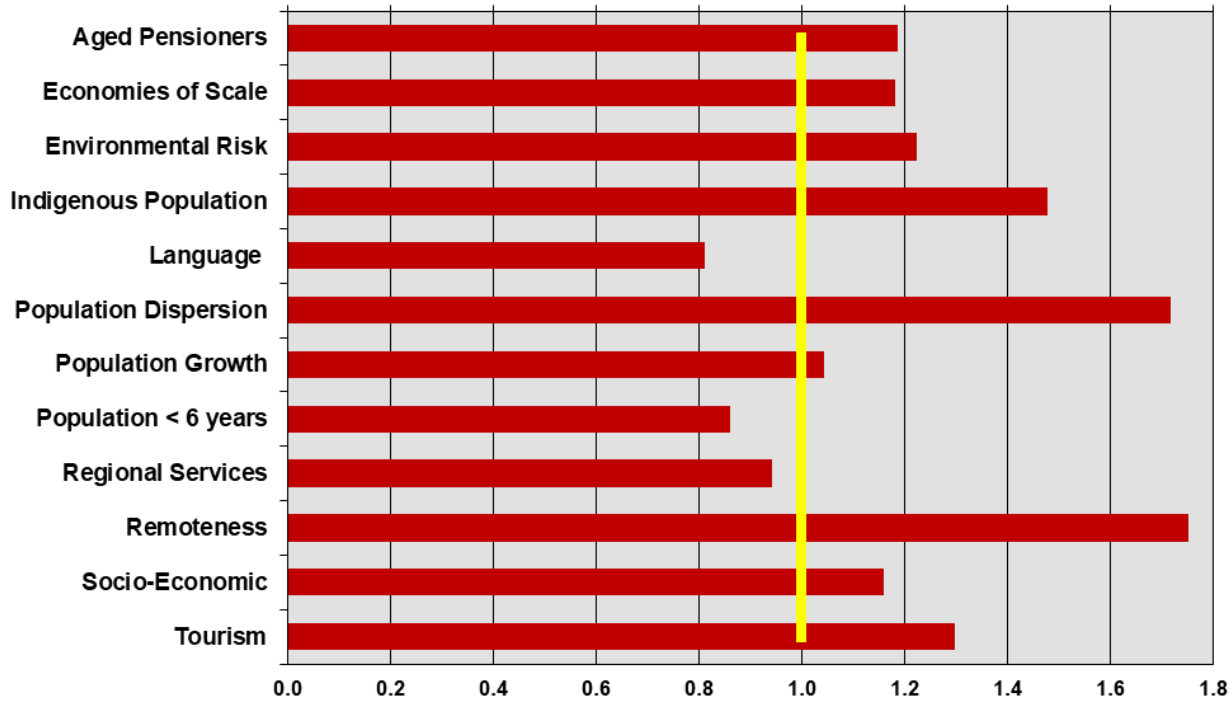
Assessing relative needs



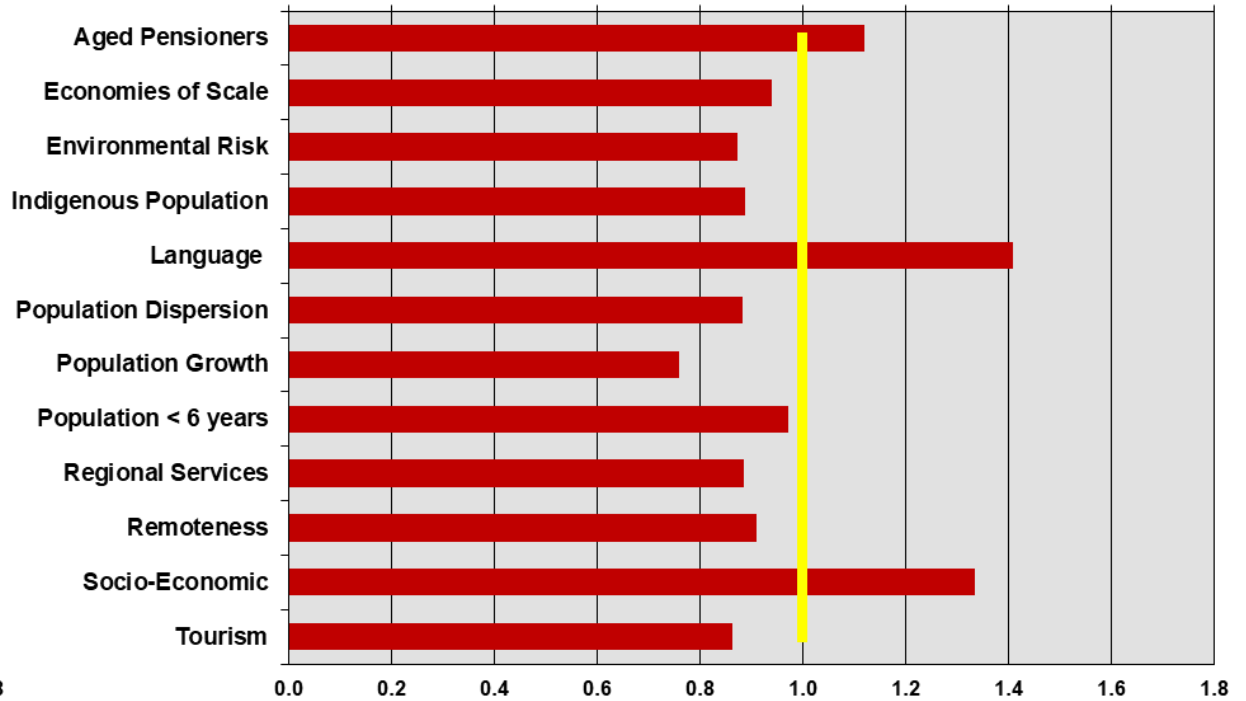
Relative Expenditure Needs

Cost Adjustors

East Gippsland Shire Council



Brimbank City Council



Cost Adjustors

Application in 2023-24

Expenditure Function	Cost Adjustor												Major Cost Driver
	1 Aged Pensioners	2 Economies of Scale	3 Environ-mental Risk (Fire & Flood)	4 Indigenous Population	5 Language	6 Population Dispersion	7 Population Growth	8 Population under 6 Years	9 Regional Services	10 Remoteness	11 Socio-Economic	12 Tourism	
Governance		20%		10%	25%	25%				20%			Modified Population* (min 20,000)
Family & Community Services				10%	10%	20%	10%	30%			20%		Population
Aged & Disabled Services	20%				20%	30%					30%		Pop >60 years & Disabled Pensioners & Carers
Recreation & Culture					10%	25%			40%			25%	Modified Population*
Waste Management		30%				50%			10%			10%	No. of Dwellings
Traffic & Street Management		10%				15%	25%		35%			15%	Modified Population*
Environment		10%	30%			25%	10%			25%			Modified Population* (min 17,500)
Business & Economic Services		30%				10%			30%	20%		10%	Modified Population* (min 17,500)
Local Roads & Bridges	Cost Adjustors not applied - based on local road model network costs												

General Purpose Grants

Data

- All expenditure, revenue and valuation data updated
- All 2021 census data incorporated, including socio-economic disadvantage, population dispersion and language
- Tourism data continues to be frozen at pre-COVID levels
- Variable population growth across councils during the year to 30 June 2022
– movements for individual councils ranging from -7.5% to +7.7%

Council Group	Average Population Change
Minimum Grant	-3.9%
Metro – Other	-2.9%
Interface	+3.1%
Regional Centres	+2.1%
Large Rural	+2.9%
Small Rural	+2.1%
Victoria	-0.4%

General Purpose Grants

Changes for 2023-24

- Three changes to the allocation methodology:
 - the base population used in the Environment and Business & Economic Services functions has been increased from 15,000 to 17,500 to take account of increasing ‘flag fall’ costs in providing these services;
 - the calculation of the number of non-permanent residents has been adjusted to take account of the increased usage of secondary dwellings during and post COVID; and
 - a technical change has been made to the calculation of the relative rate revenue raising capacity of each council.
- Movements in grants constrained:
 - no floor to apply to minimum grant councils;
 - grants to increase for all other councils by a minimum of 5%; and
 - grant increases to be limited to no more than 17%.

General Purpose Grants

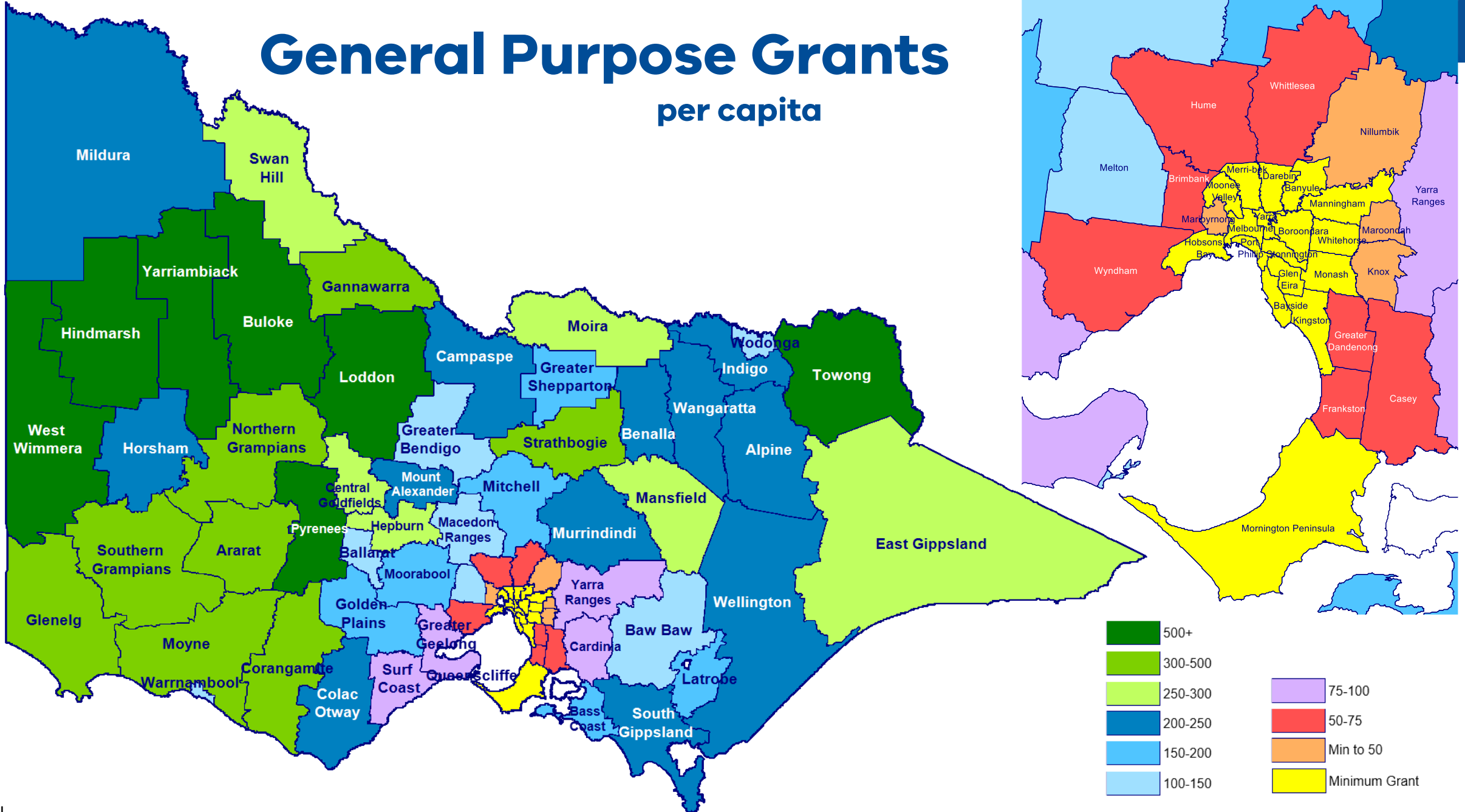
2023-24 Allocations

Lowest	\$ 0.370 m	(Queenscliffe)
Highest	\$ 23.508 m	(Casey)

2023-24 Allocations (per capita equivalent)

Average	\$ 83.05	
Minimum	\$ 24.93	(17 councils)
Highest	\$ 1,072.10	(West Wimmera: \$4.222m)

General Purpose Grants per capita



Local Roads Grants

Local Roads Grants

- Amount available for allocation for 2023-24 **\$ 197.213 m**
- As required by the Commonwealth, local roads grants are allocated on the basis of the relative needs of each council for maintaining their local road network
- The Commission's allocation formula takes account of local road lengths, traffic volumes and local characteristics (including climate, freight and sub-grades)
- Road length and traffic volume data is provided annually by councils
- Movements in grants have not been constrained for 2023-24

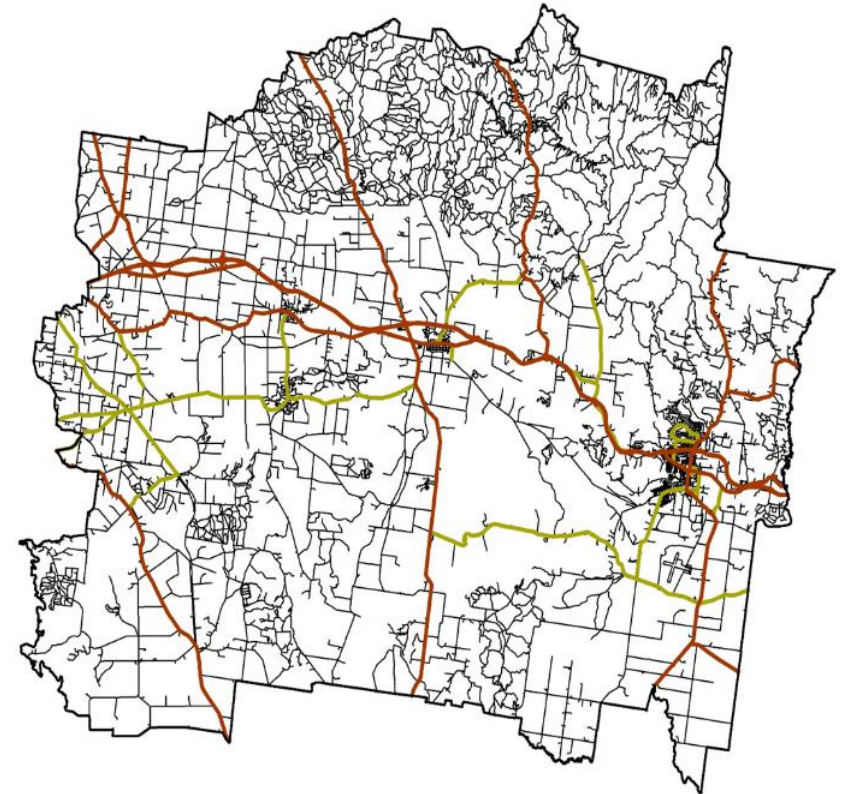
2023-24 Allocations

Lowest	\$0.073 m	(Queenscliffe: 43 kms)
Highest	\$5.965 m	(Wellington: 3,036 kms)

Local Roads Grants

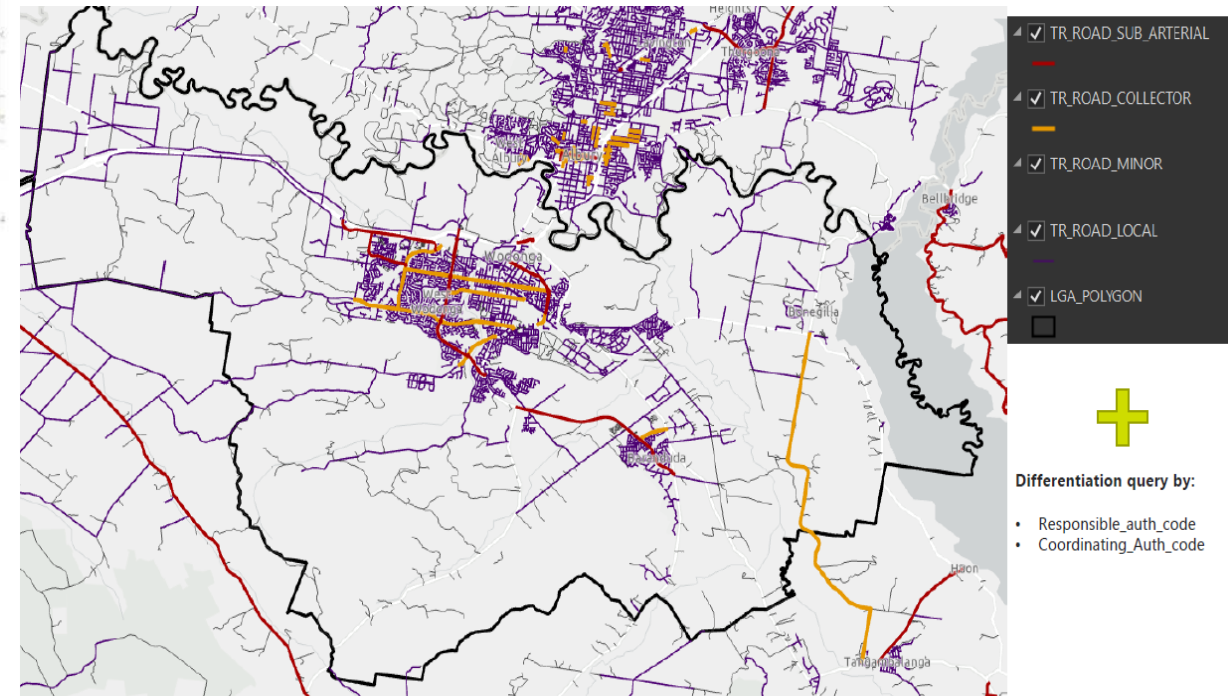
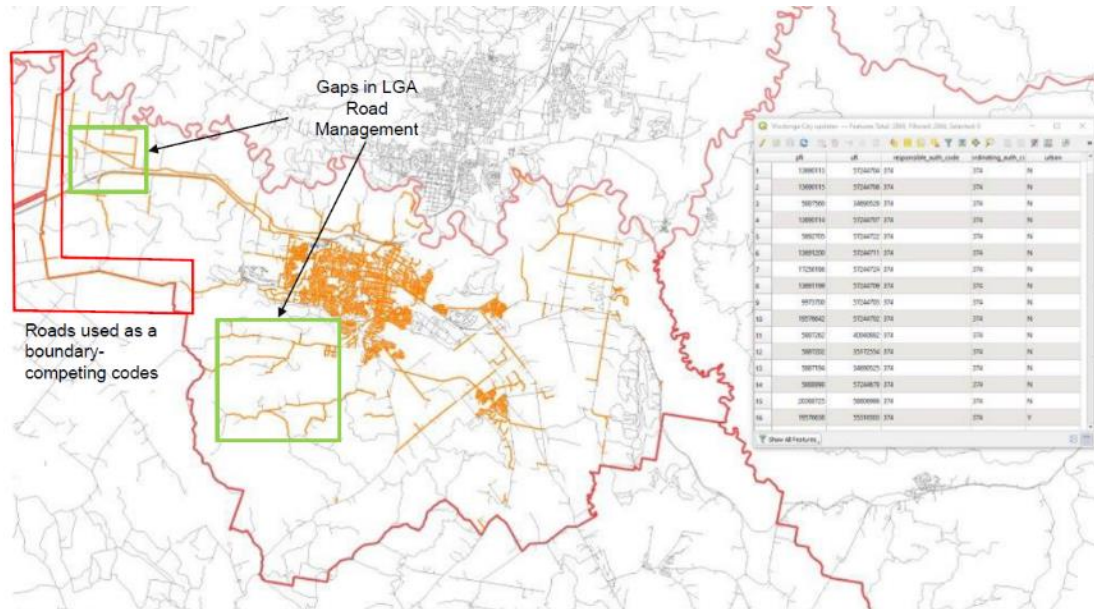
Data Improvement Project

- The volatility of road length and traffic volume information provided by councils continues to be a concern and impacts grant allocations.
- The Commission has undertaken a pilot program aimed at improving the process of data collection and the quality of that data.
- The intention is to transition to Vicmap as the single “source of truth” for local roads data which will improve the reliability and consistency of that data.
- This work is being undertaken in conjunction with the delivery of the Rural Roads Support Package by Local Government Victoria



Local Roads Grants

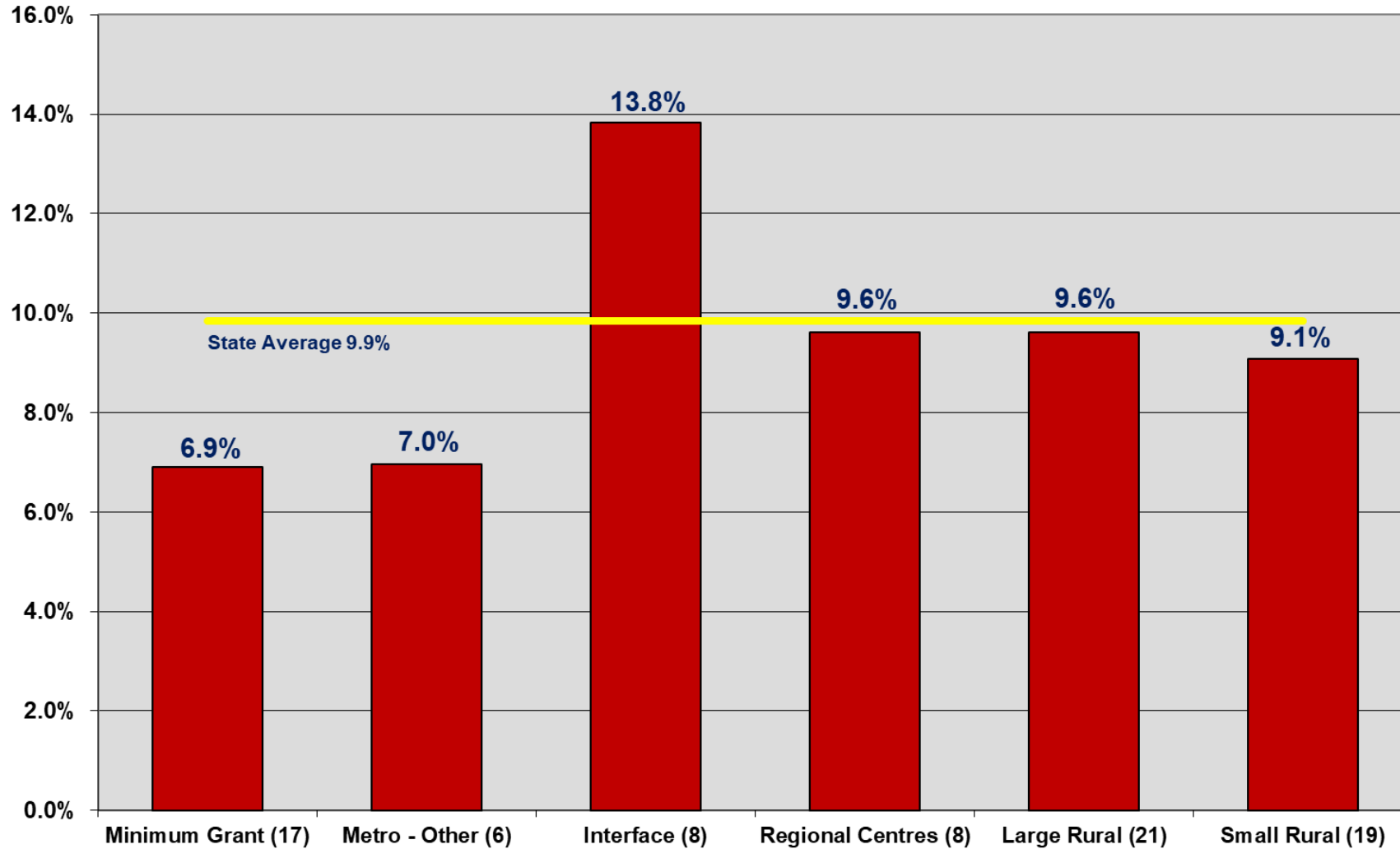
Data Improvement Project



Summary of Grant Outcomes

Movements in Grant Outcomes

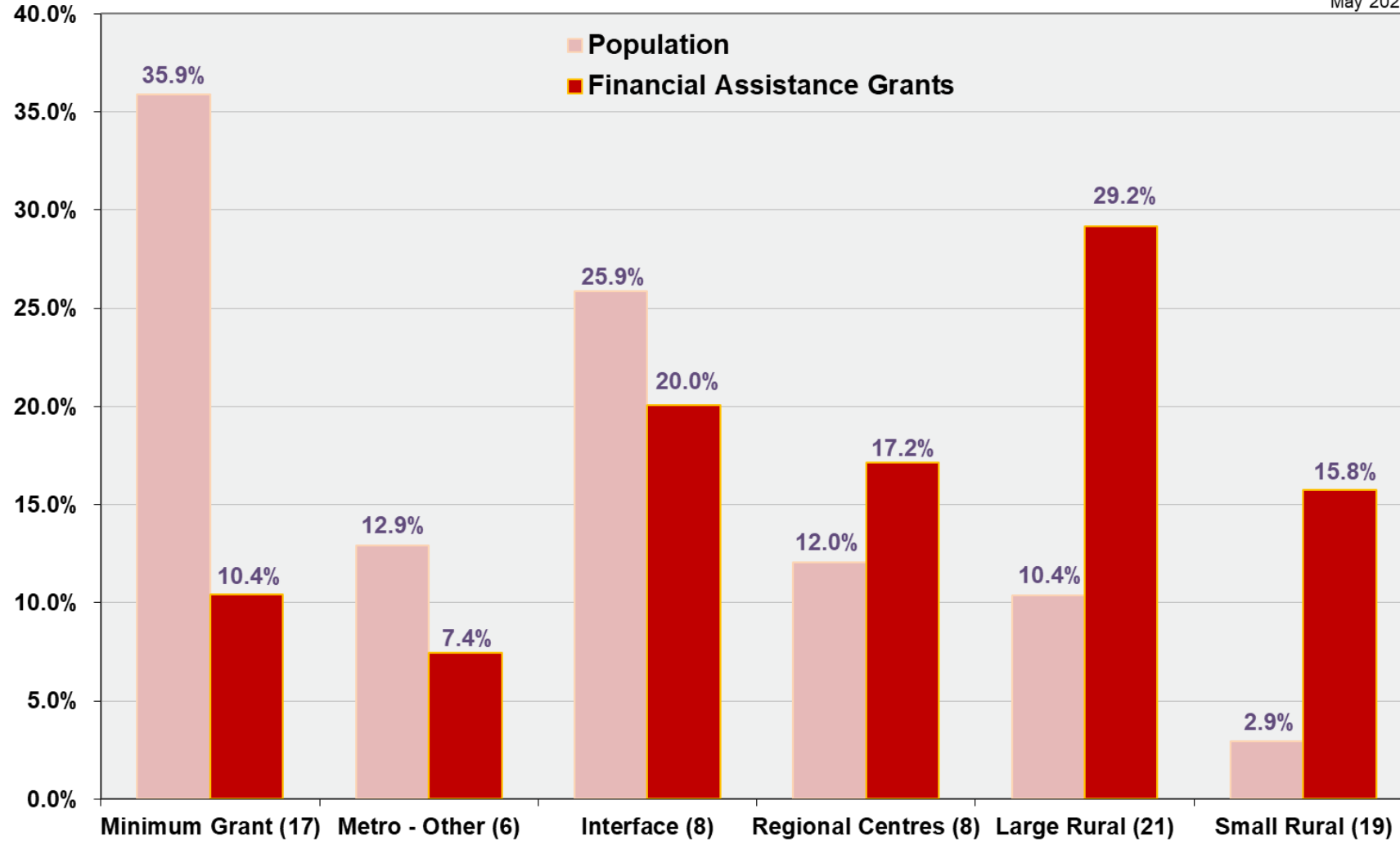
2022-23 to 2023-24



Grants by Council Groupings

2023-24

May 2023



The 40 rural councils currently comprise **13.3%** of Victoria's population but receive **45.0%** of the financial assistance grants pool

Consultation and Information

Consultation

2023-24

Meetings and Submissions

- Four-yearly cycle of individual meetings with councils
- Statewide Information Sessions are held in August/September and February/March each year
- Councils are invited to make written submissions by February

Key Issues

Recreation & Culture Expenditure Function

- This function comprises almost 24% of aggregate standardised expenditure.
- Is there a case for splitting this into two or more separate functions and, if so, what cost adjustors should be applied?

Aged & Disabled Services Expenditure Function

- Actual expenditure is falling as a number of councils exit service provision.
- What changes should be made to the Commission's allocation model to reflect this?

Waste Management Expenditure Function

- The implementation of a four-stream waste and recycling system across the state will have significant implications for councils' expenditure on waste management.
- What changes should be made to the Commission's allocation model to reflect this?

Local Roads Data

- What are the issues that must be addressed in utilising local roads data sourced directly from Vicmap?
- Is there a case for moving to a "road purpose" hierarchy of local roads, rather than one based on traffic volumes?

Annual Data Collection

- The Commission collects data from councils each year by way of an Annual Questionnaire:
 - Lodgement by the first Wednesday in November
 - Data available online for all councils in May
- 2022-23 Questionnaire changes:
 - Local Roads - removal of the requirement to minimise changes due to the Covid pandemic. Councils should note that caution should be used to confirm any significant changes to roads data from year to year.
 - Vicmap data provided by DEECA, for councils' feedback and information ahead of the proposed transition to Vicmap-sourced data.

Why we collect data

- The data is essential for the allocation of financial assistance grants, but is also collected on behalf of other organisations
 - Australian Bureau of Statistics (ABS) – all data, mainly financial
 - Local Government Victoria – financial and employment
 - VicRoads & ALGA – roads data
 - Essential Services Commission – all data, mainly financial
 - Commonwealth Government – Roads to Recovery
 - Councils – benchmarking and planning
 - Other stakeholders on request

Commission Information

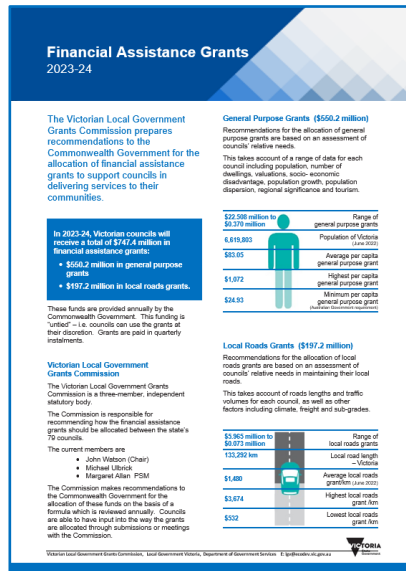
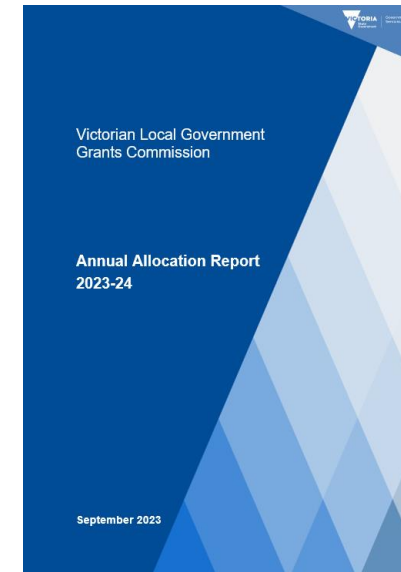


Individual Council Reports

Customised report detailing your Council's allocation, payment schedule and grant calculations (15 pages)

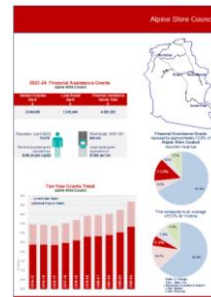
Annual Allocation Report

Outcomes of the Commissions activities and methodology. Available annually in September (112 pages)



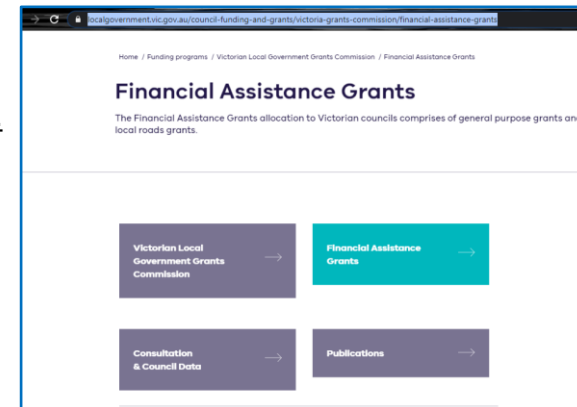
Snapshot

A summary of the Commission and Council's information (2 pages)



Commission Website

<https://www.localgovernment.vic.gov.au/funding-programs/victoria-grants-commission>



Questions and Discussion