

# Trends in Distribution of Financial Assistance Grants in Queensland

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Morton Consulting Services Pty Ltd,  
October 2020

## Background

This 2020 paper provides an update on recent trends in the distribution of the General Purpose Grant (GPG) component of the federal Financial Assistance Grant (FAG). This paper updates previous papers on the distribution of FAG in Queensland prepared in 2017 and 2018.

The July 2017<sup>1</sup> paper observed that:

- smaller Councils, particularly rural Councils, receive a much higher GPG per capita in Queensland than similarly classified Councils across Australia;
- almost all the Queensland rural ACLG categories increased their GPG by more than the overall increase in the GPG for Queensland as a whole over the six year period analysed;
- the main urban categories covering SEQ and Provincial Councils received decreases in GPG/capita over the same period;
- between 2010/11 and 2016/17, the Rural/Remote segments had a GPG/capita increase of 8.9% while the SEQ/Provincial segment had a decrease of 8.1%;
- in 2016/17, some 46% of the Queensland GPG pool went to Councils which cover 2.6% of the State population.

An update of the 2017 paper in August 2018<sup>2</sup> noted that the trends identified in the July 2017 paper had continued with the 2017/18 and 2018/19 allocations. Small rural Councils in Queensland were still receiving a much higher GPG/capita than similar Councils in other states.

However, the 2018 review noted that the trend in terms of the increase in the GPG/capita to small QLD rural Councils since 2010/11 was also the case in both NSW and WA. Whereas the GPG/capita for Queensland Councils increased by 33% between 2010/11 and 2017/18, in Western Australia the increase to Councils under 5,000 population was around 40% and in NSW around 50%.

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<sup>1</sup> *Financial Assistance Grants to Local Government*, Morton Consulting Services, July 2017

<sup>2</sup> *Trends in Distribution of Financial Assistance Grants in Queensland*, Morton Consulting Services, August 2018

## Recent Trends in GPG Distribution in Queensland

This 2020 update uses the latest LGGC published data for the GPG allocation in Queensland in 2020/21.

**Table 1** provides details of the GPG/capita by population range of Queensland Councils from 2010/11 to 2020/21. **Table 2** shows the share of the Queensland GPG pool allocated to each population range over the same period.

**Table 1: GPG/capita by population range of Queensland Councils**

Population	GPG/capita 10/11	GPG/capita 12/13	GPG/capita 14/15	GPG/capita 16/17	GPG/capita 18/19	GPG/capita 20/21	Change % 10/11 to 20/21
<5000	\$1,380	\$1,519	\$1,684	\$1,754	\$1,934	\$2,026	47%
5000-20000	\$334	\$343	\$387	\$407	\$421	\$422	26%
20000-50000	\$157	\$145	\$147	\$141	\$147	\$151	-4%
>50000	\$27	\$25	\$27	\$25	\$26	\$27	-3%
Total	\$66	\$65	\$68	\$66	\$68	\$70	6%

Source: Queensland LGGC and OESR Population data

**Table 2: Share of Queensland GPG Pool by Population Range**

	share GPG 10/11	share GPG 12/13	share GPG 14/15	share GPG 16/17	share GPG 18/19	share GPG 20/21
<5000	32%	35%	35%	36%	37%	37%
5000-20000	13%	13%	14%	14%	13%	13%
20000-50000	19%	18%	17%	16%	16%	16%
>50000	37%	35%	35%	34%	34%	34%
Total	100%	100%	100%	100%	100%	100%

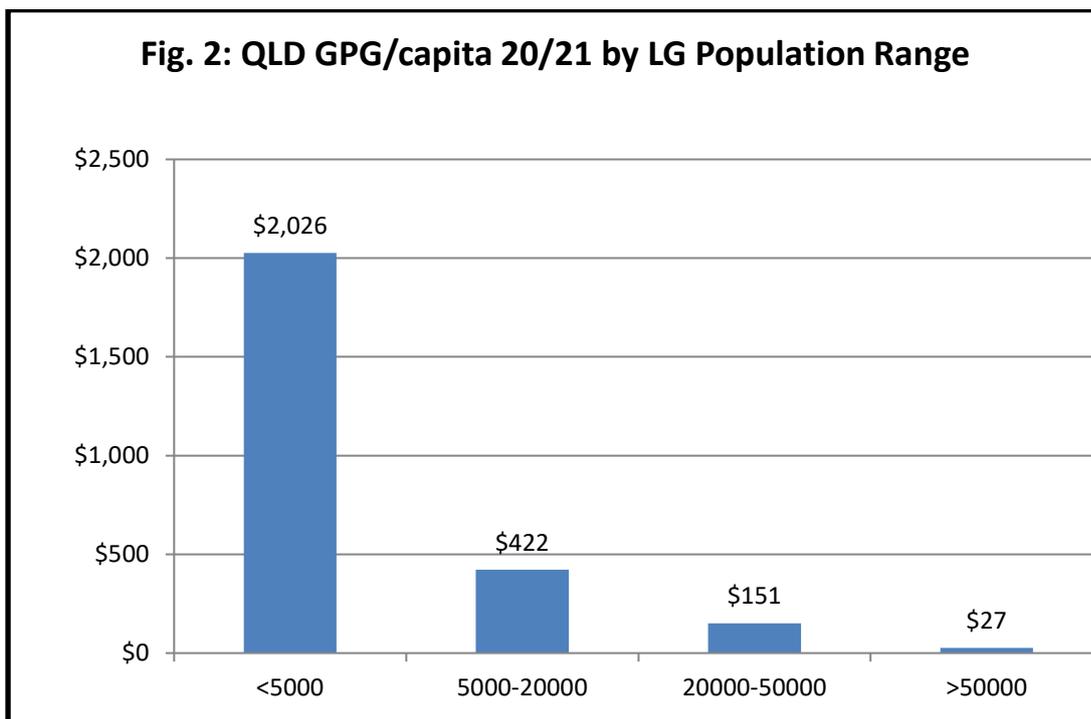
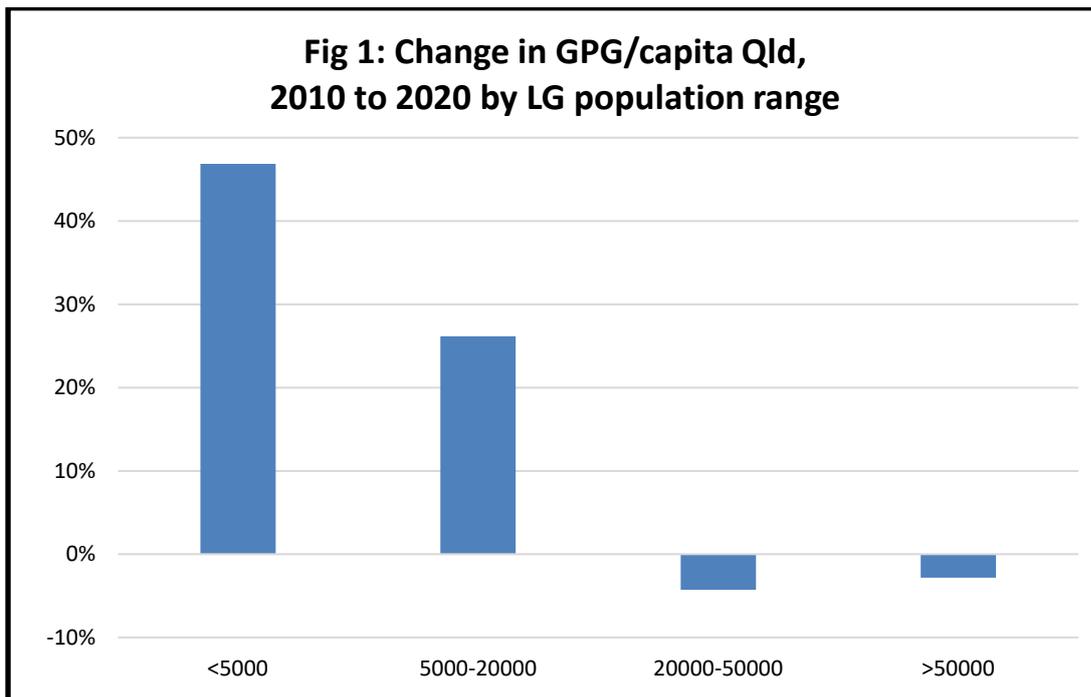
Source: Queensland LGGC and OESR Population data

The tables shows that the trends identified in the 2017 and 2018 papers have continued with the 2020/21 allocations. Since 2010/11, Councils with a population less than 5,000 (38 Councils) increased their GPG/capita by 47%. These Councils represent some 1.3% of the State population and received 37% of the GPG pool in 2020/21, up from 32% in 2010/11.

Councils with a population of 5,000 to 20,000 (8 Councils) received an increase on a per capita basis of 26% over the same period. These Councils represent some 2.1% of the State population and received 13% of the GPG pool, the same as the 13% in 2010/11.

Councils with a population between 20,000 and 50,000 (12 Councils) received a decrease in GPG/capita of 4% over the period. These Councils represent 7.4% of the State population and received 16% of the GPG pool, down from 19% in 2010/11.

At the other end of the scale, the Councils with a population greater than 50,000 (19 Councils) received 3% less on a per capita basis. These Councils represent 89% of the State population and received 34% of the GPG pool, down from 37% in 2010/11. This share of the pool is primarily driven by the minimum grant provision (30% on a per capita basis). The number of Councils on the minimum grant increased from two in 2010/11 to ten in 2020/21.



When both the GPG and Identified Road Grant (IRG) are considered, Councils with a population less than 5,000 received 32% of the FAG pool in 2020/21 while Councils with a population greater than 50,000 received 40% of the total pool (**Table 3**).

This difference in total FAG share relative to GPG share is the result of the IRG formula taking into account the Council population.

The IRG formula is:

- 62.85 % allocated according to Council road length
- 37.15% allocated according to local government area population

**Table 3: Share of Queensland FAG 20/21 by Population Range**

	Share GPG 2020/21	Share IRG 2020/21	share FAG (GPG + IRG) 2020/21
<5000	37%	19%	32%
5000-20000	13%	11%	12%
20000-50000	16%	17%	16%
>50000	34%	54%	40%
Total	100%	100%	100%

Source: Queensland LGGC

## Interstate Comparison

In the July 2017 paper, data was included on the GPG/capita by the Australian Classification of Local Government (ACLG) groupings. This was based on the 2014/15 Local Government National Report.

Unfortunately, the 2014/15 National Report is still the latest, and no comparable recent data is available. **Table 4** reproduces the data from the 2014/15 National Report presented in the 2017 paper.

The table shows that smaller Councils, particularly rural Councils, receive a much higher GPG per capita in Queensland than similarly classified Councils across Australia.

**Table 4: GPG/capita by ACLG Category 2014/15**

Classification	Queensland	No. Councils	Total Australia	No. Councils	Difference / capita	% difference
Urban Capital City	\$20.6	1	\$20.8	7	(\$0.2)	-1.0%
Urban Regional Small	\$148.0	5	\$107.7	39	\$40.3	37.4%
Urban Regional Medium	\$124.5	9	\$75.2	47	\$49.3	65.5%
Urban Regional Large	\$45.3	3	\$77.3	11	(\$32.1)	-41.5%
Urban Regional Very Large	\$25.4	10	\$55.4	14	(\$30.1)	-54.3%
Urban Fringe Small	\$93.5	1	\$59.2	8	\$34.3	57.9%
Urban Fringe Medium	\$58.2	2	\$33.3	15	\$24.9	74.9%
Rural Agricultural Medium	\$1,142.4	3	\$517.0	57	\$625.5	121.0%
Rural Agricultural Very Large	\$387.1	8	\$170.5	61	\$216.6	127.1%
Rural Remote Extra Small	\$5,913.5	5	\$3,350.3	18	\$2,563.3	76.5%
Rural Remote Small	\$3,190.9	10	\$2,819.8	14	\$371.1	13.2%
Rural Remote Medium	\$1,351.3	15	\$852.7	26	\$498.6	58.5%
Rural Remote Large	\$1,403.8	5	\$580.9	23	\$822.9	141.6%
<b>Total GPG per capita</b>	<b>\$68.6</b>	<b>77</b>	<b>\$68.9</b>	<b>569</b>	<b>(\$0.3)</b>	<b>-0.5%</b>

Source: Local Government National Report 2014/15, Department of Infrastructure & Regional Development

While more recent comprehensive data by ACLG Classification is not available, **Table 4** provides a comparison by population range for Queensland, Western Australia and New South Wales. Each of these states have a number of small, remote rural Councils.

**Table 4: GPG/capita by Council population bands, QLD, WA and NSW**

Population	QLD GPG/capita 20/21	WA GPG/capita 20/21	NSW GPG/capita 20/21
<5000	\$2,026	\$823	\$935
5000-20000	\$422	\$129	\$322
20000-50000	\$151	\$34	\$93
>50000	\$27	\$21	\$43

Source: Local Government Grants Commissions and ABS Population Statistics

The GPG/capita does vary significantly across rural and remote Councils with less than 5,000 population in Western Australia, New South Wales and Queensland as shown by **Table 5**. The Councils selected result in averages similar to those for all Councils less than 5,000 population shown in Table 4.

The average for the Queensland Councils shown in Table 5 is significantly higher than the average for the selected Councils in either NSW or Western Australia.

**Table 5: GPG for Selection of Rural/Remote Councils <5000 population, WA, NSW & QLD**

Council	ACLG	Popln 2019	GPG 20/21	GPG/capita
<b>Western Australia</b>				
Halls Creek	RTL	3,454	\$3,405,826	\$986
Laverton	RTM	1,197	\$1,514,445	\$1,265
Meekathara	RTM	983	\$2,365,225	\$2,406
Merredin	RAM	3,365	\$1,512,744	\$450
Wiluna	RTM	684	\$1,870,496	\$2,735
<b>Average WA sample</b>		<b>1,937</b>	<b>\$2,133,747</b>	<b>\$1,102</b>
<b>New South Wales</b>				
Bourke	RAM	2,590	\$4,411,694	\$1,703
Balranald	RAM	2,338	\$3,013,240	\$1,289
Central Darling	RTM	1,839	\$4,353,450	\$2,367
Cobar	RTL	4,658	\$4,318,674	\$927
Hay	RAM	2,949	\$2,401,767	\$814
<b>Average NSW sample</b>		<b>2,875</b>	<b>\$3,699,765</b>	<b>\$1,287</b>
<b>Queensland</b>				
Balonne	RAM	4,360	\$4,163,566	\$955
Cook	RAM	4,557	\$8,718,846	\$1,913
Paroo	RTM	1,562	\$4,218,315	\$2,701
Quilpie	RTS	778	\$3,769,791	\$4,845
Winton	RTM	1,153	\$4,071,092	\$3,531
<b>Average QLD sample</b>		<b>2,482</b>	<b>\$4,988,322</b>	<b>\$2,010</b>
<b>Average WA, NSW, QLD Councils above</b>		<b>2,201</b>	<b>\$3,380,223</b>	<b>\$1,536</b>

Source: State LGGCs

This analysis confirms the point noted previously that small rural and remote Councils in Queensland receive a much higher GPG/capita than similar Councils in other states.

The GPG/capita for Councils with less than 5,000 population has also increased over time in other States. As noted earlier, the GPG/capita for Queensland Councils increased by 33% between 2010/11 and 2017/18. In Western Australia the increase to councils under 5,000 population was around 40% and in NSW around 50% over the same period.

This trend has continued. Between 2016/17 and 2020/21, GPG/capita for Councils less than 5,000 in NSW increased by 30%. This compares with a 16% increase for Queensland Councils with less than 5,000 population and a similar 16% increase for WA Councils less than 5,000 population over the same period.

It is important to note that the structure of local government differs across States. Because of amalgamations, Queensland has a significant number of large Councils (13% > 150,000). In WA, only 2% of Councils are more than 150,000 population whereas in NSW, 16% are over 150,000.

However, 49% of Queensland Councils are less than 5,000 population, partly as a result of the significant number of indigenous Councils, but also because of the area and remoteness of many low population Councils in Western Queensland. In Western Australia, 58% of Councils are less than 5,000 population whereas in NSW, only 13% of Councils are less than 5,000 population.

These differences impact on the horizontal fiscal equalisation task within the total allocated GPG for each State.

**Table 6** shows the differences in the proportion of Councils on the minimum grant, the share of GPG and State population of minimum grant Councils.

NSW has a very small proportion of the GPG pool going to minimum grant Councils and a relatively low proportion of State population allocated the minimum grant.

Both Queensland and Western Australia have similar proportions of the population in minimum grant Councils and similar proportions of the GPG pool to these Councils.

**Table 6: Minimum Grant Councils 20/21**

	QLD	WA	NSW
No Councils on Minimum Grant	10 of 77	31 of 137	19 of 128
% Councils on Minimum Grant	13%	23%	15%
% Population on Minimum Grant	75%	76%	31%
% GPG pool to Minimum Grant Councils	22%	23%	9%

Source: State LGGCs