
**MM24/14 LOCAL GOVERNMENT FINANCIAL ASSISTANCE
GRANTS - The Mayor, Councillor Roy Maggio**

File Number: MYR/07/10/20 - BP14/763

As Councillors would be aware, in the recent Federal Budget the decision was made to freeze the local government Federal Assistance Grants (FAGs) for three years until 2017-18.

The Australian Local Government Association has written to Council requesting support to restore the indexation of these grants and a copy of that letter is **ATTACHED**.

As stated in the letter, the FAGs are a vital part of the revenue base of all Councils. While the impact for Ryde will not be as significant as that for smaller rural Council's it is concerning as Council continues to require funding to ensure service levels and infrastructure.

The Australian Local Government Association has requested that Mayor's write to their Federal Government representatives highlighting the implications of the decision for local services and ask whether the local members support the decision.

RECOMMENDATION:

That the Mayor on behalf of Council write to John Alexander OAM MP highlighting the implications of the Federal Government's decision to freeze the indexation of Federal Assistance Grants and asking that he support a removal of this freeze.

ATTACHMENTS

- 1 Local Government Financial Assistance Grants - letter from Australian Local Government Association

Report Prepared By:

Councillor Roy Maggio
The Mayor





AUSTRALIAN LOCAL GOVERNMENT ASSOCIATION

20 May 2014

Ryde City Council
Locked Bag 2069
NORTH RYDE NSW 1670

Dear Mayor

I am writing to you and the mayor and shire president of every council across Australia to ask you to join the Australian Local Government Association's (ALGA) call to have the Government restore the indexation of the local government Financial Assistance Grants (FAGs) which has been frozen for three years until 2017-18.

The decision to freeze the indexation of the grants, announced in the Budget last week, will cost councils an estimated \$925 million in FAGs by 2017-18. Unfortunately, the impact will continue beyond that date because the base level of FAGs will be permanently reduced by over 12%. In 2017-18 the estimated reduction in FAGs will be \$321 million. Even if indexation is restored in 2017-18 (at an estimated 4.2%, which reflects CPI and population growth), the gap will continue to widen and FAGs will be about \$334 m less in 2018-19 and almost \$350m less in 2019-20.

In fact, by 2018-19 when the current extension of Roads to Recovery (R2R) is due to end, the loss of FAGs will be the equivalent of 95% of R2R funding. Almost the entire value of the R2R program will be lost.

The FAGs are a vital part of the revenue base of all councils. For many smaller rural and remote councils, FAGs form the majority of their revenue. These councils are likely to be hit hardest by the reduction in grants.

The FAGs are absolutely essential to allow local communities across Australia to provide a reasonable level of services and infrastructure to local residents. These grants are used to maintain a great range of infrastructure including local roads, bridges, parks, swimming pools, libraries and community halls as well as services to the young, the elderly and community groups of all kinds.

ALGA has been fighting to have the value of the FAGs restored to a level equivalent to 1% of tax revenue, the level they were at when John Howard came to power in 1996. In recent years they slipped to 0.7% but we are shocked to see that they will decline to just 0.53% by 2017-18.

The Government's decision will have a major impact on local services and infrastructure and it is possible that the Government has not fully comprehended the likely impact on communities and the unintended consequences of such a decision. This must be brought home in a factual and clear way to all Coalition Federal Members and Senators. I believe that this would best be done by local mayors and shire presidents writing to their Federal Government representatives, highlighting the implications of the decision for local services and asking Coalition representatives whether they continue to support the decision. I would hope that many Federal Government members would recognise the severe impact on their communities and support a review of the Government's decision.

On a related issue, ALGA is convening its 2014 National General Assembly in Canberra from 15 to 18 June. This issue is expected to be uppermost on the agenda for the Assembly and I urge you, or another representative of your council, to attend the Assembly so that together we can send the strongest possible message to the Government about the need to restore indexation of the FAGs.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Felicity-ann Lewis', written in a cursive style.

Mayor Felicity-ann Lewis
President