



# A review of the Financial Assistance Grant (FA Grants) for the Kimberley Local Government Areas



**November 2024**

---

## DOCUMENT PURPOSE

This document presents a summary of the research and analysis of the Financial Assistance Grant (FA) model and its impact on the four Kimberley local governments.

The project was commissioned to NAJA Business Consulting Services by the Kimberley Regional Group (KRG).

## ACKNOWLEDGEMENTS

NAJA Business Consulting Services (NAJA) have developed this report for the KRG. NAJA would like to acknowledge and thank the KRG members, stakeholders, politicians, government departmental staff, residents and community members who provided valuable input into this project.

## CULTURALLY APPROPRIATE LANGUAGE

The authors of this report recognise that First Nations people is the appropriate title to be used, however have also included Indigenous and Aboriginal as required when discussing specific organisations or when quoting from reports.

## DISCLAIMER

This report has been developed on behalf of the KRG by NAJA Business Consulting Services, in partnership with Swan Professional Services. Recommendations provided in this report are based on the information provided by the KRG and community representatives, along with research into industry best practice and case studies of similar projects.

This report is supplied in good faith and reflects the knowledge, expertise and experience of the consultants involved at the time of providing the report. The matters dealt with in this report are limited to those requested by the client and those matters considered by the contractor to be relevant for the purpose.

The information, data, opinions, evaluations, assessments and analysis referred to in, or relied upon in the preparation of, this report have been obtained from and are based on sources believed by the consultants to be reliable and up to date, but no responsibility will be accepted for any error of fact or opinion. To the extent permitted by law, the opinions, recommendations, assessments and conclusions contained in this report are expressed without any warranties of any kind, express or implied.

NAJA Business Consulting Services and Swan Professional Services do not accept liability for any loss or damage including without limitation, compensatory, direct, indirect or consequential damages and claims of third parties, that may be caused directly or indirectly through the use of, reliance upon or interpretation of, the contents of the report.



A photograph showing a person in a vibrant, patterned blue shirt and jeans tending to a large, rusted metal barrel that is smoldering with smoke. The barrel is filled with green branches and leaves. In the background, several other people are seated on white plastic chairs, watching the activity. The scene is outdoors on a grassy area with trees in the background.

## Acknowledgment of Country

NAJA acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of Western Australia's Aboriginal communities and their cultures; and to Elders both past and present.



# TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>6</b>
<b>1 KIMBERLEY REGIONAL GROUP .....</b>	<b>11</b>
<b>2 INTRODUCTION .....</b>	<b>12</b>
2.1 Financial Assistance Grants .....	12
2.2 Revenue Sources for Local Governments .....	12
2.3 Local Government Expenses .....	14
<b>3 THE POOL OF FA GRANT FUNDING .....</b>	<b>16</b>
3.1 FA Grants as a Percentage of Commonwealth Tax Revenue .....	18
3.2 Indexation .....	20
3.3 Payment Cycle .....	21
<b>4 STATE ALLOCATIONS .....</b>	<b>22</b>
<b>5 NATIONAL PRINCIPLES .....</b>	<b>25</b>
5.1 Horizontal Equalisation .....	26
5.2 Effort Neutrality .....	27
5.3 Minimum Grant Allocation .....	28
5.4 Aboriginal Peoples and Torres Strait Islanders .....	33
<b>6 ALLOCATION OF GENERAL PURPOSE GRANT TO WA LOCAL GOVERNMENTS.....</b>	<b>35</b>
6.1 Assessed Expenditure.....	35
6.2 Assessed Revenue (revenue raising capacity) .....	36
6.3 Equalisation requirement.....	36
6.4 Cost Adjustors.....	38
<b>7 LOCAL ROADS COMPONENT .....</b>	<b>56</b>
7.1 Asset Preservation Model.....	58
<b>8 CASE STUDIES.....</b>	<b>60</b>
8.1 Tourism .....	60
<b>9 ACRONYMS .....</b>	<b>62</b>
<b>10 REFERENCES.....</b>	<b>63</b>
<b>APPENDICIES.....</b>	<b>65</b>
Appendix A. Objects of the Local Government (Financial Assistance) Act 1995.....	66
Appendix B. National Principles .....	67
A.1 General purpose grants.....	67

A.2	Local road grants .....	67
Appendix C. Aboriginal Cost Adjustor Analysis Table .....		68
Appendix D. Location Cost Adjustor Analysis Table .....		71

## Executive Summary

The Kimberley Regional Group (KRG) of local governments is an alliance of the four Shires of the Kimberley region of Western Australia, being the Shire of Broome, the Shire of Derby West Kimberley (SDWK), the Shire of Halls Creek and the Shire of Wyndham East Kimberley (SWEK). The region is home to over 39,000 and is classified as a Very remote area of Australia.

Like most remote local governments in Australia, grant funding is a crucial source of revenue for the Kimberley local governments, especially given the limited capacity for generating revenue through other means. On average, grants contribute about 14%<sup>1</sup> of total local government revenue across Australia however, in more remote areas like the Kimberley, this percentage can be significantly higher, due to the limited local rates base and other revenue sources. For example, the Shire of Halls Creek relies on grants for 67% of its revenue, with only 18% from local rates. The majority of grant funding is made up of the Financial Assistance Grant (FA Grant).

FA Grants are provided by the Australian Government to local government organisations across Australia to help local governments provide local services and infrastructure. The FA Grants have been in place for more than 40 years, initially being introduced by the Whitlam Government in the 1970s recognising that rapid changes in responsibilities faced by local governments required direct support from the Australian Government. Today, the FA Grants are provided under the Commonwealth Local Government (Financial Assistance) Act 1995 (Act) which came into effect in 1996.

The FA Grant program consists of two components:

1. a general purpose component which is distributed between the states and territories according to population (i.e. on a per capita basis); and
2. an identified local road component which is distributed between the states and territories according to fixed historical shares.

The FA Grant is untied funding which provide local governments the flexibility to allocate funds based on specific needs. However, over the past 30 years, the value of these grants has diminished, while the costs and responsibilities for local governments, especially in remote regions like the Kimberley, have risen sharply. When first introduced, the FA Grants were 1% of Commonwealth Tax Revenue (CTR). Federal policies, such as the freeze on grant indexation from 2014 to 2017 and the removal of FA Grant linkage to Commonwealth Tax Revenue (CTR), have resulted in the FA Grant now being only 0.5% of CTR, further straining the financial resources of regional and remote local governments.

Whilst the value of the FA Grant is diminishing, the financial pressures are compounded by escalating costs associated with delivering services over vast geographic areas and the challenge of attracting skilled staff. Infrastructure and service delivery costs in remote areas are significantly higher than metropolitan areas. As an example. construction costs in Kununurra are at least 60% higher than in metropolitan Perth.

---

<sup>1</sup> Background on Local Government Funding, [alga.com.au](http://alga.com.au)

The FA Grant aims to ensure that each local government in the State can operate at a level comparable to the average standard of other local governments through horizontal equalisation. However, the current method for determining the national FA Grant fund pool total does not provide sufficient funding to fully cover this shortfall, leading State Government Grant Commissions to allocate funds to local governments based on a percentage of their assessed need. For instance, in 2023-24, the General Purpose grant funding received by the WA State government only covered about 64% of the calculated grant need for local governments.

Full equalisation, either vertical or horizontal is unachievable because the Australian Government is not putting sufficient funds in the financial assistance grants pool. Until the government addresses this gap in funding, local governments may be forced to decommission infrastructure and cut services to maintain financial viability.

Each year the National FA Grant pool is calculated using the previous year's total, adjusted by the Consumer Price Index (CPI) and population growth. CPI is a measure of the average change over time in the prices paid by capital city households across Australia for a fixed basket of goods and services. The basket of goods and services is substantially different to the 'basket of goods and services' that would be applicable to local government.

Local governments often deal with expenses related to construction, infrastructure and community services that the CPI doesn't fully capture. Additionally, the CPI doesn't account for price variations in regional, rural, or remote areas, where the cost structure can be quite different from urban settings. The indexation of the Financial Assistance Grants needs to align with cost escalations experienced by local governments in delivering services to their communities.

Adding to this funding shortfall was the decision for the Federal Government to pause indexation for three years from 2014/15 to 2016/17 due to budget constraints. This not only cost local governments and their communities necessary funding support in those years but lowered the base funding for all future years as when the Federal Government reinstated indexation, it did so from the new lower level.

Starting with the 2009-10 Commonwealth Budget, the Australian Government began pre-paying a portion of the FA Grant to local governments, initially advancing 25% of the grant. Over the years, this prepayment has gradually increased, culminating in the full grant for the 2023-2024 financial year being prepaid in June 2023. While the intention behind these advance payments was to provide local governments with immediate funds to support economic recovery and prepare for future challenges, this practice has created significant uncertainty in cash flow management and budgeting for local governments. The timing of the FA Grant also inflates and disguises the true financial position of many local governments.

The national FA Grant funding is paid quarterly to each State/Territory by the Australian Government based on population estimates for the General Purpose funding and an estimated factor applied to the previous years' funding for the Local Road component. The funding is then distributed to each local government organisation by the Local Government Grants Commission in each state and the Northern Territory.

While the Australian Government requires distribution of the Grants to local government on an equalisation basis, it allocates General Purpose funding between the states solely on the basis of population. This approach does not account for the significant differences in the size, geographic distribution and service needs of local governments across states.

Allocating by population size tends to favour more densely populated states, resulting in a smaller pool of money to be distributed in States with more remote and regional local governments with greater relative needs.

Although some local governments may not experience a capacity shortfall, the National Principles formulated under the *Local Government (Financial Assistance) Act 1995 (the Act)* includes a provision ensuring that a local government's General Purpose Grant cannot be less than 30% of the amount it would have received if the Grant were calculated on a per capita basis. Minimum grant local governments generally are not relatively disadvantaged, have economies of scale and have the means to recover additional revenue from their communities sufficient to cover their expenditures without relying on grants.

Horizontal Equalisation is a principle aimed at allocating FA Grants to local governments so that each can operate at a level no lower than the state average. However, Full equalisation cannot be achieved due to:

1. Insufficient funding available for local governments facing a gap between their income and expenses limits their ability to deliver services at a standard no lower than the average of other local governing bodies in the State.
2. Allocating funds to wealthier local governments under the minimum grant principle, which arguably do not require additional financial support, further reduces the pool of funding available to those local governments in greater need. This effectively raises the bar each year for those local governments, making it more difficult for them to achieve equalisation.

Insufficient funding in the total FA grant funding pool, compounded by the minimum grant principle limiting the funding available to those local governments that need it the most, prevents full equalisation from being achieved.

Regional and remote local governments across Australia face distinct disadvantages, including geographical isolation, disperse populations, more Aboriginal people per capita, extreme climate conditions, etc. Whilst the WA Grants Commission's balanced budget methodology goes some way to recognise these disadvantages and the impact to a local government's expenses, there are areas that could be improved to better represent these disadvantages resulting in more equitable assessment of regional and remote local government's equalisation requirements.

To address these issues, it's recommended that the KRG propose improvements to the FA Grant model to both the Australian Government and the WA Grants Commission. A list of the recommendations is provided below.



## Summary of Recommendations

The following recommendations are proposed to improve the FA grant model for the Kimberley local governments:

- That the KRG advocate for the **Australian Government** to:
  - ✓ review the **quantum of the Financial Assistance Grant**. Consideration be given to increasing the total Financial Assistance Grant pool to at least 1% Commonwealth Tax Revenue to ensure sustainable funding for local governments, especially in regional and remote areas and restoration of the Financial Assistance Grant funding lost following the 2014-15 to 2016-17 indexation freeze
  - ✓ develop an **appropriate indexation methodology** to ensure that Financial Assistance Grants keep up with the cost pressures faced by local governments, whilst also providing consistency to the funding to enable local governments to better forward plan and budget
  - ✓ **‘reset the payment cycle’** with an additional once-off payment to correct the current practice of bringing payments forward and then implement a standard payment schedule that doesn’t change each year.
  - ✓ change the method of **distribution of funds to the States** from the current method, which is primarily based on population, to one that will enable every local government to provide a similar level of service to their community by considering factors beyond population size.
  - ✓ Consider the guiding principle of **Effort Neutrality** in the allocation of funds.
  - ✓ review the National Principle relating to **Minimum Grant Funding**. Consideration should be given to either removing the 30% requirement or allowing state or territory grant commissions to adjust the minimum grant percentage based on need. For example, a range between 10% and 30% could be established. Reducing or eliminating the 30% minimum would enable a greater allocation of funds to local governments that need it most to achieve horizontal equalisation
  - ✓ strengthen the National Principle for **Aboriginal People and Torres Strait Islanders** to make it explicit that the needs of Aboriginal people must be recognised in equalisation assessments and to take into account the number of remote Aboriginal communities in a State or Territory when distributing the FA Grant funding.
  - ✓ change the minimum grant principle to be “ensuring a local government’s combined General Purpose Grant and Local Road Grant cannot be less than 30% of the amount it would have received if the Grant were calculated on a per capita basis”.
- That the KRG advocate for the **Western Australian Local Government Grants Commission** to:
  - ✓ review the Aboriginality cost adjustor calculation
  - ✓ provide feedback from the Commission on the inclusion of Aboriginal Communities into the population dispersion calculations
  - ✓ review the population dispersion calculation to consider the asset base required by local governments with additional townsites

- ✓ review the climate cost adjustor to consider the wet season rainfall impacts and humidity in the calculation, and review the population weighting
- ✓ review the location cost adjustor weighting to increase the weighting based on the ARIA+ score and reduce the weighting attributed to population, i.e. 80% based on the ARIA+ score and 20% based on population
- ✓ review the socio-economic cost adjustor so that only local governments with an ARIA+ score of more than 4 are eligible.
- ✓ include the capacity of a local government to raise its own funds for road renewal works
- Shires of Broome and SWEK make a submission to the WA Grants Commission to be classified as Regional Centres
- That the KRG ensure accurate information is provided to the Grants Commission when requested as part of their annual return to ensure their grant allocation is adjusted accordingly
- Consideration of additional loading for disaster relief funding requirements for local governments in high risk areas

The KRG recognizes that some recommendations, especially adjustments to minimum grant allocations, could have unforeseen negative effects on other WA local governments. To address this, the KRG supports a graduated implementation of any changes. For example, if the Australian Government decides to expand the funding pool and revise the minimum grant allocations, the KRG would advocate for preserving the previous year's minimum grant amounts for local governments currently receiving them. This approach would allow any additional funds added to the National FA Grant pool to be allocated to non-minimum grant recipients in future years, whilst ensuring that local governments with minimum grants remain unaffected in the short term.

# 1 Kimberley Regional Group

The Kimberley Regional Group (KRG) of local governments is an alliance of the four Shires of the Kimberley region of Western Australia, being the Shire of Broome, the Shire of Derby West Kimberley, the Shire of Halls Creek and the Shire of Wyndham East Kimberley.

Our Vision is to maintain and enhance the rich diversity and liveability of the Kimberley for its people and the world. Collaboratively the group seeks to drive positive impact across the region through improved social, economic and cultural outcomes.

## Kimberley Regional Group

### Population

The Kimberley is home to over 39,000 people



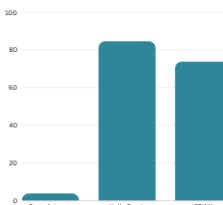
All Kimberley local government areas have experienced negative population growth (less than 2%)

### Aboriginality



41 percent of the population comprises Indigenous people. The region includes over 150 Aboriginal Communities

The Kimberley local government areas have significantly higher percentage of the population identifying as Indigenous than the state average of 3.75% with the Shire of Halls Creek the second highest in the State (84.7%) and the Shire of Derby West Kimberley (SDWK) the third highest in the State (73.86%)



### Socioeconomic



Shire of Halls Creek currently rates as the second most disadvantaged LGA in WA with the Shire of Derby-West Kimberley ranked 6th lowest and the Shire of Wyndham East Kimberley ranked 17th lowest.

### Remoteness



The Kimberley local governments are classified as **Very Remote Australia** by the Federal Government's Remoteness Area classification

### Population Centres

The Kimberley has three regional centres, Broome, Kununurra, and Derby, with smaller regional towns of Halls Creek, Fitzroy Crossing and Wyndham. There are over eighty remote communities across the region, some of which have large populations up to 600 people.



No Kimberley local government area is classified as a regional centre by the Grants Commission

### Climate

All Kimberley local government areas have a mean max temp greater than 30 degrees. The Shire of Wyndham East Kimberley (36.1°C), Derby West-Kimberley (34.7 °C ) and Halls Creek (33.6 °C) have the highest three Mean Max temperatures of the State.





## 2 Introduction

### 2.1 Financial Assistance Grants

Financial Assistance Grants (FA Grants) are provided by the Australian Government to local government organisations across Australia to help local governments provide local services and infrastructure.

The FA Grants have been in place for more than 40 years, initially introduced by the Whitlam Government in the 1970s recognising that rapid changes in responsibilities faced by local governments required direct support from the Commonwealth. Today, the FA Grants are provided under the Commonwealth Local Government (Financial Assistance) Act 1995 (Act) which came into effect in 1996.

The FA Grant program consists of two components:

1. a general purpose component which is distributed between the states and territories according to population (i.e. on a per capita basis); and
2. an identified local road component which is distributed between the states and territories according to fixed historical shares.

A small portion of the general purpose component is allocated for natural disaster funding.

The State Grant Commissions allocate both parts of the FA Grant to local government organisations, using their own methodologies while adhering to national principles.

Both components of the FA Grant are untied in the hands of local government, allowing local governments to spend the grants according to local priorities.

The Financial Assistance Grants are a vital and valued source of funding for local governments, playing a key role in supporting essential services, infrastructure and community projects that enhance liveability and address local needs. Since these grants are untied, local governments have the flexibility to prioritise community needs and adapt to emerging challenges. However, over the past 30 years the value of FA Grants has been declining, even as the costs of delivering services and the expectations from both other levels of government and the community have continued to rise.

This report seeks to provide an analysis of the FA Grant program and its impact on the local government organisations in the Kimberley region of WA.

### 2.2 Revenue Sources for Local Governments

Local government revenue consists of all financial sources that contribute to its operating budget. In Western Australia, local governments generate revenue from rates, service fees and charges and grants from State and Commonwealth governments. Additional income may come from property development and the sale of assets and property.

In the Kimberley region, grant funding is a crucial source of revenue for local governments, especially given the limited capacity for generating revenue through other means.

On average, grants contribute about 14%<sup>2</sup> of total local government revenue across Australia. However, in more remote areas like the Kimberley, this percentage can be significantly higher, due to the limited local rates base and other revenue sources.

The following graphs display the ten year average of income sources<sup>3</sup> for each local government area in the Kimberley.

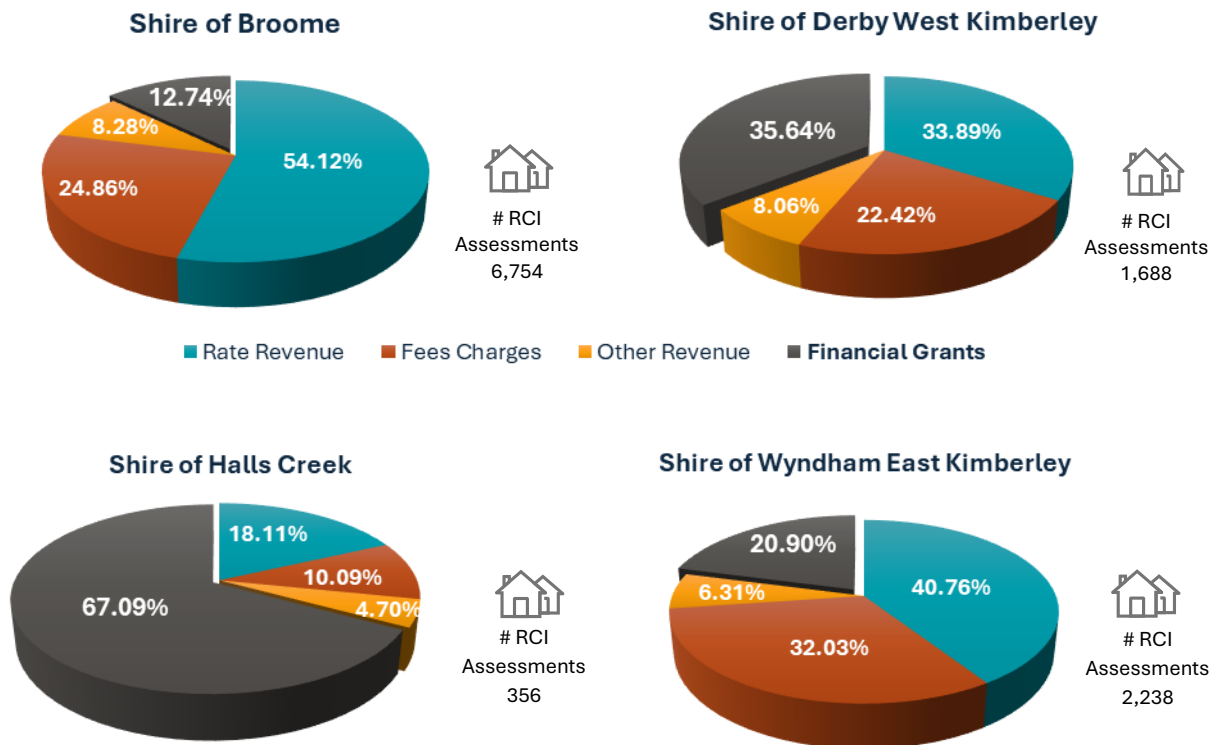


Figure 1 Income Sources for Kimberley Local Government Areas (ten year averages)

As illustrated, grant funding is an important source of revenue for the Kimberley local governments. The FA Grant is a significant portion of this funding.

The Shire of Halls Creek relies most heavily on grant funding, with an average of 67% of its revenue over the past ten years coming from grant funding and only 18% from Rates revenue. This is reflective of the small number of rate payers and therefore the inability to generate sufficient funds through rates or fees and charges. Revenue from rates is further reduced by rate exemptions. This applies to rate exemptions at both the Federal and State level including:

- Aged housing/ independent living units
- Charitable organisations
- Government trading entities
- State owned unallocated crown land

For many local governments these grants are among the largest sources of discretionary revenue after general rates.

<sup>2</sup> Background on Local Government Funding, [alga.com.au](http://alga.com.au)

<sup>3</sup> Source of Data: [mycouncil.wa.gov.au](http://mycouncil.wa.gov.au) website and individual Shire Financial Reports RCI Assessments: 3 Yr Landgate averages sourced from 22-23 WALGGC Balanced Budget spreadsheet

## 2.3 Local Government Expenses

Local governments in Western Australia have increasingly taken on responsibilities beyond their traditional roles of maintaining local roads and providing property-related services. Over the years, the delivery of some services has been gradually shifted from other levels of government to local governments, without a corresponding increase in funding to cover the additional costs. Many of these services are essential and have a significant impact on community and social outcomes at the local level.

In many regional and remote areas such as the Kimberley, local government are often the primary provider of community well-being. While other levels of government also deliver services, local governments have the most direct engagement and interaction with the community and is doing it with the smallest share of government taxation revenue.

Regional local governments often have to provide more services to their communities than their metropolitan counterparts, particularly in regional and remote areas. This is due to several factors unique to regional settings:

- In many regional areas, state and federal governments may have a limited presence. As a result, local governments often have to step in to provide essential services that would otherwise be unavailable, such as health services, aged care and community welfare programs
- Regional local governments such as those in the Kimberley typically oversee vast geographic areas with dispersed populations. This means they must maintain more kilometres of roads, bridges and public facilities per capita than metropolitan areas, often with fewer financial resources. As a result, the Kimberley local governments have a very large asset base relative to their rate base.
- To attract and retain skilled staff and residents, regional local governments often provide a broader range of community services, such as childcare, youth services and recreational facilities. These services are essential for improving liveability and ensuring a basic quality of life in remote areas. The Kimberley local governments also need to offer incentives to attract and retain staff. These incentives may include housing or rental subsidies, air-conditioning allowances, additional holidays and more, increasing the employment costs for our local governments.
- Regional local governments are often more involved in economic development initiatives, including promoting tourism, supporting local businesses and managing natural resources. These activities are crucial for regional economies but can be resource-intensive.
- Regional areas often have unique environmental challenges, such as managing large natural reserves, addressing issues related to agriculture and land use and responding to environmental disasters like floods and bushfires. Local governments in these areas may have to take on significant environmental management responsibilities.
- Public infrastructure and services are critical to the liveability and sustainability of communities and there is a strong community expectation that infrastructure and services will be available to all, regardless of capacity to pay. In smaller communities, local governments may be the primary provider of social infrastructure such as parks, libraries, cultural centres and public events.



- Due to the remoteness of many regional areas, residents often have limited access to essential services like healthcare, education and transport. Local governments may need to facilitate or directly provide these services to ensure their communities are supported.
- Regional local governments often have a greater role in emergency management and disaster response, given their proximity to natural hazards such as bushfires, floods and cyclones. They may be responsible for coordinating local responses and recovery efforts.

The cost of delivering services in remote areas is typically higher due to factors such as distance, limited economies of scale and increased logistics and staffing expenses. These costs have surged even further, driven by acute labour and skills shortages that require higher wages and improved working conditions, along with rising infrastructure and service expenses.

Assets generally provide a service to the community and therefore are part of the balancing of priorities that local government must manage. Research conducted by the Shire of Wyndham East Kimberley indicates that the cost to build and maintain assets in Kununurra, for example, is estimated to be 70–100 percent higher than in metropolitan areas of the WA. These costs can escalate to up to 400 percent higher in more remote areas of the Kimberley. Furthermore, the lack of competition for goods and services, or the need to procure them from distant locations, contributes to further cost increases.

The graph below illustrates the difference between expenses for similar sized local government areas in the Kimberley and metropolitan and Inner Regional local government areas. For example, the 2021 population of the Shire of Broome was 16,961 and the population of the Town of Bassendean was 16,031 however the actual expenses for the Shire of Broome in 2022-23 were \$21,034,703 which was almost double that of Bassendean (\$12,320,693)

These costs can place significant financial and operations strain on local governments such as those in the Kimberley, particularly when funding and resources are limited. Without the FA Grants, the local government would struggle to meet the minimum service levels expected by our community.

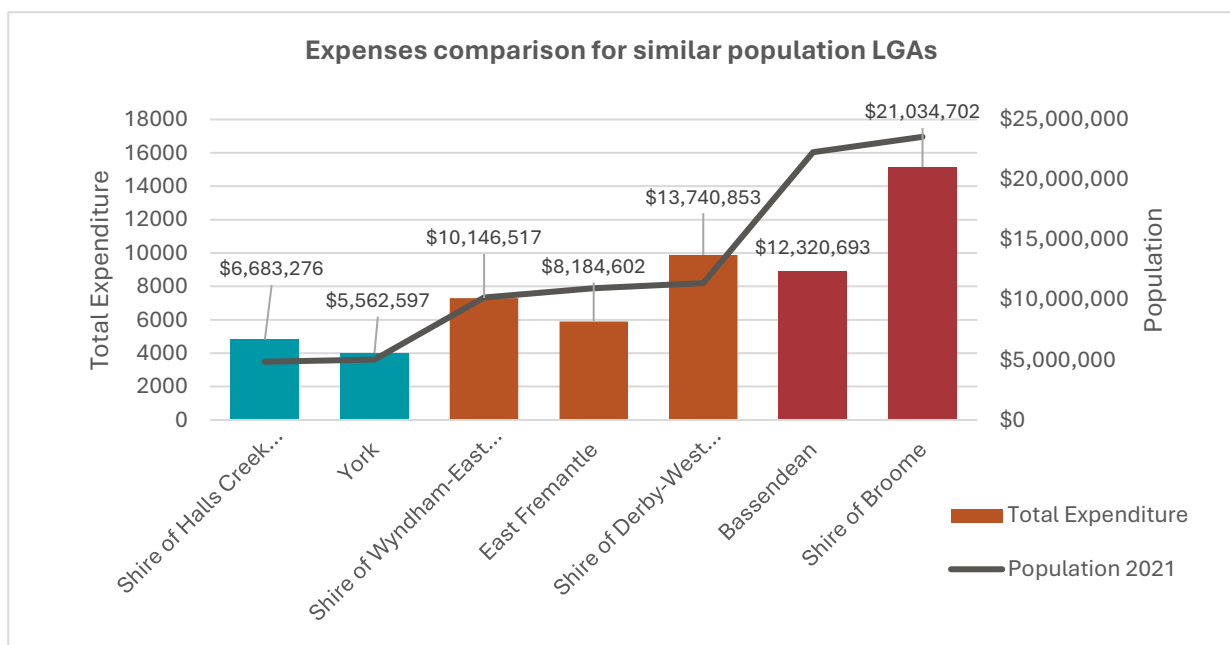


Figure 2 Comparison of Expenses for similar population LGAs

### 3 The Pool of FA Grant Funding

Each financial year, the Australian Government estimates the total (national) general purpose and local road components of the FA Grants for the new financial year by applying an escalation factor to the previous year's final grant entitlement. The escalation factor is based on changes in the Consumer Price Index (CPI) and population.

The same escalation factor is applied to both the general purpose and local road components.

The national FA Grant entitlement is calculated before the start of the financial year. When updated CPI and population information became available toward the end of the financial year, an actual escalation factor is re-calculated and the actual FA Grant **entitlement** for the financial year is determined.

Due to changes in population and CPI from one year to the next, this will inevitably result in a different allocation of the funding to each State (and in turn local government organisations) than the figure estimated before the start of the financial year. Any difference between the estimated and actual entitlements in the current year are added to the estimated entitlement in the next year to determine the next year's **cash payment**. This is known as the 'adjustment' referred to in the Act.

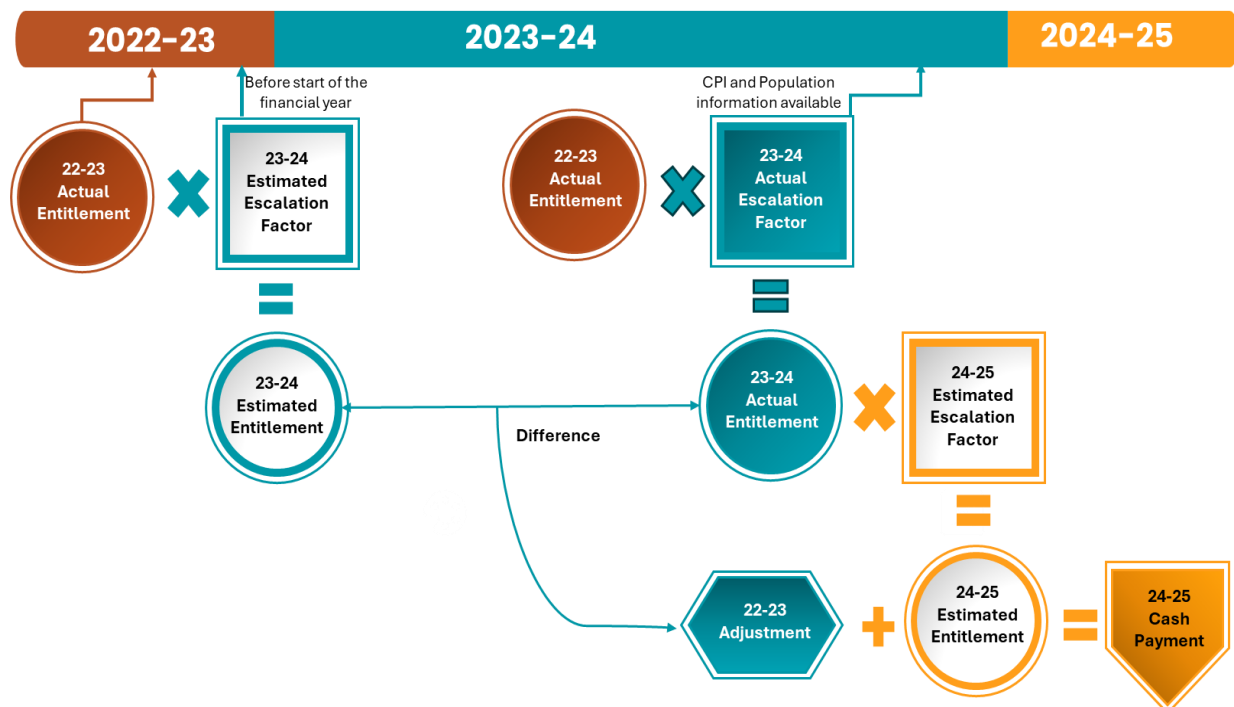


Figure 3 FA Grant Funding Pool

As illustrated above, the 2024-25 cash payment consists of the 2024-25 estimated entitlement and the adjustment created from the difference between the 2023-24 estimated entitlement and 2023-24 final entitlement.

The escalation factors used in calculating the new year total can be adjusted by the Treasurer in special circumstances. When applying this discretion, the Treasurer is required to have regard to the objects of the Act (Sub-section 3(2)) (refer to Appendix A) and any other matter the Treasurer thinks relevant.

In May 2014<sup>4</sup>, the Australian Government paused the indexation of the funding pool for three years due to budget constraints, commencing July 2014. Although the pause has been removed, the impact of the reduced proportion has left an ongoing revenue gap for the delivery of local government services, which has been particularly felt by regional local governments such as those in the Kimberley. This was estimated to cost local communities more than \$600 million<sup>5</sup> in services and infrastructure over the three years, with the biggest impact felt by local governments in regional and remote Australia.

The FA Grant aims to ensure that each local government in the State can operate at a level comparable to the average standard of other local governments through horizontal equalisation. To achieve this, the Commission calculates the difference between a local government's assessed revenue-raising capacity and its estimated expenditure needs to provide an average set of services.

However, the current method for determining the national FA Grant fund pool total does not provide sufficient funding to fully cover this shortfall, leading State Government Grant Commissions to allocate funds to local governments based on a percentage of their assessed need (equalisation amount). For instance, in 2023-24, the General Purpose grant funding received by the WA State government only covered about 64% of the calculated grant need for local governments.

Table 1 illustrates the percentage reductions the Commission has had to apply to local government equalisation amounts over the past three years due to limited funding.

Full equalisation, either vertical or horizontal is unachievable because the Commonwealth is not putting sufficient funds in the financial assistance grants pool. Until the government addresses this gap in funding, local governments may be forced to decommission infrastructure and cut services to maintain financial viability.

Year	Scale back amount
<b>2023-24</b>	64%
<b>2022-23</b>	57%
<b>2021-22</b>	56%

Table 1 WALGGC Scaled back percentages the General Purpose Grant Funding

As discussed above, the total pool of FA Grant funding is determined on an annual basis and inevitably changes each year. This approach offers no clear commitment regarding funding for the next financial year or beyond. This practice of confirming federal funding on an annual basis creates challenges for local governments, forcing them to make uncertain assumptions in their forward planning and budgeting.

<sup>4</sup> Source: [Budget Paper No 1, Federal relations 2014-15, Page 6-46, archive.budget.gov.au/2014-15/bp1/BP1\\_combined\\_pdf/2014-15/bp2](#)

<sup>5</sup> Background on Local Government Funding, [ALGA website](#)



## Recommendation

**Increase the size of the pool**

**Make up for the 3 years where it was not increased - Recommend restoration of the Financial Assistance Grant funding lost following the 2014-15 to 2016-17 indexation freeze**

**Consistent approach to determining the funding to enable local governments to better forward plan and budget**

### 3.1 FA Grants as a Percentage of Commonwealth Tax Revenue

When introduced, the FA Grants were 2% of Federal Governments personal income tax revenue. The grant was subsequently reduced by the Hawke Government to 1% of total Commonwealth Tax Revenue (CTR). In 1989, the arrangement was changed to no longer be linked to CTR and only increase by a population growth and consumer price indexation (inflation), as described above. When measured as a proportion of CTR, FA Grants have been steadily declining and now amount to approximately 0.5% of CTR.

When analysing the 24-25 total FA Grant Cash Payments as a proportion of CTR, the total national FA Grant Cash payment is estimated to be around 0.51% of CTR.

The following graph shows the decline in the national FA Grant (Cash Payment) figure as a percentage of CTR over the last ten years. It also illustrates the increase in CTR.

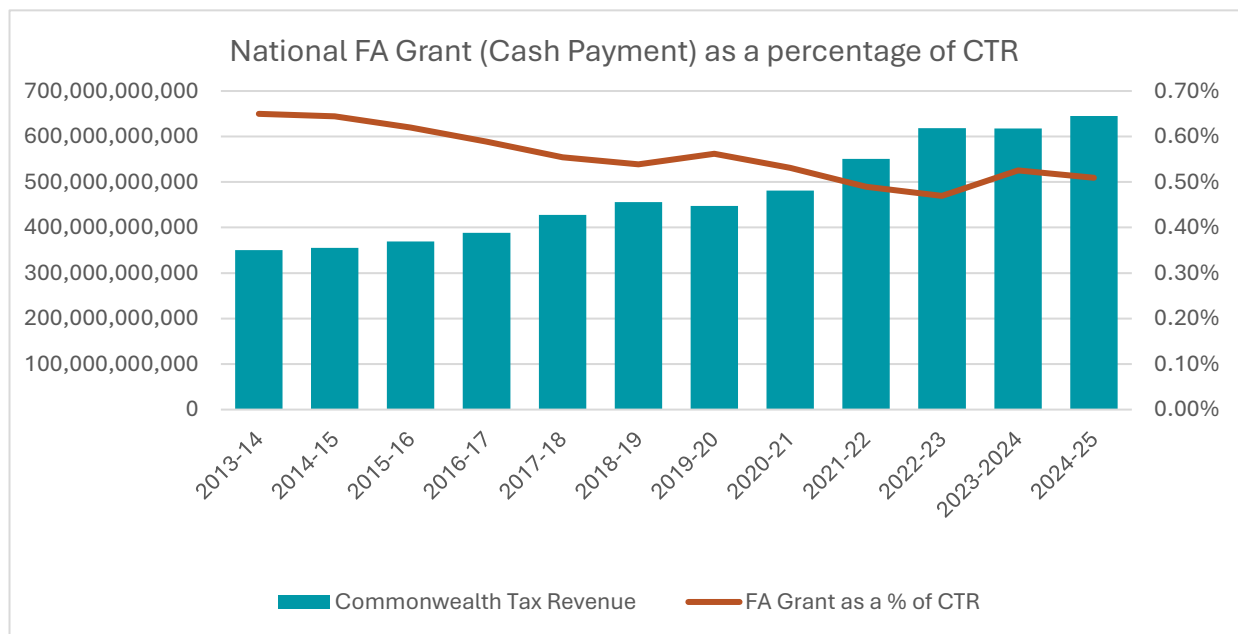


Figure 4 National FA Grants (Cash Payments) as a percentage of CTR 2013 - 2023

Data source: *Past Payments to Local Government – Cash Payments*, published on [www.infrastructure.gov.au](http://www.infrastructure.gov.au),  
Commonwealth Tax Revenue: [ABS, Taxation Revenue 55060DO001\\_202223](#) and Budget 24/25

Despite the Commonwealth Tax Revenue increasing in line with economic growth, the funding allocated to FA Grants has increased at a slower rate over the last ten years. The ongoing decline in FA Grants to below one percent of CTR has significantly contributed to a funding shortfall for most local governments, with those in regional and remote areas impacted the most.

The following graph shows the cumulative loss for CPI growth for the Shire of Broome

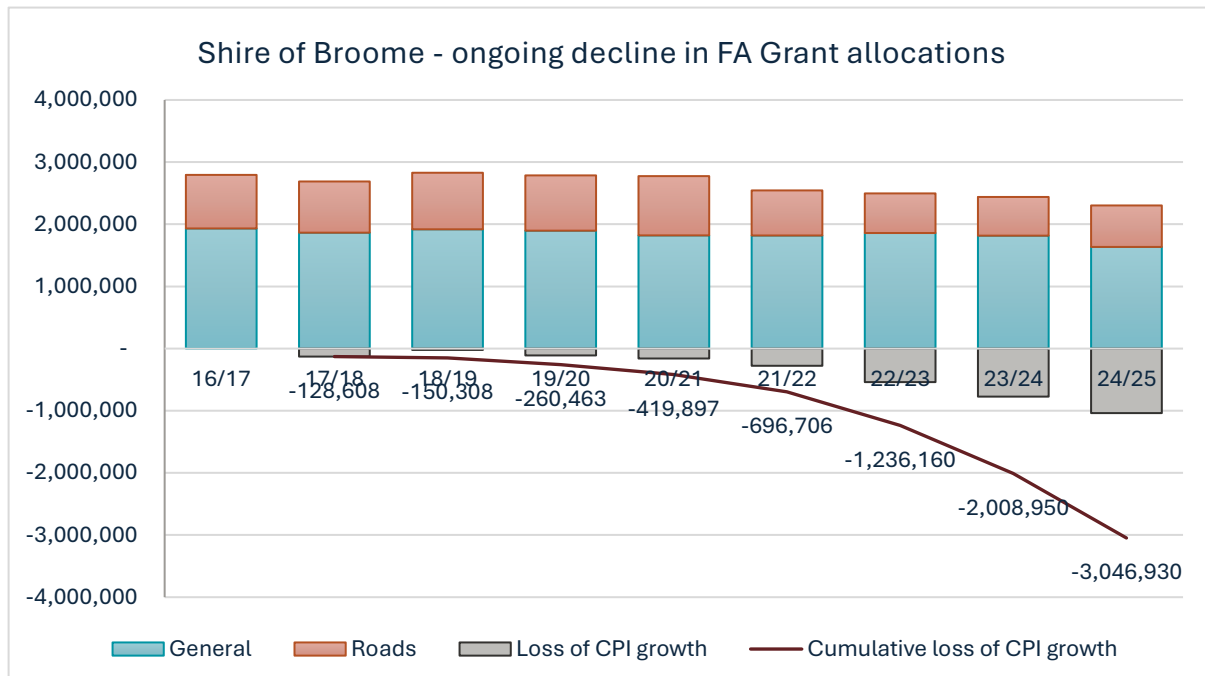


Figure 5 Shire of Broome ongoing decline in FA Grant allocations. Source: Shire of Broome's Submission to the WA Grant Commission May 2024

## Recommendation

That the KRG to advocate for the Australian Government to give consideration to increasing the total Financial Assistance Grant pool to at least 1% Commonwealth Tax Revenue (CTR) to ensure sustainable funding for local governments, especially in regional and remote areas.

### 3.2 Indexation

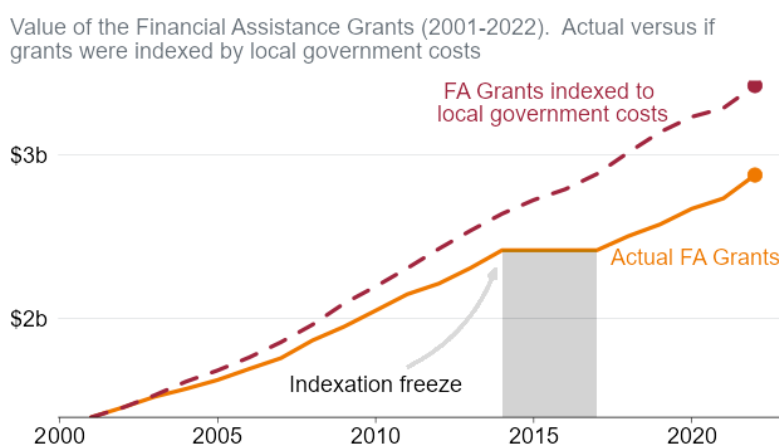
As described above, each years FA Grant pool is calculated using the previous year's total, adjusted by the Consumer Price Index (CPI) and population growth, i.e. an escalation factor.

$$\text{Escalation Factor} = \frac{\text{Population of Australia at 31 December 2022}}{\text{Population of Australia at 31 December 2021}} \times \frac{\text{Consumer Price Index at March 2024}}{\text{Consumer Price Index at March 2023}}$$

CPI is a measure of the average change over time in the prices paid by capital city households across Australia for a fixed basket of goods and services. The basket of goods and services is substantially different to the 'basket of goods and services' that would be applicable to local government. Local governments often deal with expenses related to construction, infrastructure and community services that the CPI doesn't fully capture. Additionally, the CPI doesn't account for price variations in regional, rural, or remote areas, where the cost structure can be quite different from urban settings.

The indexation of the Financial Assistance Grants needs to align with cost escalations experienced by local governments in delivering services to their communities. Alternative indices or measures, such as the Local Government Cost Index (LGCI) or might provide a more accurate reflection of the cost pressures local governments face. These indices typically consider the types of goods and services that local governments purchase and the geographic areas they serve.

The following diagram from Grattan Institute report, *Potholes and Pitfalls How to fix local roads (November 2023)* illustrates how the indexation of these grants has not matched the cost increases faced by local government. The report estimates that if indexation of the FA Grant had been kept in pace with local government costs, the grant would be almost \$600 million, or 20 per cent higher.



Notes: Values determined by taking value of grants in 2001 and indexing annually according to (a) the method outlined in the Local Government (Financial Assistance) Act 1995 and growth in the CPI with an indexation freeze from 2014-17 (orange); (b) population growth in the SA local government price index (red).

Sources: Department of Infrastructure, Transport, Regional Development, Communications and the Arts 2023a, The South Australian Centre for Economic Studies 2023, ABS 1999. Grattan Institute 2023

Figure 6 Analysis of FA Grants indexation from Grattan Institute. Source: Grattan Institute – *Potholes and Pitfalls How to fix local roads* report 2023



Adding to this funding shortfall was the decision for the Federal Government to pause indexation for three years from 2014/15 to 2016/17 due to budget constraints. This not only cost local governments and their communities necessary funding support in those years but lowered the base funding for all future years as when the Federal Government reinstated indexation, it did so from the new lower level.

### Recommendation

That the KRG advocate for the Australian Government to develop an appropriate indexation methodology to ensure that Financial Assistance Grants keep up with the cost pressures faced by local governments, whilst also providing consistency to the funding to enable local governments to better forward plan and budget

That the KRG advocate for the Australian Government to restore the Financial Assistance Grant funding lost following the 2014-15 to 2016-17 indexation freeze

## 3.3 Payment Cycle

Starting with the 2009-10 Commonwealth Budget, the Australian Government began pre-paying a portion of the FA Grant to local governments, initially advancing 25% of the grant. Over the years, this prepayment has gradually increased, culminating in the full grant for the 2023-2024 financial year being prepaid in June 2023. While the intention behind these advance payments was to provide local governments with immediate funds to support economic recovery and prepare for future challenges, this practice has created significant uncertainty in cash flow management and budgeting for local governments. The timing of the FA Grant also inflates and disguises the true financial position of many local governments.

To address these issues, we propose that the Australian Government reset the payment cycle in its budget to deliver a full year's Financial Assistance Grant within each financial year. This should be accompanied by an additional one-off payment to correct the current practice of bringing payments forward. This reset would ensure that local governments can manage their finances more effectively and align the payment cycle with its intended purpose of fostering economic stability and sustainability.

### Recommendation

That the Australian Government 'reset the payment cycle' with an additional once-off payment to correct the current practice of bringing payments forward and then implement a standard payment schedule that doesn't change each year.

## 4 State Allocations

The national FA Grant funding is paid quarterly to each State/Territory by the Australian Government based on population estimates for the General Purpose funding and an estimated factor applied to the previous years' funding for the Local Road component. The funding is then distributed to each local government organisation by the Local Government Grants Commission in each state and the Northern Territory.

While the Australian Government requires distribution of the Grants to local government on an equalisation basis, it allocates General Purpose funding between the states solely on the basis of population.

For example, in 2021-22

- WA's ERP (as at Dec 2020) was 2,731,729. This was 10.65% of the total Australian ERP (25,633,846). WA's 21-22 entitlement was 10.65% of the Total General Purpose FA Grant funding of \$2,445,246,176 = \$260,583,211<sup>6</sup>.
- The 2021-22 final estimated factor was 1.3548. The 2020-21 final entitlement for the road component funding for WA was \$122,455,218. Multiplied by the estimated factor resulted in WA's 21-22 entitlement = \$165,902,329

Distributing the General Purpose funding to States and Territories based on population does not account for the significant differences in the size, geographic distribution and service needs of local governments across states. Allocating by population size tends to favour more densely populated states, resulting in a smaller pool of money to be distributed in States with more remote and regional local governments with greater relative needs.

The Grattan Institute report, *Potholes and Pitfalls How to fix local roads (November 2023)* reflected that:

*The NT and Tasmania have small populations, but are entirely made up of regional and remote councils (Figure 7). In contrast, the vast majority of people in NSW, Victoria and the ACT live in major cities, with very few people living in remote areas, if any.*

*This leads to undesirable outcomes. States where a larger share of councils are self-sufficient have a greater capacity to distribute the grants where they are most needed. As a result, similar councils in different states end up with very different funding outcomes. Remote councils in NSW receive over six times more Financial Assistance Grants funding per person than remote councils in the NT. In fact, the entire NT receives less funding from the general component of the Financial Assistance Grants than the City of Greater Geelong in Victoria.*

<sup>6</sup> Local Government National Report 2021-2022, [www.infrastructure.gov.au](http://www.infrastructure.gov.au), Local Government National Reports | Department of Infrastructure, Transport, Regional Development, Communications and the Arts

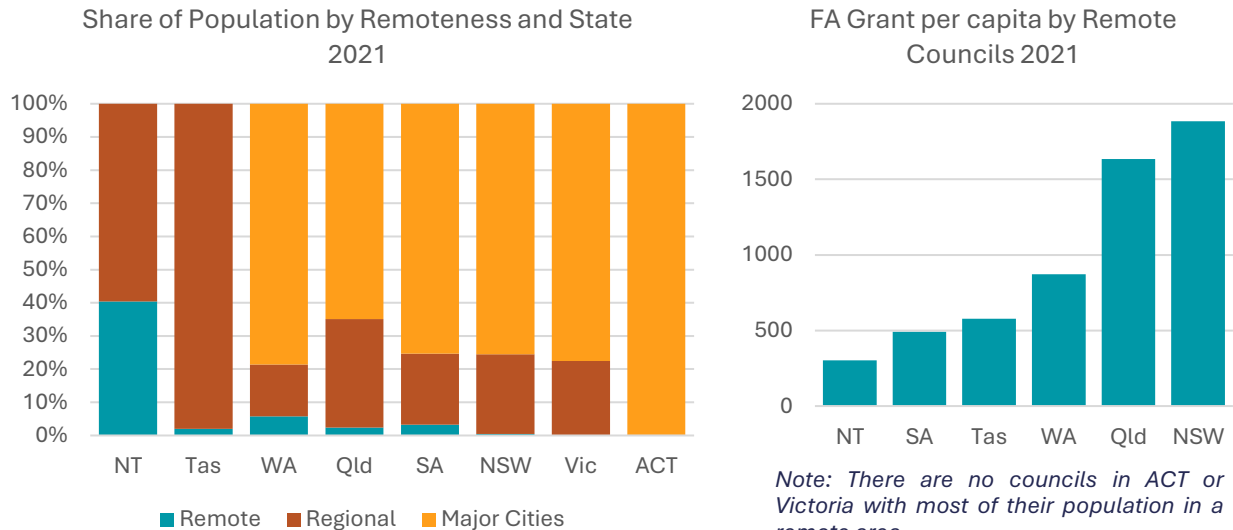


Figure 7 Analysis of GA Grants by Remoteness and State 2021. Source: Grattan Institute 2023

Further, the geographic location or spatial distribution of the population within regional local government areas can also cause significant variations between local governments in their costs of providing services. Regional and Remote local governments generally have smaller populations but cover vast, often sparsely populated areas. These regions require more funding per capita to deliver essential services due to higher costs associated with remoteness, such as transportation, infrastructure maintenance and service delivery in difficult conditions. They generally face larger shortfalls in their maintenance budgets and have limited capacity to increase revenue, making them heavily reliant on grants.

Examining the 2022-23 General Purpose Grant figures, the average funding per capita for remote local governments in NSW was \$1,742.85. The average funding per capita for the Kimberley local governments was \$515.84.

In 2022-23, the Cobar Shire in NSW, with a population of 4,078, received \$5,150,785 in General Purpose funding, equating to \$1,180.02 per capita. In contrast, the Shire of Wyndham-East Kimberley (SWEK), with a population of 7,377, received \$2,733,635, or \$372.58 per capita.

Despite both shires both being classified as Very Remote, having similar SIEFA scores and a comparable number of rateable properties, Cobar's per capita General Purpose funding was three times higher than SWEK's.

Additionally, SWEK's larger area (121,000 sq km vs. Cobar's 45,579 sq km) also requires more infrastructure, including two airports, two swimming pools and two libraries, compared to Cobar's single facilities.

Shire of Wyndham East Kimberley	Cobar Shire
8,209 people 43.5% Aboriginal and Torres Strait Islander	4,078 people 33% Aboriginal and Torres Strait Islander
ABS Remoteness Area = Very Remote 121,000 sq km (Size) 800km from Darwin	ABS Remoteness Area = Very Remote 45,579 sq km (size) 650km from Dubbo
SEIFA Score 934 SEIFA Rank: 192	SEIFA Score 937 SEIFA Rank 203
2,802 Rateable properties	2,502 rateable properties
2 airports	1 airport
2 swimming pools 2 public libraries	1 swimming pool 1 public library

Figure 8 Comparison of SWEK and Cobar, NSW

The above example highlights the inequity in the current method of distributing the General Purpose funding to the States. To achieve more equitable and effective distribution across all types of local governments in Australia, the approach to allocating these grants must consider factors beyond population size, such as geographic size, socio economic disadvantage, infrastructure needs and the challenges of service delivery in remote areas.

### Recommendation

**That the KRG request the Australian Government to change the method of distribution of funds to the States from the current method, which is primarily based on population, to one that will enable every local government to provide a similar level of service to their community by considering factors beyond population size.**



## 5 National Principles

FA Grant funding is allocated to local governments by the Local Government Grants Commissions in each state or territory. In Western Australia, the WA Local Government Grants Commission recommends how FA Grants should be distributed each year among the state's 137 local governments to the Minister for Local Government.

Each Grant Commission applies its own methods to determine how funds are distributed to local governments, while also adhering to a set of National Principles outlined in the Act. These principles are designed to ensure a consistent approach in distributing the funding among local governments.

The national principles for the allocation of the General Purpose Grant Fund are as follows:

1. **Horizontal Equalisation** - The funding provided to local governments is allocated on the basis of horizontal equalisation to ensure that each local government in the State is able to function at a standard not lower than the average standard of other local governments.
2. **Effort Neutrality** - The policies of individual local government bodies in terms of expenditure and revenue effort will not affect the grant determination
3. **Minimum Grant Allocation** - All local governments are entitled to receive at least the minimum grant. That minimum grant cannot be less than 30% of what the local government would receive if the grant was allocated to all local governing bodies in the State or Territory on a per capita basis.
4. **Other Grant Support** - Other relevant grant support provided to local governing bodies to meet any of the expenditure needs should be taken into account using an inclusion approach.
5. **Aboriginal Peoples and Torres Strait Islanders** - Financial assistance shall be allocated to councils in a way, which recognises the needs of Aboriginal peoples and Torres Strait Islanders within their boundaries.
6. **Council Amalgamation** - Other relevant grant support provided to local governing bodies to meet any of the expenditure needs should be taken into account using an inclusion approach.

Four of those principles are discussed in more detail in this report i.e. Horizontal Equalisation, Effort Neutrality, the Minimum Grant Allocation and Aboriginal People and Torres Strait Islanders.

There is only one national principle for the allocation of the Local Roads funding among local governments:

1. **The identified road component** of the financial assistance grants should be allocated to local governing bodies as far as practicable on the basis of the relative needs of each local governing body for roads expenditure and to preserve its road assets. In assessing road needs, relevant considerations include length, type and usage of roads in each local governing area<sup>7</sup>.

---

<sup>7</sup> WA Local Government Grants Commission Methodology 2023

## 5.1 Horizontal Equalisation

Horizontal Equalisation is a principle aimed at allocating FA Grants to local governments so that each can operate at a level no lower than the state average. The Act states:

*the allocation of funds for local government purposes on a full horizontal equalisation basis is a reference to an allocation of funds that:*

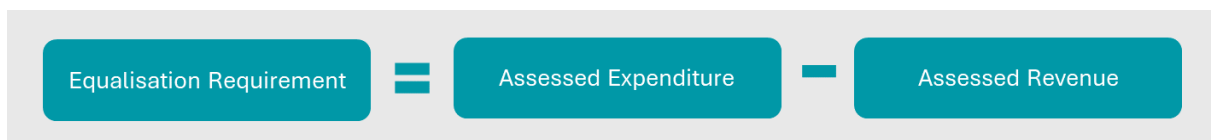
*(a) ensures that each local governing body in a State is able to function, by reasonable effort, at a standard not lower than the average standard of other local governing bodies in the State; and*

*(b) takes account of differences in the expenditure required to be incurred by local governing bodies in the performance of their functions and in their capacity to raise revenue.*

The WA Grants Commission's goal is to equalise the ability of all local governments in the state to offer a standard level of services. This means that the service-providing capacity of smaller areas like the Shire of Halls Creek or the Shire of Gascoyne is brought to par with that of larger areas like the City of Joondalup.

This approach acknowledges variations in each local government's ability to generate revenue and cover the expected expenses (not capital) required to perform their expected functions.

The Balanced Budget Method is used by the WA Grants Commission to determine the amount of funding (known as the equalisation requirement) required for each local government. The Equalised Requirement is calculated as the difference between the assessed revenue raising capacity and estimated expenditure needs of each local government.<sup>8</sup>



The Assessed Expenditure is an assessment of the standard or average expenditure needs of each local government. This is the cost (non-capital) of providing a standard or average range of services to the local community.

The Assessed Revenue is an assessment of the revenue raising capacity of each local government which includes rates and investment income.

The Horizontal Equalisation Requirement is then obtained by subtracting the total assessed revenue capacity from the total expenditure need. This is referred to as the preliminary equalisation requirement. The preliminary equalisation requirement is then averaged with the previous years' equalisation requirements to provide a measure of stability.

If a local government's assessed revenue raising capacity exceeds its assessed expenditure needs, the Commission determines they have the ability to raise sufficient revenue to cover their local government expenses and do not need additional grant funding. However, according to the current national principles, these local government will still receive a FA Grant (refer to section 0 Minimum Grant Allocation)

<sup>8</sup> September 2023 WA Local Grants Commission Methodology

After the Commission calculates the equalisation requirement for all local governments in the state, there is typically a discrepancy between the total required and the amount allocated to Western Australia by the Australian Government. To ensure fair distribution, the equalisation requirement is scaled back to match the available funding. For example, if the WA Grants Commission received \$205m in FA Grant funding but needed \$326m, all local government equalisation requirements would be scaled back to an average of 63%. Note: Minimum Grant funding is not scaled back and therefore the total minimum FA Grants are not included in the calculation to determine the scaled factor.

Full equalisation cannot be achieved due to:

1. Insufficient funding available for local governments facing a gap between their income and expenses limits their ability to deliver services at a standard no lower than the average of other local governing bodies in the State.
2. Allocating funds to wealthier local governments under the minimum grant principle, which arguably do not require additional financial support, further reduces the pool of funding available to those local governments in greater need. This effectively raises the bar each year for those local governments, making it more difficult for them to achieve equalisation.

Insufficient funding in the total FA grant funding pool, compounded by the minimum grant principle limiting the funding available to those local governments that need it the most, prevents full equalisation from being achieved.

### Recommendation

**That the KRG advocate the Australian Government to Increase the size of the FA Grant pool to and amend the minimum grant principle to ensure Horizontal Equalisation can be achieved.**

## 5.2 Effort Neutrality

The second guiding principle is that of Effort Neutrality which means that that policies of individual local governing bodies in terms of expenditure and revenue effort will not affect the FA Grants determination.

Remote local governments such as those in the Kimberley, often have to provide services beyond the typical scope of local government responsibilities. These services are not offered by choice but by necessity, as remote areas like the Kimberley lack alternative government or commercial providers, forcing local governments to bridge the service gap by offering the service themselves, or provide financial support or subsidies to commercial or not-for-profit providers.

Some of these services include:

- Airstrip maintenance
- Water supply and wastewater management
- Cemetery services
- Emergency and disaster response
- Health and community welfare services

Additionally, Kimberley local governments, like many remote local governments, must implement policies for staff housing to attract and retain skilled workers. They often provide housing, rental subsidies and cover utility costs—expenses not typically faced by metropolitan local governments but excluded from the assessment of General Purpose grants. Due to their isolation, Kimberley local governments must also offer higher wages and additional leave to retain staff.

Whilst higher salaries would be included in the determination of the state averages, the provision of staff housing may not. Similarly, some of the above listed services are included in the WA Grants Commissions cost adjusters, some are not included and therefore not included in the assessment of a local governments expenditure.

By ignoring the differences in effort and expenditure among local governments, existing inequalities and does not address the specific challenges faced by regional and remote local governments.

### Recommendation

**That the KRG advocate the Australian Government to consider the guiding principle of Effort Neutrality in allocation of funds**

## 5.3 Minimum Grant Allocation

Although some local governments may not experience a capacity shortfall, the National Principles formulated under the *Local Government (Financial Assistance) Act 1995 (the Act)* includes a provision ensuring that a local government's General Purpose Grant cannot be less than 30% of the amount it would have received if the Grant were calculated on a per capita basis.

For example, in 202-23 WA was provided \$205m in General Purpose Funding. Based on a WA population figure of 2.682m, this equates to \$76.47 per capita. The minimum grant local governments are allocated 30 percent of this amount, resulting in \$22.94<sup>9</sup> per capita for their local government. The remaining \$53.53 per person is allocated to other local governments according to the WA Grants Commission methodology.

In 2022-23, 30 WA local governments (of the 137 total in WA) were deemed only eligible for the minimum grant entitlement. All other WA local governments received General Purpose funding greater than their minimum grant entitlement of \$22.94 per capita, based on their relative need.

Some of these local governments received in excess of \$3.5m, with the highest minimum grant recipient, the City of Stirling, receiving \$5.12 m. The total pool of General Purpose Grant funding allocated to minimum grant recipients in 2022-23 was approx. \$46.5m, this was approx. 23% of the total General Purpose funds allocated to WA. This is funding that could otherwise have been provided to the local governments with high assessed needs.

Local Government	2022-23 General Purpose Grant Amount
<b>Stirling</b>	\$5,121,605
<b>Wanneroo</b>	\$4,952,261
<b>Joondalup</b>	\$3,683,697
<b>Swan</b>	\$3,584,481
<b>Rockingham</b>	\$3,232,786

Table 2 2022-23 Top 5 Min Grant Recipients

<sup>9</sup> Source: 23 WALGGC Balanced Budget spreadsheet accessed from the Dept of Local Government, Sport and Cultural Industries 2022 [website](#)



The relative need is determined by the WALGGC through a complex calculation to determine each local government's 'equalisation requirement', i.e. the gap between the cost (non-capital) of providing a standard or average range of services to the local community and the local government revenue raising capacity. Through the provision of the General Purpose funding, the aim is to provide local governments with the capacity to provide an average range of services at an average standard.

Minimum grant local governments generally are not relatively disadvantaged, have economies of scale and have the means to recover additional revenue from their communities sufficient to cover their expenditures without relying on grants. The minimum grant allocation benefits local government areas with large populations and a higher capacity to generate their own income. According to the 2022-23 Balanced budget, the City of Stirling had an average equalisation figure of -\$29,497,336 indicating that the City of Stirling's estimated revenue raising capacity was approx. \$29.5m more than its estimated expenditure however as a minimum grant recipient, the City of Stirling still received \$5,121,605 in grant funding in 2022-23.

The minimum grant approach undermines horizontal equalisation by providing financial support to the wealthiest local governments, who arguably do not require it, thereby reducing the funds available to those local governments in greater need. As described above, the National principal of Horizontal Equalisation is that funding is distributed using a needs-based approach. This aims to compensate local governments with below average revenue raising capacity and above average costs of service provision. By providing all local governments with a minimum grant fund based on a per capita basis, this effectively raises the 'average standard' for local governments, placing additional strain on those local government's already struggling to provide an average level of services compared to wealthier local government areas.

Historically, the pool of funds for the General Purpose Grant has not been enough to allocate the funding in line with the assessed needs of all local governments in WA. The Grants Commission therefore must apportion, or scale back, the available funds to local governments. Consideration should be given to either removing the 30% requirement or allowing state or territory grant commissions to adjust the minimum grant percentage based on need, enabling a greater allocation of funds to local governments that need it most to achieve horizontal equalisation. For example, a range between 10% and 30% could be established.

Redirecting the minimum grant general-purpose funding would greatly enhance horizontal equalisation. The effect of reducing or eliminating the minimum grant for the 2022-23 minimum grant local governments, for example, would be a reduction of 1% to 3% (with an average of 2.4%) of their annual operating revenue.

Local Government	2022-23 Grant	Actual Rate revenue	Grant as a % of annual rate revenue
<b>Broome</b>	\$ 1,747,887	\$ 23,646,714	7.39%
<b>Derby-West Kimberley</b>	\$ 5,005,661	\$ 7,028,833	71.22%
<b>Halls Creek</b>	\$ 3,413,486	\$ 2,667,202	127.98%
<b>Wyndham-East Kimberley</b>	\$ 2,733,625	\$ 11,098,456	24.63%
<b>Joondalup</b>	\$ 3,683,697	\$ 103,736,871	3.55%
<b>Rockingham</b>	\$ 3,232,786	\$ 91,876,049	3.52%
<b>Stirling</b>	\$ 5,121,605	\$ 141,847,729	3.61%

Local Government	2022-23 Grant	Actual Rate revenue	Grant as a % of annual rate revenue
<b>Swan</b>	\$ 3,584,481	\$ 128,148,102	2.80%
<b>Wanneroo</b>	\$ 4,952,261	\$ 136,451,292	3.63%

Table 2 Grant as a percentage of annual operating revenue

Furthermore, the impact of eliminating the minimum grant funding for minimum grant recipients to ratepayers in those local governments would be less than \$100 per year. As per the 2022-23 Balanced budget, the City of Stirling had approx. 100,446 Residential, Commercial and Industrial (RCI) rateable properties (3 Yr Average from Landgate). If they were to no longer receive the General Purpose Grant funding, in order to replace the funding the City of Stirling would need to increase their average rates by \$51 per year. By comparison, the Shire of Halls Creek, would have to increase their RCI rateable properties by \$9,588 per year to make up the value of their FA Grant funding.

Table 3 provides some examples of the amount needed per RCI assessment to compensate for a potential loss of the grant funding.

Local Government	3 Yr Avg Actual RCI Rates Levied	3 Yr AVG Landgate # RCI Assessments	22-23 Grant	Amount needed per RCI assessment to compensate for a potential loss of the grant funding
<b>Broome</b>	22,486,670	6,754	\$1,747,887	\$259
<b>Derby-West Kimberley</b>	5,274,926	1,688	\$5,005,661	\$2,966
<b>Halls Creek</b>	1,091,465	356	\$3,413,486	\$9,588
<b>Wyndham-East Kimberley</b>	7,911,425	2,238	\$2,733,625	\$1,222
<b>Joondalup</b>	101,340,692	63,195	3,683,697	\$58
<b>Rockingham</b>	90,116,183	56,264	\$3,232,786	\$57
<b>Stirling</b>	139,048,059	100,446	\$5,121,605	\$51
<b>Swan</b>	116,807,292	59,518	\$3,584,481	\$60
<b>Wanneroo</b>	127,074,808	81,201	\$4,952,261	\$61

Table 3 Amount needed per RCI assessment to compensate for a potential loss of grant funding

The minimum grant requirement acknowledges that all local governments play a role in providing government services and, therefore, must be maintained. However, as a significant and increasing portion of funding is allocated to self-sufficient local governments, there is a case for reducing the 30% allocation. Doing so would have minimal impact on local governments receiving the minimum grant but would provide crucial support to smaller and remote local governments.

A reduction of the minimum grant percentage however may have an impact on the local governments currently classified as minimum grant recipients. For example, examining the 22-23 balanced budget data, it appears that Kwinana and Rockingham are classified as minimum grant recipients because the value of the 22-23 average equalisation figure was less than the amount they would receive as a minimum grant recipient (i.e. less than 30% of the amount it would have received if the Grant were calculated on a per capita basis). If the minimum grant percentage was reduced to 10%, this may no longer be the case and these two local governments, for example, would no longer be classified as minimum grant recipients.

We estimate that if the minimum grant was reduced to 20% for all local governments, this could result in approx. \$15.5M being redirected from minimum grant recipients to other local governments across the state. The following table shows the potential impact to the General Purpose Grant allocations for the four Kimberley local governments if a reduction in the minimum grant percentage was applied to the methodology (using 2022-23 balanced budget data):

Local Government	30% minimum grant distribution methodology	20% minimum grant distribution methodology	10% minimum grant distribution methodology
<b>Broome</b>	1,747,887	1,903,097	2,067,225
<b>Derby-West Kimberley</b>	5,005,661	5,514,530	5,981,106
<b>Halls Creek</b>	3,413,486	3,763,855	4,081,844
<b>Wyndham-East Kimberley</b>	2,733,625	3,006,969	3,262,014

Table 4 Estimated impact to General Purpose Grant Allocations resulting from reduction in minimum grant allocations

Whilst all non-grant recipient local governments (mostly smaller and more regional local governments) would see an increase in their General Purpose funding amount under this approach, local governments receiving the minimum grant would see a reduction in their General Purpose funding. However, this decrease would have little impact on minimum grant local governments due to their capacity to generate additional revenue while still imposing much lower rates and charges per person compared to those in regional and remote areas.

The following table demonstrates our calculated impact to the minimum grant recipient local government organisations as determined through analysis of the 2022-23 balanced budget data and the Actual Residential, Commercial, Industrial Rates Revenue:

Local Government	2022-23 minimum grant allocation (30%)	20% minimum grant distribution methodology	10% minimum grant distribution methodology	RCI Actual
<b>Bassendean</b>	367,753	245,168	122,584	13,327,280
<b>Bayswater</b>	1,580,045	1,053,363	526,682	50,850,046
<b>Belmont</b>	981,721	654,481	327,240	38,309,753
<b>Bunbury</b>	722,796	481,864	240,932	39,358,075
<b>Busselton</b>	941,484	627,656	313,828	42,657,491
<b>Cambridge</b>	670,470	446,980	223,490	25,566,043
<b>Canning</b>	2,147,445	1,431,630	715,815	67,865,358
<b>Claremont</b>	252,135	168,090	84,045	14,968,077
<b>Cockburn</b>	2,751,159	1,834,106	917,053	104,927,998
<b>Cottesloe</b>	189,967	126,645	63,322	10,604,951
<b>East Fremantle</b>	181,066	120,711	60,355	7,966,184
<b>Fremantle</b>	731,812	487,875	243,937	47,133,099
<b>Gosnells</b>	2,900,981	1,933,987	966,994	68,718,434
<b>Joondalup</b>	3,683,697	2,455,798	1,227,899	101,340,692

Local Government	2022-23 minimum grant allocation (30%)	20% minimum grant distribution methodology	10% minimum grant distribution methodology	RCI Actual
Kalamunda	1,363,444	908,963	454,481	36,954,570
Kwinana	1,105,988	737,325	743,499**	37,866,336
Mandurah	2,051,945	1,367,964	683,982	79,216,614
Melville	2,373,359	1,582,239	791,120	89,862,366
Mosman Park	208,938	139,292	69,646	9,228,767
Nedlands	519,639	346,426	173,213	24,111,765
Peppermint Grove	40,306	26,870	13,435	3,303,070
Perth	716,648	477,766	238,883	96,574,399
Rockingham	3,232,786	2,155,191	1,377,609**	90,116,183
South Perth	1,001,679	667,786	333,893	37,886,433
Stirling	5,121,605	3,414,403	1,707,202	139,048,059
Subiaco	394,799	263,199	131,600	24,298,598
Swan	3,584,481	2,389,654	1,194,827	116,807,292
Victoria Park	861,882	574,588	287,294	45,356,570
Vincent	849,426	566,284	283,142	35,364,109
Wanneroo	4,952,261	3,301,507	1,650,754	127,074,808
<b>Total</b>	<b>46,481,717</b>	<b>30,987,811</b>	<b>14,047,648</b>	<b>1,626,663,420</b>

Table 5 Estimated impact to minimum grant recipient LGAs if a reduced percentage was introduced

\*\*Under a 10% minimum grant allocation model, Kwinana and Rockingham would no longer be Minimum Grant Recipients

The impact on reducing or eliminating the minimum grant for the wealthiest local governments to 10% for example would be between 0.5% - 2.8% of their Residential, Commercial and Industrial (RCI) rates revenue. This change could be absorbed by these local governments who are most fiscally capable of making adjustments to rates to make up for the loss of income.

Allocating funds to local governments that have the capacity to generate significantly more revenue than their expenses effectively provides them with additional untied funds, allowing for new projects, the ability to deliver services above the state average, pay higher employee wages and more. However, this "benefit" is not extended to local governments whose revenue raising capacity is less than their expenditure, creating an unfair advantage.

### Recommendation

That the KRG advocate the Australian Government to review the National Principle relating to Minimum Grant Funding. Consideration should be given to either removing the 30% requirement or allowing state or territory grant commissions to adjust the minimum grant percentage based on need. For example, a range between 10% and 30% could be established. Reducing or eliminating the 30% minimum would enable a greater allocation of funds to local governments that need it most to achieve horizontal equalisation



## 5.4 Aboriginal Peoples and Torres Strait Islanders

Forty-one percent of the Kimberley population are Aboriginal and Torres Strait Islander people, compared to 3.3 percent for Western Australia overall and 8.4 percent for regional Western Australia.

To thrive, Aboriginal people need access to quality services, infrastructure and amenities, but Kimberley local governments are not funded to provide these. The National Agreement on Closing the Gap was established to foster collaboration between Aboriginal and Torres Strait Islander people and governments, aiming to overcome inequality and achieve life outcomes equal to those of all Australians.

There is still much progress to be made in closing the gap in the Kimberley. As the level of government closest to the community, members of the Kimberley Regional Group play a vital role in shaping and supporting policies and programs in partnership with local Aboriginal peoples, addressing their priorities at both local and regional levels.

Under the National Principles, financial assistance shall be allocated to local governments in a way that recognises the needs of Aboriginal peoples and Torres Strait Islanders within their boundaries. The WA Grants Commission seek to comply with this principle through the application of a disability factor/cost adjustor (Aboriginality Cost Adjustor) applied to each of the expenditure categories when determining a local government expenditure needs. The WA Grants commission recognise that local governments with a proportionately higher aboriginal populations have potentially higher costs as a result of responding to the needs of aboriginal people.

In the Kimberley, Aboriginal people live in the major towns and on over a hundred Aboriginal communities across the region, with some communities very remote and large with populations over 500 people.

Most of these remote communities receive limited municipal services, such as rubbish collection and local road maintenance, from WA State Government funding and are exempt from paying local government rates. However, remote community members regularly visit local towns and use local government services and infrastructure without contributing to the costs. As a result, local governments face increased costs and require additional funding to sustain delivery.

While the underlying intention of the Aboriginal Peoples and Torres Strait Islander principle is being met through the application of a cost adjustor, adjustments in the way the WA Grants Commissions determines which local governments are eligible for the cost adjustor could enhance its effectiveness. The current methodology does not take into considerable variation in the needs of Aboriginal people in different local government areas and in the capacity of a local government to fund services.

For example, in 2022-23, the Perth metropolitan Shire of Swan received an Aboriginal cost adjustor of \$692,060, despite having only 3.24% Aboriginal population, while the Shire of Wyndham East Kimberley, with 41.91% of its population being Aboriginal, received a lower adjustor of \$668,633. (Note: this is the cost adjustor value only. Once the final grant allocation is determined, the component of the grant for the Shire of Wyndham East Kimberley's high Aboriginal population is approximately \$370,000.)

The allocation of FA Grant funding to States and Territories does also not account for the number of remote communities or Aboriginal population in each State. As a result, this limits the funding available to States and Territories to adequately meet the national principle.

### Recommendation

**KRG Advocate for the Australian Government to strengthen the National Principle for Aboriginal People and Torres Strait Islanders to make it explicit that the needs of Aboriginal people must be recognised in equalisation assessments**

**KRG Advocate for the Australian Government to take into account the number of remote Aboriginal communities in a State or Territory when distributing the FA Grant funding**

## 6 Allocation of General Purpose Grant to WA Local Governments

As described above, the national FA Grant funding is paid quarterly to each State/Territory by the Australian Government based on population estimates for the General Purpose funding. The funding is then distributed to each local government organisation by the Local Government Grants Commission in each state and the Northern Territory.

The WA Grants Commission use a Balanced Budget Method to determine the amount of funding (known as the equalisation requirement) required for each local government. The Equalised Requirement is calculated as the difference between the assessed revenue raising capacity and estimated expenditure needs of each local government.<sup>10</sup>



Figure 9 WA Grants Commission Equalisation Requirement (Adapted from Qld Government Grants Commission FA Grant Allocation Methodology Information Paper)

### 6.1 Assessed Expenditure

The Commission then makes an assessment of the standard or average expenditure needs of each local government. This is the cost (non-capital) of providing a standard or average range of services to the local community. The expenditure needs are assessed in each of six categories:

1. Recreation and Culture;
2. Governance;
3. Community Amenities;
4. Education, Health and Welfare;
5. Law, Order and Public Safety; and
6. Transport.

The Commission uses a mathematical formula for each expenditure category. For most categories the formula uses the local government population or number of rateable assessments and is adjusted by cost adjustors which recognise the additional costs that individual local governments experience in the provision of services. Refer to section 6.4 for more details on the Cost Adjustors.

<sup>10</sup> September 2023 WA Local Grants Commission Methodology

## 6.2 Assessed Revenue (revenue raising capacity)

The Commission makes an assessment of the revenue raising capacity of each local government in five categories:

1. Residential/Commercial/Industrial (RCI) Rates
2. Agricultural Rates
3. Pastoral Rates
4. Mining Rates
5. Investment Income

For each of these categories, the Commission calculates the local governments capacity for earning rates within that category using a mathematical formulae specific to the category. The formulas use an average standard, based on the actual revenues obtained from WA Local Government Grants Commission Information Returns, the number or size of property/land within the category, the Valuer General's valuation for that type of property and the number of assessments within the Shire.

The total of all assessed revenue across the state is compared to the State total expenditure. The difference is calculated as a percentage and applied to each local government's assessed revenue to scale it down so that the State total assessed revenue equals the State total expenditure to provide a more equitable assessment basis for all local governments.

For example, in 2022-23, the Total Assessed Revenue for the whole of WA was \$2,457,252,755 compared to the Total Assessed Expenditure of \$2,105,328,820. This equates to 85.68%. Each local governments Total Assessed Revenue is then scaled down by 85.68%.

## 6.3 Equalisation requirement

As outlined earlier, for each local government, the horizontal equalisation requirement is then obtained by subtracting the total assessed revenue capacity from the total expenditure need. This is referred to as the preliminary equalisation requirement. The following example pertains to the Shire of Wyndham East Kimberley (2022-23).

Revenue Raising Capacity	\$	Expenditure Need	\$
Residential, Commercial, Industry Rates	4,119,756	Recreation and Culture	4,476,973
Agricultural Rates	1,639,482	Community Amenities	957,360
Mining Rates	420,966	Governance	903,850
Pastoral Rates	427,117	Law, Order & Public Safety	867,538
Net Investment	121,136	Education, Health and Welfare	622,900
<b>Total Assessed Revenue</b>	<b>6,728,456</b>	Transport	4,012,527
Scaled Percentage	85.68%		
<b>Adjusted Assessed Revenue</b>	<b>5,764,817</b>	<b>Total Expenditure Assessed</b>	<b>11,841,147</b>
<b>SWEK 2022-23 Equalisation Requirement</b>			<b>6,076,330</b>

Table 6 SWEK 2022-23 Equalisation requirement

This means that using the Grants Commission Balanced Budget Methodology, in 2022-23, the Shire of Wyndham East Kimberley is in need of \$6,076,330.

The preliminary equalisation requirement is then averaged with the previous years' equalisation requirements (to provide a measure of stability). This is done over a six year period by removing the highest and lowest years and averaging the remaining four: see the example provided of the four year average of equalisation requirements for SWEK.

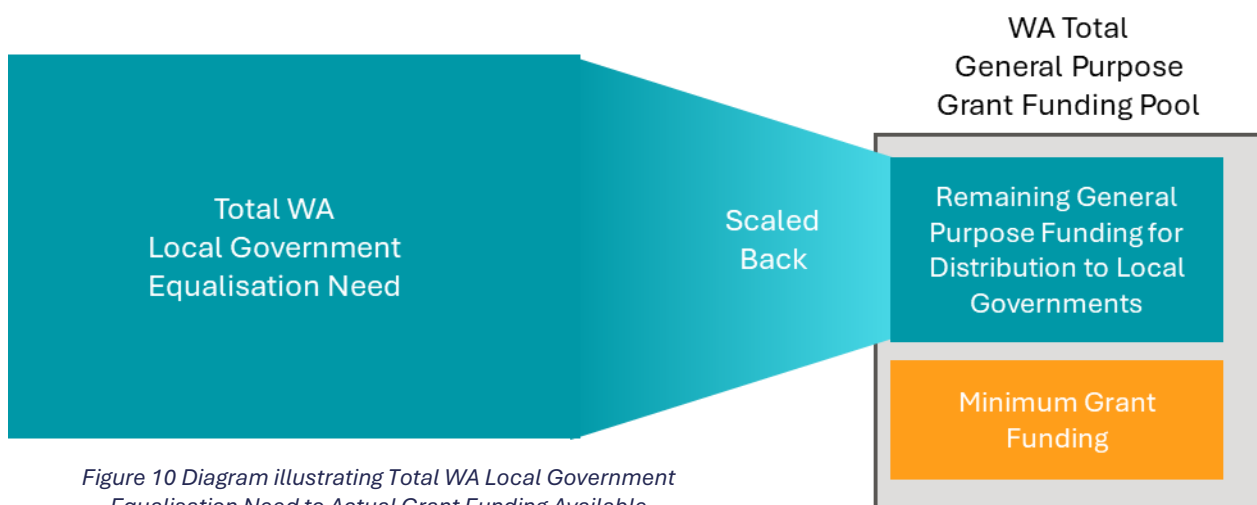
2022-23 Equalisation	6,076,330
2021-22 Equalisation	4,772,593
2020-21 Equalisation	4,775,491
2019-20 Equalisation	4,476,829
2018-19 Equalisation	4,136,585
2017-18 Equalisation	4,721,055
<b>Average Equalisation</b>	<b>4,759,358</b>

*Table 7 SWEK Equalisation Requirement figures used in determining the average equalisation for the 2022-23 balanced budget*

As a result, any changes in methodology or factors affecting a local government's assessed revenue or expenditure may take several years to be fully reflected. For instance, in 2022-23, SWEK's equalisation requirement was estimated to be \$1.3 million higher than the previous year, but the average requirement was lower than in 2021-22, at \$4,759,358, due to the exclusion of the highest and lowest figures from the calculation.

If a local government's assessed revenue raising capacity exceeds its assessed expenditure needs, the Commission determines they have the ability to raise sufficient revenue to cover their local government expenses and do not need additional grant funding. However, according to the current national principles, these local government will still receive an FA Grant. For such local governments, their FA Grant is calculated based on population. Refer to section 0 for more discussion on the minimum grant principle.

After the Commission calculates the equalisation requirement for all local governments in the state, there is typically a discrepancy between the total required and the amount allocated to Western Australia by the Australian Government. To ensure fair distribution, the equalisation requirement is scaled back to match the available funding. For example, if the WA Grants Commission received \$205m in FA Grant funding but needed \$326m, all local government equalisation requirements would be scaled back by an average of 63%. *Note: Minimum Grant funding is not scaled back and therefore the total minimum FA Grants are not included in the calculation to determine the scaled factor.*



*Figure 10 Diagram illustrating Total WA Local Government Equalisation Need to Actual Grant Funding Available*



In the SWEK Example, this meant that instead of receiving a General Purpose Grant of **\$4,759,358** in 2022-23, SWEK's grant was scaled back 57.44% to **\$2,733,625**.

While the underlying intention of the Horizontal Equalisation Principle is being implemented by the Grants Commission through the balanced budget and the calculation of the equalisation requirements, adjustments to some of the cost adjusters could enhance its effectiveness. Refer to section 6.4.

## 6.4 Cost Adjustors

The WA Grants Commission recognise that individual local governments experience additional costs to deliver services due to factors such as location, climate, socio-economic disadvantage, aboriginal population etc. The Commission uses a series of Cost Adjustors to determine the extent of the disadvantage for each local government which is then applied to the assessed expenditure calculations.

Cost Adjustors, in order of significance, as determined by the Commission are as follows:

1. Location - recognises the higher operating costs a local government faces due to its location. Data used: Accessibility Remoteness Index of Australia + (ARIA+) Town Score (GISCA).
2. Socio-Economic Disadvantage - recognises the socioeconomic circumstances of local governments and the impact on their operating costs. Data used: Socio Economic Indexes for Area [SEIFA] (ABS).
3. Population Dispersion - recognises the costs of having to provide services to multiple towns/population sites. Data used: Number of townsites, distance from town centre, State Suburb townsites populations (collected from Information Return and verified through the ABS and Google maps).
4. Climate - recognises the impact of climate on a local government's operating costs particularly those associated with water consumption and electricity charges. Data used: Average Mean Maximum Temperature, Mean Rainfall, Number of Rain Days (Bureau of Meteorology) and ABS population.
5. Aboriginality - included to comply with the National Principles under the FA Act, recognising that local governments with proportionately higher aboriginal populations have potentially higher costs as a result of responding to the needs of aboriginal people. Data used: Aboriginal Population (ABS).
6. Growth - recognises growth over two periods; past and future. An assessment is calculated based on a local government's growth during these time periods. Data used: Western Australia Tomorrow 2019 (Western Australian Planning Commission), ABS population change from the last 5 years.
7. Regional Centres - recognises that local governments incur additional costs for the provision of services and facilities on a recurrent basis because of population inflow from other local governments. Data used: The Commission exercises its discretion on which local governments qualify as a regional centre.

8. Fire Mitigation - recognises that some local governments incur greater costs in bush fire prevention and control due to topographic conditions. Data used: Biophysical Attributes of Local Government (Department of Home Affairs and Environment).

9. Off-Road Drainage - relates to urban off-road drainage needs, as opposed to road drainage needs included in the Asset Preservation Model. A model is used to assess the cost of maintaining open drains and channels, storm water drains, natural watercourses, creeks that require maintenance, levee banks, pumps, pipe drains and drainage sumps. Data used: Modelling is based on existing infrastructure.

10. Medical Facilities - recognises the costs incurred by local governments in assisting with the costs of employing a doctor and nurse practitioners. Data used: Medical Expenditure (Information Return)

11. Cyclone - recognises local governments that incur pre-cyclone clean-up costs, planning costs and increased insurance costs. Data used: Australian Building Standards.

12. Special Needs - recognises that a local government may experience special circumstances which result in extraordinary costs that are not captured by the existing cost adjustors. Data used: Submission by local government.

The cost adjustors are added to the assessed expenditures for each category for which they are relevant. For example, the Climate cost adjustor is added to the assessed expenditure for Recreation and Culture in recognition of an increased need for water for recreational spaces in low rainfall areas or increased electricity costs for cooling in warmer regions. In the example above, the Total Cost Adjustors for 2022-23 for SWEK was \$4,125,639.

Some cost adjustors are applied to more than one expense category with the cost adjustor split across the category. For example, the Population Dispersion cost adjustor is applied across the following expense categories:

Recreation and Culture	66.8%
Communities Amenities	14.5%
Law, Order and Public Safety	8.5%
Education, Health and Welfare	10.2%

The following section analyses the cost adjustors for the Kimberley local governments. The 2022-23 balance budget data was used in the analysis as this was the most recent data available on the WA Local Government Commissions website. The different scenarios modelling assumes the total amount of pool funding allocated to the cost adjustor would remain the same and be distributed among all eligible local governments.

### 6.4.1 Regional Centres

The Regional Centres Cost Adjustor recognises the additional cost incurred by local governments providing services to non-residents. These non-resident populations can impact on all areas of local government expenditure. The Commission applies the following definition to a regional centre:

*A town site with a relatively large population within its region, providing most essential state and local government services. Consisting of a large diverse employment base and acting as a transport hub for major road networks to connect surrounding settlements to services that are beyond the boundary of the local government.*

In 2022-23, 18 local governments received the Regional Centres cost adjustor, with Perth receiving the largest allowance. The Commission uses three tiers to recognise regional centres, each assigned a specific weighting. These weightings are then converted into a percentage share which is used in the calculation of the cost adjustor, along with the population of the local governments. No Kimberley local government is identified as a regional centre in the Commissions balanced budget calculations and therefore do not receive any cost adjustor for this category. The nearest “Regional Centre” as determined by the Commission is Carnarvon, some 2,445km away!

Tier	Local Government Areas	Weighting
1	Perth	10
2	Albany, Bunbury, Greater Geraldton, Kalgoorlie-Boulder	5
3	Armadaale, Busselton, Carnarvon, Collie, Esperance, Joondalup, Katanning, Mandurah, Manjimup, Merredin, Nedlands, Narrogin, Northam, Swan.	2

Table 8 2022-23 WALGGC Regional Centre Classifications

The town of Broome serves as the main hub for the Kimberley region, providing essential services, infrastructure and economic activities for the surrounding areas. Broome is a key tourist destination and plays a vital role in the region’s economy, culture and transport links. Broome has a relatively large population within the Kimberley region and provides most essential state and local government services. It consists of a large diverse employment base and acts as a transport hub for major road networks to connect surrounding settlements to services that are beyond the boundary of the local government.

It therefore meets all of the criteria within the Commissions definition. If Broome was classified as a tier 2 regional centre, using the 22-23 figures, this could result in a regional centre cost adjustor of approximately \$302,000.

The town of Kununurra could also be considered a regional centre in Western Australia, particularly for the eastern Kimberley region. It serves as a key hub for services, agriculture and tourism in this remote area, providing essential infrastructure and amenities for nearby communities and industries, such as the Ord River Irrigation Scheme. While it is smaller than Broome, Kununurra plays a significant role in the region's economy and development.

If both Broome and Kununurra were classified as tier 2 regional centres, using the 22-23 balance budget, this could result in a regional cost adjustor for Broome of approximately \$294,000 and SWEK of approximately \$258,000. Classifying Broome and SWEK as regional centres would reduce the regional centre cost adjustor for all of the 18 local governments currently classified as regional centres as follows:

Local Government	Tier	2022-23 Regional Centre Cost Adjustor Assessment	Estimated 2022-23 Regional Cost Adjustor Value if Broome and SWEK were classified as Regional Centres	Difference	% Reduction
Albany	5	766,404	720,647	-45,757	5.97%
Armadale	2	617,473	589,679	-27,794	4.50%
<b>Broome</b>	2	0	<b>294,277</b>	294,277	
Bunbury	5	739,993	695,042	-44,950	6.07%
Busselton	2	405,450	384,129	-21,322	5.26%
Carnarvon	2	266,714	249,628	-17,086	6.41%
Collie	2	280,685	263,173	-17,513	6.24%
Esperance	2	302,043	283,878	-18,165	6.01%
Greater Geraldton	5	765,541	719,811	-45,730	5.97%
Joondalup	2	865,537	830,170	-35,367	4.09%
Kalgoorlie-Boulder	5	729,220	684,598	-44,621	6.12%
Katanning	2	262,977	246,005	-16,972	6.45%
Mandurah	2	591,763	564,754	-27,009	4.56%
Manjimup	2	282,471	264,904	-17,567	6.22%
Merredin	2	260,421	243,527	-16,894	6.49%
Narrogin(S)	2	266,233	249,161	-17,071	6.41%
Northam	2	290,057	272,259	-17,799	6.14%
Perth	10	1,357,683	1,271,516	-86,167	6.35%
Swan	2	848,891	814,032	-34,859	4.11%
<b>Wyndham-East Kimberley</b>	2	0	<b>258,367</b>	258,367	5.97%

Table 9 Impact on Regional Centre cost adjustors if Broome and SWEK were classified as regional centres estimated using 2022-23 balanced budget

The two most recent local governments to receive recognition as regional centres were the City of Busselton and Shire of Collie. Commission approved these submissions during the 2018-2019 period.

### Recommendation

**That the Shires of Broome and SWEK make a submission to the WA Grants Commission to be classified as Regional Centres.**

### 6.4.2 Aboriginality

Under the National Principles, financial assistance shall be allocated to local governments in a way that recognises the needs of Aboriginal peoples and Torres Strait Islanders within their boundaries. The WA Grants Commission seek to comply with the National Principle through the application of the Aboriginality Cost Adjustor.

To calculate the cost adjustor, the Commission determine the WA's Aboriginal population as a percentage of WA's Population (3.75% in 2022-23), the average number of aboriginal people per local government (734 in 2022-23) and each local government's aboriginal population as a percentage of the local government's population. The local governments percentages and population numbers are then compared to the State averages. If the local government is higher than the State average for either of the two categories, it will qualify for a cost adjustor allowance.<sup>11</sup>

In 2022-23<sup>12</sup>, all Kimberley shires had an Aboriginal population higher than the state average of 3.75% and therefore were eligible for the Aboriginality cost adjustor. The Shire of Derby-West Kimberley received the highest Aboriginal Cost Adjustor across the state of \$1,263,572.

Due to the eligibility also including those Shires with an Aboriginal population greater than the State average of 734, the Shire of Melville, for example, was also eligible for the Aboriginality cost adjustor despite having only 0.87% of its population as Aboriginal.

Local Government	Population	Aboriginal Population	% of local governments population	2022-23 Aboriginal Cost Adjustor Assessment
<b>Broome</b>	16,961	6,055	35.70%	<b>1,024,915</b>
<b>Derby West Kimberley</b>	8,207	6,062	73.86%	<b>1,263,572</b>
<b>Halls Creek</b>	3,491	2,957	84.70%	<b>919,553</b>
<b>Wyndham East Kimberley</b>	7,337	3,075	41.91%	<b>668,633</b>
Melville	103,459	899	0.87%	124,567
Swan	156,254	5,069	3.24%	692,060
Wanneroo	215,878	3,553	1.65%	481,172
Wiluna	691	264	38.21%	272,978
Ngaanyatjarraku	1,797	1,548	86.14%	741,773

Table 10 Example of some local government Aboriginal Cost Adjustor values from 2022-23 balanced budget

There is a considerable difference in the needs of Aboriginal people in different local government areas and in the capacity of local governments to fund services. The needs of Aboriginal people in the Kimberley compared to those in the City of Melville would differ due to a range of factors such as geography, access to services, cultural practices and socio-economic conditions. For example, the Kimberley faces higher levels of economic disadvantage, with challenges related to unemployment, housing shortages and lower educational attainment. This requires local governments to provide more support for employment programs, housing initiatives and access to education.

<sup>11</sup> Methodology for the Distribution of Commonwealth Financial Assistance Grants to Local Governments in Western Australia

<sup>12</sup> 2022-23 Balanced Budget Spreadsheet



While economic challenges exist in the City of Melville, they are often shaped by urban issues such as housing affordability, youth engagement and balancing cultural identity with urban life. Programs to support these issues are provided by government agencies across the metropolitan area and there is less need for the City of Melville to provide additional support.

As discussed above, the criteria for determining if a local government receive an aboriginal cost adjustor is based on the relative percentage of Aboriginal people in a shire and the number of aboriginal people in a local government, where either number is greater that the state average resulting in **88 local governments** receiving the Aboriginality cost adjustor with Derby-West Kimberley receiving the largest allowance.

When Aboriginal people make up a significant number in a local government area, their specific needs and challenges become a higher priority for the local government. For example, local governments may need to invest in culturally appropriate services, there is generally a higher demand for social services like housing assistance and youth engagement and there is also a greater need for sustained community consultation and engagement driving up governance and administrative expenses for local governments.

The relative percentage of Aboriginal people in a local government is a more important cost factor than just comparing the number of Aboriginal people to the state average because the proportion of the population has a greater influence on the demand for certain services, infrastructure and community programs.

The current method for determining local government eligibility for the Aboriginal cost adjustor allows areas like the City of Melville and the City of Bayswater, with only 0.87% and 1.63% Aboriginal populations respectively, to receive the adjustor.

If the Commission were to base the cost adjustor solely on relative population, Shires with a higher percentage of Aboriginal people would receive a larger share. Using the 2022-23 balanced budget spreadsheet, this would result in 72 local governments being eligible for the Aboriginal Cost adjustor. The results are provided for a sample of local governments as Scenario 1 in the table below. (refer to Appendix C for a full list of impacted local governments impacted).

This approach would however exclude areas with significant Aboriginal populations, such as the City of Swan, which is home to approximately 5% of the state's Aboriginal people.

A more effective method for determining Shire eligibility for the Aboriginal cost adjustor could involve assessing each local government's share of the state's Aboriginal population and setting a threshold for inclusion. Assuming any local government with more than 2% of the States aboriginal people was eligible, based on the 2022-23 balanced spreadsheet, 80 local governments would qualify for the cost adjustor, with the City of Melville and the City of Bayswater no longer eligible. The remaining eligible local governments would see a slight increase in their cost adjustor values. Some argue that eligibility should be based solely on the relative percentage of Aboriginal people, which would reduce the number of qualifying local governments to 72, resulting in a larger adjustor for those areas.

Two scenario's have been analysed using the 2022-23 balance budget:

- **Scenario 1:** remove the criteria which examines the number of Aboriginal people in a local government area i.e. 0% based on Aboriginal population and 100% based on relative population, leaving only an assessment of the relative percentage of Aboriginal people in a local government.
- **Scenario 2:** remove the criteria which examines the number of Aboriginal people in a local government area and add criteria to include those for which the local governments state share of Aboriginal population exceeds 2.0%

The estimated cost adjustment values for some of the eligible local governments are provided in the table below.

Local Government	Aboriginal Population	Population	Percentage of LGA Pop Aboriginal	State Share of Aboriginality Population %	2022-23 Assessment	Scenario 1	Scenario 2
Armadale	2,703	96,128	2.81%	2.69%	375,775	0	414,126
Bayswater	1,122	68,877	1.63%	1.12%	158,859	0	0
Belmont	1,437	42,795	3.36%	1.43%	211,378	0	0
Broome	6,055	16,961	35.70%	6.02%	1,024,915	1,513,538	1,112,938
Busselton	829	41,041	2.02%	0.82%	122,459	0	0
Canning	1,195	93,611	1.28%	1.19%	166,339	0	0
Cockburn	2,104	119,928	1.75%	2.09%	289,795	0	319,616
Derby-West Kimberley	6,062	8,207	73.86%	6.03%	1,263,572	1,759,015	1,354,437
Gosnells	3,665	126,459	2.90%	3.65%	503,817	0	555,751
Halls Creek	2,957	3,491	84.70%	2.94%	919,553	1,169,212	967,375
Harvey	790	28,563	2.77%	0.79%	121,936	0	0
Joondalup	1,297	160,579	0.81%	1.29%	176,937	0	0
Kalamunda	1,344	59,435	2.26%	1.34%	192,221	0	0
Mandurah	2,298	89,448	2.57%	2.29%	320,583	0	353,201
Meekatharra	469	980	47.86%	0.47%	360,270	405,515	370,329
Melville	899	103,459	0.87%	0.89%	124,567	0	0
Rockingham	3,443	140,923	2.44%	3.43%	471,559	0	520,327
Stirling	3,039	223,260	1.36%	3.02%	411,272	0	454,261
Swan	5,069	156,254	3.24%	5.04%	692,060	0	763,834
Wanneroo	3,553	215,878	1.65%	3.53%	481,172	0	531,435
Wyndham-East Kimberley	3,075	7,337	41.91%	3.06%	668,633	920,679	715,044

Table 11 Estimated impact of changes to Aboriginal Cost Adjustor

The analysis above assumes the Commission the total amount of pool funding allocated to the cost adjustor would remain the same and be distributed among all eligible local governments. Any reduction in the number of ineligible local governments would result in an increase to eligible local governments. If the Commission were to reduce the size of the pool and direct the funding to another cost adjustor, this would minimise the additional funding provided to the Kimberley local governments.

The current Aboriginal cost adjustor is assessed as 60% based on Aboriginal Population and 40% on relative Aboriginal Population. Any changes to these percentages would have a negative impact on at least one of the Kimberley shires.

Local Govt	100% Population 0% Relative	80% Population 20% Relative	60% Population 40% Relative	50% Population 50% Relative	40% Population 60% Relative	20% Population 80% Relative	0% Population 100% Relative
Broome	1,337,563	1,181,239	1,024,915	946,753	868,590	712,266	555,942
SDWK	1,339,109	1,301,341	1,263,572	1,244,688	1,225,803	1,188,035	1,150,266
Halls Creek	653,208	786,381	919,553	986,140	1,052,726	1,185,899	1,319,071
SWEK	679,274	673,953	668,633	665,972	663,312	657,991	652,670

Table 12 Kimberley Shires Aboriginal Cost Adjustor - analysis of changes in weighting

## Recommendation

That the KRG Advocate for the WA Local Government Grants Commission to review of the Aboriginality cost adjustor calculation

### 6.4.3 Population Dispersion

The purpose of the Population Dispersion cost adjustor is to recognise the cost burden on a local government to provide services to a townsite other than the main service centre. This adjustor is frequently reviewed and modified by the Commission. During regional visits, the Commission conducts informal inspections of outlying towns to assess the facilities available, which helps inform adjustments to the population dispersion cost adjustor.

For a local government to be eligible for the population dispersion cost adjustor, it must have been assessed by the Commission to have another geographical area, other than its main service centre, that fits the Commission's view of a townsite. This may include consideration of (but is not limited to) the existence of a main street, local government and non-local government facilities and the number of dwellings. Once the Commission establishes a townsite to be recognised for the purposes of the cost adjustor, the townsite must be more than 25km from the main service centre; and have a population of more than 50 people.

The Commission may exercise judgement on any of the criteria where it believes it to be appropriate. It is not the intention of the Commission to recognise suburbs, townsites must be standalone to be included.

In 2022-23, 48 local governments received the Population Dispersion cost adjustor with the largest cost adjustor recipient the Shire of East Pilbara (\$1,651,752). The values for the Kimberley Shires and a few other local governments were as follows:

Local Government	Population	Number of Townsites	Population of Townsites	2022-23 Assessment
<b>Broome</b>	16,961	0	0	<b>0</b>
<b>Derby-West Kimberley</b>	8,207	2	2,026	<b>1,104,562</b>
<b>Halls Creek</b>	3,491	0	0	<b>0</b>
<b>Wyndham-East Kimberley</b>	7,337	1	780	<b>456,964</b>
<b>Ashburton</b>	13,285	3	2,932	1,491,510
<b>East Pilbara</b>	10,868	3	3,210	1,651,752
<b>Mundaring</b>	39,161	1	2000	831,782
<b>Northam</b>	11,060	1	1352	668,576
<b>Wanneroo</b>	215,878	1	4000	1,495,995

Table 13 2022-23 WALGGC Population Dispersion Cost Adjustor Data

In 2016-17 annual report the commission noted it had completed a review of the population dispersion disability “resulting in a number of the previously recognised townsites deemed not to constitute a town site and lacked facilities and as a result were removed from calculations. This concern fed into a broader discussion of towns with limited community facilities and localities with five acre subdivisions that were currently being recognised when this was not the intention of the disability. The Commission resolved to undertake a full review of the population dispersion disability. This review encompassed consideration of distance, population and lot size. As a result of the removal of some townsites, the total quantum of the population dispersion disability was subsequently reduced.”

When calculating the Population Dispersion cost adjustor, the Commission does not include Aboriginal communities. These were previously included however removed due to the introduction of the Municipal and Essential Services funding (now discontinued) and the findings from the Local Government Advisory Board Inquiry into service delivery to Aboriginal communities<sup>13</sup>. In the 2019 WA Local Government Grants Commission Annual Report, the Commission reported that it would be looking into the Aboriginal communities for this cost adjustor. Additionally, the 2020-21 Information return requested data for its registry of townsites used for the population dispersion cost adjustor. No outcome or changes to the population dispersion methodology have been published on the WA Grant Commissions website.

In 2005, SWEK sought an amendment to its population dispersion calculation on the basis that there were 5 dispersed population centres within the Shire which complied with the Commissions criteria for recognition. Subsequently, the Commission accepted the Shire’s claim based on the information provided and amended the Shires disability factor. As the current Population Dispersion cost adjustor only includes 1 townsite for SWEK, it is assumed these were Aboriginal communities and were subsequently removed.

<sup>13</sup> WA Local Government Grants Commission Annual Report 2019

When calculating the population dispersion cost adjustor, the Commission considers only the population numbers and does not account for the asset base required by local governments to support additional townsites, thereby overlooking the real disadvantages faced by these governments.

For instance, in the 2022-23 calculation SWEK's cost indicator for population dispersion was \$456,964, primarily because it only services one additional townsite, Wyndham, located 100 km from Kununurra. Due to the vast distance from Kununurra, SWEK maintain an additional airport, a recreation centre with a swimming pool, a landfill site, an administration centre, and a works depot to serve that community.

In contrast, the City of Karratha's population dispersion indicator for 2022-23 was \$1,517,641, reflecting its service to three additional townsites (Dampier, Roebourne, and Wickham) and a significantly larger population. However, Karratha has only one airport to maintain. Karratha provide additional public facilities such as a swimming pool and a library in Wickham and Roebourne but Dampier, only 22 kms from Karratha, doesn't required these facilities due to it's close proximately to Karratha. Karratha doesn't require an administration centre in any of these townsites but does have a works depot for local maintenance and operations in both Wyndham and Roebourne.

#### Recommendation

**That the KRG seek feedback from the Commission on the inclusion of Aboriginal Communities into the population dispersion calculations**

**That the KRG advocate for the WA Grants Commission to review the population dispersion calculation to consider the asset base required by local governments with additional townsites.**

#### 6.4.4 Location

The Location cost adjustor recognises the higher operating costs a local government faces due to its location. The Commission uses the Accessibility Remoteness Index of Australia's (ARIA+) Town Score and the population of the local government to determine the cost adjustor. The ARIA+ Index is based on access to service centres and has been used in conjunction with population statistics to determine the cost adjustor for each local government. The ARIA+ Index applies scores to remoteness from 0 - 18, with 18 being extremely remote.

In 2022-23, 106 local governments received the location cost adjustor with the highest cost adjustor provided to the City of Karratha.

In calculating the cost adjustor, the Commission recognises 60% based on the ARIA+ share and 40% on the population share. The 40% population share results in areas such as the City of Busselton receiving a location cost adjustor despite having an ARIA+ Town score of 1. If the Commission amend the cost adjustor weighting to increase the weighting based on the ARIA+ score and reduce the weighting attributed to population, for example, 80% based on the ARIA+ score and 20% based on population, it could result in a fairer distribution to remote local governments.



Alternatively, the Commission could increase a threshold for eligibility. Currently all local governments with an ARIA+ score of more than 0 are eligible. This should be lifted to 4

Using the 2022-23 balanced budget spreadsheet, the following provides an example of the location cost adjustor assessments for a sample of local governments (refer to Appendix D for a full list of impacted local governments impacted).

Local Government	ARIA+ Town Score	2020 Population	2022-23 Location Assessment	Location Assessment with 80% ARIA+ 20% Population	Location Assessment with ARIA+ Threshold = 4
Albany	2	38,370	2,344,896	1,311,931	0
Ashburton	12	13,285	1,583,913	1,483,608	2,103,795
<b>Broome</b>	<b>9</b>	<b>16,961</b>	<b>1,585,032</b>	<b>1,311,255</b>	<b>2,103,049</b>
Busselton	1	41,041	2,364,371	1,211,581	0
Coorow	9	958	652,646	824,889	869,611
<b>Derby-West Kimberley</b>	<b>12</b>	<b>8,207</b>	<b>1,263,226</b>	<b>1,296,175</b>	<b>1,679,304</b>
East Pilbara	12	10,868	1,432,914	1,396,581	1,903,935
Exmouth	12	2,939	996,080	1,189,116	1,326,318
<b>Halls Creek</b>	<b>12</b>	<b>3,491</b>	<b>1,028,098</b>	<b>1,205,701</b>	<b>1,368,672</b>
Jerramungup	9	1,139	683,667	857,691	910,863
Kalgoorlie-Boulder	4	28,709	1,905,219	1,182,584	2,522,813
Karratha	9	23,243	1,941,538	1,489,508	2,574,566
Kent	9	564	669,710	866,274	892,604
Kondinin	9	866	646,042	820,434	860,861
Lake Grace	9	1,274	710,695	887,343	946,817
Leonora	12	1,572	947,552	1,189,059	1,262,445
Mount Magnet	12	455	882,778	1,155,520	1,176,761
Mount Marshall	9	507	660,251	856,357	880,026
Port Hedland	9	15,768	1,517,329	1,277,403	2,013,504
<b>Wyndham-East Kimberley</b>	<b>9</b>	<b>7,337</b>	<b>1,038,865</b>	<b>1,038,171</b>	<b>1,380,686</b>
Yilgarn	9	1,135	699,348	878,788	931,773

Table 14 Example of Local Cost Adjustor Values

The location cost adjustor is used to distribute funds from the location cost adjustor pool to non-metropolitan local governments, with a greater share allocated to those with higher ARIA+ town scores. However, the ARIA+ score alone does not fully capture the increased costs associated with remoteness.

For example, while the Shire of Wyndham East Kimberley and the Shire of Yilgarn both have an ARIA+ town score of 9, construction costs in the East Kimberley can be up to 60% higher than in the Perth metropolitan area due to its remoteness. This cost escalation is not as significant in the Shire of Yilgarn. Therefore, relying solely on the ARIA+ score does not accurately reflect the higher costs remote areas face in delivering services, as it only partially accounts for the disadvantages of remoteness.

### Recommendation

That the KRG advocate for the WA Grants Commission to review the socio economic cost adjustor so that only local governments with an ARIA+ score of more than 4 are eligible.

#### 6.4.5 Socio-Economic Disadvantage

The Commissions Socio-Economic Disadvantage cost adjustor recognises the socioeconomic circumstances of local governments and the impact on their operating costs. The Commission uses the ABS's SEIFA Index of Disadvantage to determine a local governments socio-economic disadvantage cost adjustor.

Only local governments with a score below 1,000 receive the cost adjustor. The local governments that are eligible for the cost adjustor are then ranked from 1 to 62 (where 1 is the minimum and 62 the maximum). This is done to measure the relative difference in disadvantage.

In calculating the cost adjustor, the Commission recognises 70% based on the SEIFA score and 30% on the population share. In 2022-23, 79 local governments received the Socio Economic Disadvantage cost adjustor with the City of Gosnells receiving the largest allowance (\$2,449,5890, despite having an SEIFA Town score of 10).

Using the 2022-23 balanced budget spreadsheet, the following provides an example of the Socio-economic cost adjustor assessments for a sample of local governments showing the 2022-23 Socio-economic assessment value and an estimated value if the weighting was changed to 80% SEIFA score and 20% population.

Local Government	2016 SEIFA Score	WALGGC Ranking (62=High, 1=Low)	2022-23 Socio-Economic Assessment	80% SEIFA 20% Population
Armadale	994.00	5	1,844,414	1,233,727
<b>Broome</b>	<b>955.00</b>	<b>28</b>	<b>595,083</b>	<b>525,854</b>
Bunbury	954.00	29	892,604	733,590
<b>Derby-West Kimberley</b>	<b>726.00</b>	<b>57</b>	<b>1,280,523</b>	<b>1,388,822</b>
Esperance	998.00	2	272,066	182,036
Gnowangerup	998.00	2	24,491	16,986
Gosnells	987.00	10	2,449,589	1,649,531
<b>Halls Creek</b>	<b>609.00</b>	<b>61</b>	<b>1,353,721</b>	<b>1,515,363</b>
Kojonup	999.00	1	36,516	24,509
Laverton	709.00	58	1,187,175	1,345,531

Local Government	2016 SEIFA Score	WALGGC Ranking (62=High, 1=Low)	2022-23 Socio-Economic Assessment	80% SEIFA 20% Population
Mandurah	971.00	22	1,875,608	1,330,125
Menzies	743.00	56	1,094,887	1,246,452
Nannup	959.00	27	279,271	306,254
Narrogin(S)	959.00	27	345,156	350,177
Ngaanyatjarraku	559.00	62	1,363,915	1,542,418
Upper Gascoyne	655.00	60	1,250,739	1,426,778
Wiluna	703.00	59	1,217,236	1,384,843
<b>Wyndham-East Kimberley</b>	<b>917.00</b>	<b>46</b>	<b>872,017</b>	<b>929,869</b>

Table 15 Example of 2022-23 Socio-economic Cost Adjustor values

## Recommendation

That the KRG advocate for the WA Grants Commission to review the socio-economic cost adjustor

### 6.4.6 Climate

The Commissions Climate cost adjustor recognises the impact of climate on a local government's operating costs particularly those associated with water consumption and electricity charges. In 2022-23, the Commissions assessment was calculated by apportioning a value to each of five criteria:

Calculation component	Criteria	Weighting	Data source
<b>Average Mean Maximum Temperature</b>	over 20 degrees	20%	Bureau of Meteorology
<b>Mean Rainfall</b>	under 1000mm	10%	Bureau of Meteorology
<b>Number of Rain Days</b>	under 115	20%	Bureau of Meteorology
<b>Population</b>		50%	ABS

Table 16 WALGGC Climate Cost Adjustor criteria

Only those local governments in climate regions 1 or 2 under the Department of Water (DoW) classifications are eligible for the cost adjustor. Local governments with a classification of 3 (Metropolitan) or 4 (South West) and excluded due to their more favourable climate relative to the other regions in the State.

Those local governments with low rainfall, low rain days and high temperatures are assessed as experiencing the greatest disadvantage. In 2022-23, 83 local governments received the climate cost adjustor.

Because population is weighted at 50%, local governments with the highest temperatures and lowest rainfall are not receiving the highest climate cost adjustor. For example, the Shire of Greater Geraldton has a mean maximum temperature of 24.7 °C and an average rainfall of 571.5 mm, however in the 2022-23 received the highest cost adjustor assessment of 1,538,861. The

state highest mean maximum temperature was 36.1 °C (Shire of Wyndham East Kimberley) and the state lowest mean rainfall was 216.5mm (Shire of Upper Gascoyne).

If the cost adjustor was based on rainfall, rain days and temperatures alone (i.e. not population), the top 12 local governments experiencing the most adverse weather conditions (and therefore should experiencing high operating costs) would have been as follows:

Climate Ranking	Local Government	Cost Adjustor Ranking (highest to lowest)
1	Port Hedland	5
2	Karratha	3
3	Exmouth	14
4	Ashburton	6
5	Upper Gascoyne	28
6	Wyndham-East Kimberley	11
7	East Pilbara	7
8	Derby-West Kimberley	10
9	Murchison	34
10	Halls Creek	15
11	Ngaanyatjarraku	22
12	Broome	4

Table 17 WALGGC 2022-23 top 12 Climate Rankings

Whilst local governments with higher populations would have more infrastructure and therefore higher operating costs, some energy costs are fixed regardless of population. A high population weighting overlooks these fixed operational and infrastructure costs, distorting the cost adjustor's ability to reflect the actual financial burden on local governments, especially smaller ones.

Many operational costs, such as energy for running public buildings (libraries, recreation centres) and water for local government ovals and grounds, remain constant regardless of population size. Smaller local governments still need these facilities and services and may face disproportionately higher per capita costs to maintain the same infrastructure as larger shires

The climate cost adjustor accounts for low rainfall as a factor requiring additional funding but does not consider the impact of the wet season on local government infrastructure and assets. In the Kimberley, a large volume of rain falls over fewer days during the wet season, increasing operational costs due to flood clean-up, heightened drainage maintenance, and asset damage.

Shires must often allocate additional resources for emergency services to prepare for and respond to floods, evacuations, and ensure public safety during extreme weather. Heavy rainfall and severe conditions can also disrupt essential services like waste collection, resulting in higher costs for alternative delivery or compensating for delays.

The climate cost adjustor should take wet season rainfall into consideration. The mean rainfall and number of rain days data already collected by the Commission, could be used to determine those local governments with a 'significant rainfall factor'. If these data elements were to be used, using the 2022-23 balanced budget data, an estimate on the local governments that would share in a 'significant rainfall' factor would be as follows:

Table 18 Example of Significant Rainfall Factor using 2022-23 Balanced Budget spreadsheet data

LOCAL GOVERNMENT	Mean Rainfall (mm)	Rain Days	Significant rainfall	Significant rainfall share
Ashburton	303.8	16.90	7.98	13.42%
Broome	623.5	35.10	7.76	13.06%
Carnarvon	229.4	16.90	3.57	6.01%
Derby-West Kimberley	704.4	38.00	8.54	14.37%
East Pilbara	324.4	29.50	1.00	1.68%
Exmouth	251.5	16.60	5.15	8.67%
Greater Geraldton	444.9	41.00	0.85	1.43%
Halls Creek	571.5	47.40	2.06	3.46%
Irwin	444.9	41.00	0.85	1.43%
Karratha	297.5	19.10	5.58	9.38%
Port Hedland	317.7	20.20	5.73	9.64%
Wyndham-East Kimberley	853.3	41.90	10.37	17.44%

Likewise, the climate cost adjustor should take high humidity into account. While heat is the main factor of increased electricity consumption, humidity also contributes to higher electricity consumption, especially in regions like the Kimberley where cooling systems need to reduce both temperature and moisture levels. In humid conditions, air conditioning units work harder to cool the air and reduce humidity, resulting in higher electricity usage. At present, humidity is not considered in the Commission's climate cost adjustor.

If the Commission was to use weather regions to determine the impact on weather conditions rather than examining mean climate data, the DoW Climate Region code currently used by the Commission would not be broad enough for this purpose as the current grouping includes Shark Bay, Meekatharra and the Kimberley towns all in the one Climate Region which is not valid if assessing humidity or significant rainfall.

### Recommendation

That the KRG advocate for the Commission to review the climate cost adjustor to consider the wet season rainfall impacts and humidity in the calculation and review the population weighting.



#### 6.4.7 Growth

The Commissions Growth cost adjustor recognises growth over two periods: past and future. For the 2022-23 balanced budget these were 2017-2021 (ABS) and 20126-2031 (WAPC Data). Local governments only receive a cost adjustor if they are experiencing above the state average population growth for a given period. None of the Kimberley local governments received the growth cost adjustor in the 2022-23 balance budget.

#### 6.4.8 Fire Mitigation

The Commissions Fire Mitigation cost adjustor recognises that some local governments incur greater costs in bush fire prevention and control due to topographic conditions.

Each local government is profiled and categorised as follows:

- Undulating terrain - relief in 1km<sup>2</sup> less than 50m
- Rolling terrain - relief in 1km<sup>2</sup> greater than 50m, less than 100m
- Hills terrain - relief in 1km<sup>2</sup> greater than 100m, less than 200m
- Mountainous terrain - relief in 1km<sup>2</sup> greater than 200m

This data is converted to a terrain relativity score which is then used in the calculation.

The Commission allocates a weighting of 70% based on population and 30% based on the terrain. A higher percentage is provided for population recognising the greater risk faced by local governments with greater populations.

In 2022-23, 92 local governments receive the fire mitigation cost adjustor with Swan receiving the largest allowance of \$2,680,438. The following provides the 2022-23 data for the Kimberley local governments:

Local Government	Terrain Relativity	Assessment
Broome	0	0
Derby-West Kimberley	0.12	207,769
Halls Creek	0.09	112,209
Wyndham-East Kimberley	0.26	279,170

Table 19 2022-23 Kimberley LGA Fire Mitigation Cost Adjustor data

#### 6.4.9 Off-Road Drainage

The Commissions Off-Road Drainage cost adjustor relates to urban off-road drainage needs, as opposed to road drainage needs included in the Asset Preservation Model. The Commission assesses the cost of maintenance for off-road drainage based on existing infrastructure as provided by local governments in the Information returns. Drainage infrastructure and costs are only collected by the Commission every 3 to 5 years. According to the 2022-23 costs, for example, were assess based on:

- Storm water drains - \$2,650 - \$4,506 per km
- Open drains and channels - \$2,881- \$4,898 per km
- Creeks that require maintenance - \$2,017 - \$3,429 per km
- Basins - \$0.35 - \$0.59 m<sup>2</sup>
- Sumps - \$0.69 - \$1.96 per m<sup>2</sup>
- Levee banks - \$1,613 - \$3,321 per kw
- Pumps - \$230 - \$288 per kw

The Commissions 2023 Annual Report<sup>14</sup> noted one of the factors contributing to increase in 2022-23 for some local government was the cost adjustor for off road drainage. The report noted that some local governments provided data in 2019, some in 2022, some in both and some not at all. As a result, there was a significant increase to the assessed allowances for 2022-23, particularly from Armadale, Canning, Capel, Cockburn, Gosnells, Joondalup and Wanneroo.

The 2022-23 data shows a significant increase from the 2020-21 data for the Shires of Broome and Wyndham East Kimberley, presumably due to updated drainage data. (2021-22 data was not available for comparison)

Local Government	2020-21 Off Road Drainage Assessment	2022-23 Off Road Drainage Assessment
<b>Broome</b>	134,481	238,344
<b>Derby-West Kimberley</b>	24,801	26,966
<b>Halls Creek</b>	29,384	31,949
<b>Wyndham-East Kimberley</b>	48,047	183,554

Table 20 Kimberley local government Off road drainage Cost Adjustor data

To ensure a fair distribution of FA Grants, the Commission encourages all local governments to provide accurate cost information when requested.

#### Recommendation

**That the KRG ensure accurate information is provided to the Grants Commission when requested as part of their annual return to ensure their grant allocation is adjusted accordingly.**

<sup>14</sup> WA Local Government Grants Commission Annual Report 2022-23

#### 6.4.10 Medical Facilities

The Commissions Medical Facilities cost adjustor recognises the costs that some regional local governments have to contribute to employing a doctor and nurse practitioners. The cost adjustor is calculated using information provided to the Commission in the Information Return.

In 2022-23, 56 local government received the cost adjustor which ranged from \$985 to \$85,000. The amount is calculated as a percentage of their 3 year average medical expenditure, capped at \$85,000.

None of the Kimberley local governments received the Medical Facilities cost adjustor.

#### 6.4.11 Cyclone

The Commissions Cyclone cost adjustor recognises local governments that incur pre-cyclone cleanup costs, planning costs and increased insurance costs. Local governments within a Cyclone category area were eligible for the cost adjustor.

The calculation is weighted 80% based on the cyclone category and 20% on population. In 2022-23, 11 local governments received the cost adjustor with the City of Karratha receiving the largest allowance of \$283,167. Data for the Kimberley local governments is as follows:

Local Government	Cyclone Rating	2022-23 Cyclone Assessment
<b>Broome</b>	2	194,149
<b>Derby-West Kimberley</b>	2	162,069
<b>Halls Creek</b>	1	78,790
<b>Wyndham-East Kimberley</b>	2	158,881

Table 21 2022-23 Kimberley LGA Cyclone Cost Adjustor data

#### 6.4.12 Special Needs

The Commissions recognises that a local government may experience special circumstances which result in extraordinary costs that are not captured by the existing cost adjustors. The application and calculation is at the discretion of the Commission.

In 2022-23, the Commission provided \$80,000 to the Shire of Gingin for the Lancelin Off-Road Vehicle area and the impact it has on the Shire and \$80,000 to the Shire of Murchison for the financial impact of being off the power grid.

## 7 Local Roads Component

The National Financial Assistance Grant funding also includes a component for local roads funding. As with the General Purpose grants, this funding is untied.

As described in section 3, each financial year, the Australian Government estimates the total (national) general purpose and local road components of the FA Grants for the new financial year by applying an escalation factor to the previous year's final grant entitlement. The escalation factor is based on changes in the Consumer Price Index (CPI) and population. The same escalation factor is applied to both the general purpose and local road components.

The national FA Grant entitlement is calculated before the start of the financial year. When updated CPI and population information became available toward the end of the financial year, an actual escalation factor is re-calculated and the actual FA Grant entitlement for the financial year is determined.

The national FA Grant funding is paid quarterly to each State/Territory by the Australian Government based on population estimates for the General Purpose funding and an estimated factor applied to the previous years' funding for the Local Road component. The funding is then distributed to each local government organisation by the Local Government Grants Commission in each state and the Northern Territory.

The purpose of the local roads grant is to provide financial assistance to local governments in Australia for the maintenance, construction, and improvement of existing local road infrastructure. Specifically, the grant aims to:

- Enhance the safety and reliability of local roads for all users, including vehicles, pedestrians, and cyclists.
- Fund the construction and upgrade of local roads, which are crucial for connectivity, economic development, and access to services.
- Assist local governments in maintaining existing road networks, ensuring they remain in good condition and can accommodate local traffic demands.
- Facilitate access to businesses, agricultural areas, and tourism destinations, thus supporting local economies.
- Improve access to essential services, schools, and recreational facilities, contributing to the overall quality of life for residents.

When allocating the road grant amongst local governments, the WA Grants commission must abide by the National Principle:

*The identified road component of the financial assistance grants should be allocated to local governing bodies as far as practicable on the basis of the relative needs of each local governing body for roads expenditure and to preserve its road assets. In assessing road needs, relevant considerations include length, type and usage of roads in each local governing area.<sup>15</sup>*

In addition, Commission also apply the following additional policies<sup>16</sup>

1. Seven percent of the funds will be reserved for special projects: two-thirds for bridges and one-third for roads servicing Indigenous communities.

<sup>15</sup> WA Local Government Grants Commission Methodology 2023

<sup>16</sup> WA Local Government Grants Commission Methodology 2023

2. The remaining 93 percent of funds will be distributed according to Asset Preservation Needs as determined by the Western Australian Model.
3. The Asset Preservation Needs will be adjusted to provide for minimum standards as determined by the Western Australian model.
4. All roads that are the responsibility of local government will be used in assessing asset preservation needs.

These policies were developed in consultation with the National Grants Commission.

The WA Grants Commission allocates the roads funding to local governments in two ways:

- **Stage 1:** Allocation for Special Projects (7%)

Before the main funding distribution, 7% of the total pool is reserved for specific projects, split as follows:

- **Preservation of Bridges:** Two-thirds (approximately 66.67%) of the 7% is allocated to maintaining and preserving bridges. A committee, comprising representatives of the WA Local Government Association (WALGA), Main Roads WA (MRWA) and the Commission, recommends allocations for bridges. The Committee is advised by Main Roads WA, which assesses priorities in accordance with its bridge management program.
- **Roads Servicing Indigenous Communities:** One-third (approximately 33.33%) of the 7% is allocated to maintaining roads that serve Indigenous communities. A committee, comprising representatives from the WALGA, DLGSC, MRWA, Department of Planning, Lands and Heritage and the National Indigenous Australians Agency recommends allocations for roads servicing remote Aboriginal communities.

The Committee has established funding criteria based on factors such as the population and the distance of a community from a sealed road. The aim of the criteria is to better meet the needs of Aboriginal communities.

- **Stage 2:** Distribution to Local Governments (93%)

The remaining 93% of the total funding is then distributed to local governments based on their Asset Preservation Needs. This model considers:

- **Annual and Recurrent Maintenance Costs:** The regular expenses required to maintain the local road network.
- **Reconstruction Costs:** The costs involved in reconstructing roads when they reach the end of their useful life.

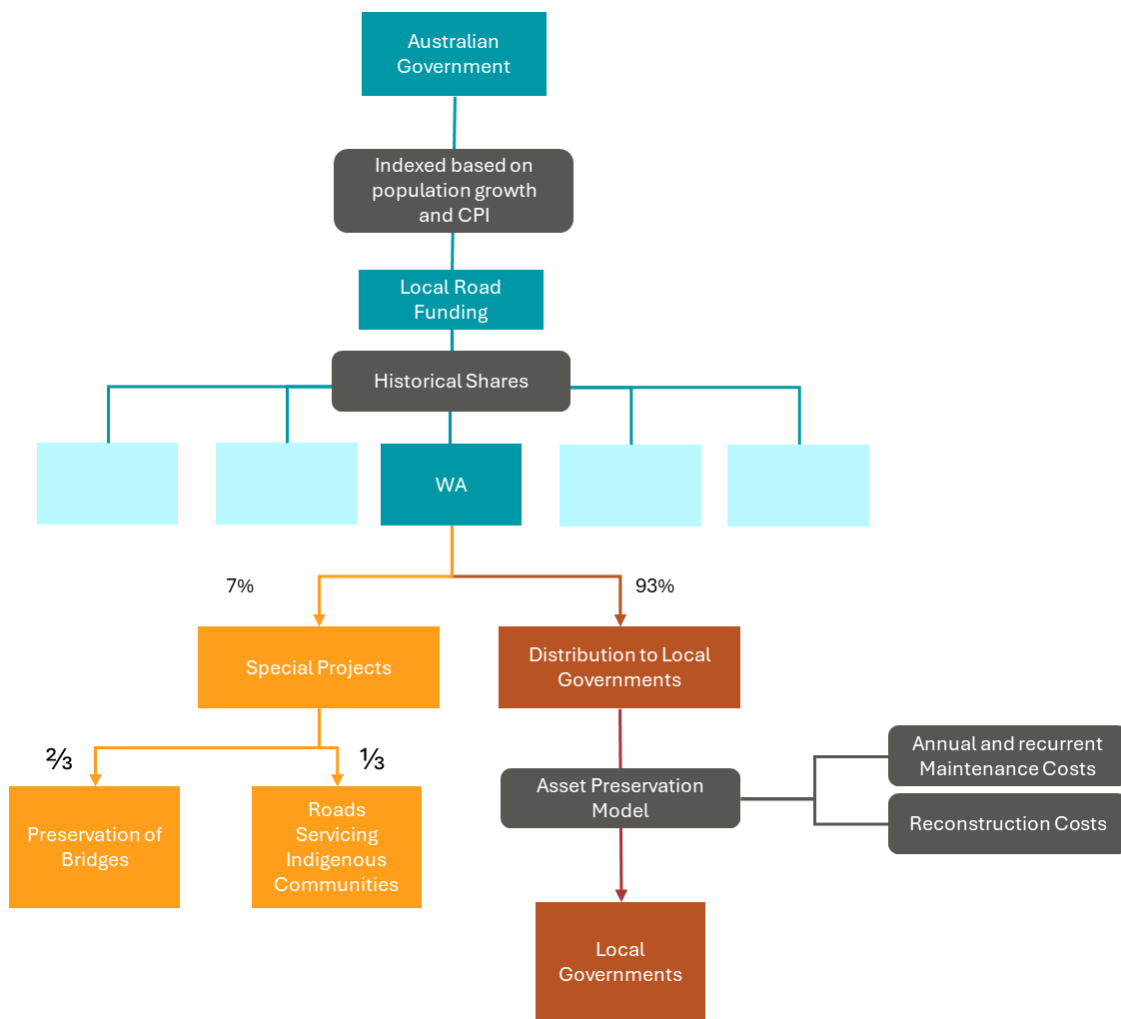


Figure 11 WAGGC Distribution of Local Roads Funding

## 7.1 Asset Preservation Model

The Asset Preservation Needs model is used to ensure a fair allocation of funds by considering the varying costs of road maintenance and reconstruction across different local governments.

The Asset Preservation Model calculates the average annual cost of maintaining each local government's road network by considering both annual maintenance and reconstruction costs. It adjusts for the varying needs of urban and rural roads, addressing sealed, gravel, and formed roads based on their specific characteristics.

The model uses the formula:  $\text{Unit cost per km} \times \text{frequency factor} \times \text{road length} = \text{Annual expenditure need}$ , calculating costs for each type of road work. For example, a local government with 10 km of sealed rural roads would need \$35,363 annually for resealing if done every 15 years.

The model also helps equalise road standards by setting minimum requirements, benefiting less developed areas. It relies on comprehensive road statistics, including data on road classifications and usage, collected from Main Roads Western Australia (MRWA).



The model accounts for additional costs in built-up areas (due to factors like high traffic volumes, drainage, and intersection treatments), as well as specific considerations for remote Aboriginal communities and unsealed roads with high traffic. Road statistics are updated annually, and unit costs are adjusted based on inflation and regional differences.

The model also provides for bridge maintenance (not major maintenance or replacement), annual maintenance of traffic control devices, and incorporates regional growth into its assessments. The Commission makes allowances for unsealed roads carrying higher traffic volumes than they could carry efficiently.

Aboriginal access and internal community roads are included in the statistics used in assessing asset preservation needs, provided that they are public roads included in local government road inventories and are regularly maintained by local governments.

The State is divided into 21 regions to properly reflect the main cost differences within the State. They were identified using the Commission's cost adjustors, which take into account the effect of location, climate, terrain and salt.

Costs for each region are reviewed regularly and adjusted in subsequent years using the ABS road and bridge construction price index for WA to ensure road costs used in the model each year are kept current and reflect inflationary movements. Completed questionnaires on road costs from local governments are used to inform the model.

The details of the Asset Preservation model calculations and cost adjustors are not publicly available making any further detail analysis of this component not possible.

The National road funding is distributed among local governments according to their asset preservation needs. As the total funding received from the Australian Government is significantly less than the total of all local governments asset preservation needs, all local governments only receive a percentage of their funding needs. For example, in 2023-24, \$146.263 million was allocated for distribution among WA local governments however the total asset preservation needs for WA was \$1,044.15 million, resulting in local governments only receiving 12.9 percent of their assessed asset preservation requirements.

The local roads component is provided to all local governments, regardless of a local governments revenue raising capacity. As a result, larger metropolitan local governments benefit more than their remote counterparts. Metropolitan areas, with their larger populations, can more easily generate the funds required to maintain their infrastructure, while smaller, remote local governments face greater challenges in doing so. A fairer approach would be for the General Purpose grant and the Local Roads grant to be combined for the purposes of allocating the minimum grant funding allowing more funds to be allocated on a needs basis.

### Recommendation

That the KRG advocate for the Australian Government to consider changing the minimum grant principle to be "ensuring a local government's combined General Purpose Grant and Local Road Grant cannot be less than 30% of the amount it would have received if the Grant were calculated on a per capita basis.

That the KRG advocate for the WA Grants Commission to include the capacity of a local government to raise its own funds for road renewal works

## 8 Case Studies

### 8.1 Tourism

The Local Government WA Grants Commission does not currently have a cost adjustor to recognise the significant impact to local government expenditure for high tourist locations.

Whilst tourism brings some economic benefits to a region, it also requires a local government to provide and maintain additional public infrastructure such as more toilet facilities (and more regular cleaning), additional waste management, increased signage requirements, increased water usage (public shower facilities, public potable water supplies), more public carparks, more public bbq's and picnic tables, additional conservations and environmental management, more public transport etc. As well as the need to provide tourism-specific infrastructure such as visitor centres, RV parking and free overnight stay areas, cruise ship marketing and servicing, beach lifeguard services, etc.

Significant seasonal variations such as those experienced in the Kimberley also create challenges for local governments in managing the economic downturn in the off season, and employment issues as a significant number of employees would need to be casual employees to cover the increase in labour needs during the dry season.

The Victorian Local Government Grants Commission include a Tourism cost adjustor using the tourism Research Australia Visitor Survey data. The Victorian Local Government Grants Commission examine the number of International Visitors, Overnight Stays and Day visitors as a percentage of population. If WA was to introduce a similar cost adjustor,

The Tasmanian Local Government Grants Commission also have a Tourism Cost adjustor.

The following data illustrates the per capita visitor data for the Kimberley local governments and some other local government areas:

Local Government	Population	International visitor nights	Overnight stays	Day visitors	International Visitor Nights per capita	Overnight stays per capita	Day visitors per capita	Sum (per capita)
Albany	38,370	290,000	1,306,000	397,000	7.56	34.04	10.35	51.94
Augusta-Margaret River	17,130	481,000	1,809,000	420,000	28.08	105.60	24.52	158.20
Broome	16,961	407,000	1,365,000	np	24.00	80.48		<b>104.47</b>
Busselton	41,041	421,000	2,065,000	696,000	10.26	50.32	16.96	77.53
Derby-West Kimberley	8,207	108,000	477,000	np	13.16	58.12		<b>71.28</b>
Esperance	14,174	149,000	713,000	100,000	10.51	50.30	7.06	67.87
Exmouth	2,939	165,000	935,000	np	56.14	318.14		374.28
Fremantle	31,901	660,000	823,000	825,000	20.69	25.80	25.86	72.35

Local Government	Population	International visitor nights	Overnight stays	Day visitors	International Visitor Nights per capita	Overnight stays per capita	Day visitors per capita	Sum (per capita)
Greater Geraldton	38,146	189,000	894,000	250,000	4.95	23.44	6.55	34.94
Halls Creek	3,491	26,000	150,000		7.45	42.97		<b>50.42</b>
Shark Bay	962	118,000	345,000	np	122.66	358.63		481.29
Wyndham-East Kimberley	7,337	164,000	603,000	np	22.35	82.19		<b>104.54</b>
York	3,618	40,000	90,000	130,000	11.06	24.88	35.93	71.86

## 9 Acronyms

<b>ABS</b>	Australian Bureau of Statistics
<b>ACT</b>	Australian Capital Territory
<b>ARIA+</b>	Accessibility/Remoteness Index of Australia Plus
<b>AVG</b>	Average
<b>CTR</b>	Commonwealth Tax Revenue
<b>CPI</b>	Consumer Price Index
<b>DLGSC</b>	Department of Local Government, Sport and Cultural Industries
<b>ERP</b>	Estimated Regional Population
<b>FA Grants</b>	Financial Assistance Grants
<b>KRG</b>	Kimberley Regional Group
<b>LGA</b>	Local Government Area
<b>LGCI</b>	Local Government Cost Index
<b>NSW</b>	New South Wales
<b>NT</b>	Northern Territory
<b>Qld</b>	Queensland
<b>RCI</b>	Residential, Commercial and Industrial
<b>SDWK</b>	Shire of Derby West Kimberley
<b>SEIFA</b>	Socio-Economic Indexes for Areas
<b>SWEK</b>	Shire of Wyndham East Kimberley
<b>WA</b>	Western Australia
<b>WALGGC</b>	WA Local Government Grant Commission

## 10 References

**Australian Government**, Budget Paper No 1, Federal Relations 2014-15

**Australian Government**, Budget 24/25

**Australian Government**, Commonwealth Tax Revenue: ABS, Taxation Revenue 55060DO001\_202223

**Australian Government** (March 2016). Local Government National Report 2021-22, Department of Infrastructure, Transport, Regional Development, Communications and the Arts

**Australian Government** (March 2016). Local Government (financial Assistance) Act 1995, Department of Infrastructure, Transport, Regional Development, Communications and the Arts

**Australian Government**, Financial Assistance Grant – Cash Payments (2017-18 to 2023-24), Department of Infrastructure, Transport, Regional Development, Communications and the Arts

**Australian Government**, Past Payments to Local Government – Cash Payments, published on [www.infrastructure.gov.au](http://www.infrastructure.gov.au)

**Australian Local Government Association (ALGA)**, Background on Local Government Funding, ALGA website

**Kimberley Regional Group** (June 2024) – Kimberley Regional Group’s Submission to the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport inquiry on local government sustainability.

**Marion Terrill, Natasha Bradshaw and Dominic Jones** (November 2023), Potholes and Pitfalls: How to fix local roads, Grattan Institute

**NSW Government**, NSW Local Government Grants Commission Annual Report 2019-2020

**Qld Government**, Qld Local Government Grants Commission FA Grant Allocation Methodology Information Paper

**Shire of Broome** (May 2024), Shire of Broome Submission to the WA Grants Commission

**Shire of Derby West Kimberley** (March 2024), Shire of Derby West Kimberley’s Submission to the WA Grants Commission

**Shire of Wyndham East Kimberley** (May 2024), Shire of Wyndham East Kimberley’s Submission to the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport inquiry on local government sustainability.

**WA Government** (September 2023), Methodology for the Distribution of Commonwealth Financial Assistance Grants to Local Governments in Western Australian (Sep 2023), WA Local Government Grants Commission, Department of Local Government, Sport and Cultural Industries

**WA Government** (August 2022), 2022-23 WALGGC Balance Budget, WA Local Government Grants Commission, Department of Local Government, Sport and Cultural Industries

**WA Government** (August 2022), 2020-21 WALGGC Balance Budget, WA Local Government Grants Commission, Department of Local Government, Sport and Cultural Industries

**WA Government** (August 2023), 2023-24 WALGGC Financial Assistance Grants Schedule, WA Local Government Grants Commission, Department of Local Government, Sport and Cultural Industries

**WA Government** (September 2023), Methodology for the Distribution of Commonwealth Financial Assistance Grants to Local Governments in Western Australia, Department of Local Government, Sport and Cultural Industries

**WA Government** (various), Local Government Grants Commission Annual Reports, WA Grants Commission, Department of Local Government, Sport and Cultural Industries

**Tasmanian Government** (November 2023), Financial Assistance Grants Distribution Methodology Version 7, Tasmanian State Grants Commission



# APPENDICIES

## Appendix A. Objects of the Local Government (Financial Assistance) Act 1995

### 3 Objects of Act

- (1) This section explains the objects of the Parliament in enacting this Act.
- (2) The Parliament wishes to provide financial assistance to the States for the purposes of improving:
  - (a) the financial capacity of local governing bodies; and
  - (b) the capacity of local governing bodies to provide their residents with an equitable level of services; and
  - (c) the certainty of funding for local governing bodies; and
  - (d) the efficiency and effectiveness of local governing bodies; and
  - (e) the provision by local governing bodies of services to Aboriginal and Torres Strait Islander communities.
- (3) The financial assistance is to be provided by the making to the States, for local government purposes, of general grants under section 9 and additional funding under section 12.
- (4) In providing this financial assistance the Parliament's goals are to:
  - (a) increase the transparency and accountability of the States in respect of the allocation of funds under this Act to local governing bodies; and
  - (b) promote consistency in the methods by which grants are allocated to achieve equitable levels of services by local governing bodies.
- (5) To achieve those goals this Act provides for:
  - (a) the formulation of national principles for the purposes of the allocation of funds by the States to local governing bodies (section 6); and
  - (b) the making of an annual report to the Parliament about the operation of this Act (subsection 16(1)); and
  - (c) an assessment of the performance of local governing bodies (subsection 16(3)).

## Appendix B. National Principles

### A.1 General purpose grants

The National Principles relating to allocation of general purpose grants payable under section 9 of the Act among local governing bodies are as follows:

#### 1. Horizontal equalisation

General purpose grants will be allocated to local governing bodies, as far as practicable, on a full horizontal equalisation basis as defined by the Act. This is a basis that ensures each local governing body in the State or Territory is able to function, by reasonable effort, at a standard not lower than the average standard of other local governing bodies in the State or Territory. It takes account of differences in the expenditure required by those local governing bodies in the performance of their functions and in the capacity of those local governing bodies to raise revenue.

#### 2. Effort neutrality

An effort or policy neutral approach will be used in assessing the expenditure requirements and revenue-raising capacity of each local governing body. This means as far as practicable, that policies of individual local governing bodies in terms of expenditure and revenue effort will not affect grant determination.

#### 3. Minimum grant

The minimum general purpose grant allocation for a local governing body in a year will be not less than the amount to which the local governing body would be entitled if 30 per cent of the total amount of general purpose grants to which the State or Territory is entitled under section 9 of the Act in respect of the year were allocated among local governing bodies in the State or Territory on a per capita basis.

#### 4. Other grant support

Other relevant grant support provided to local governing bodies to meet any of the expenditure needs assessed should be taken into account using an inclusion approach.

#### 5. Aboriginal peoples and Torres Strait Islanders

Financial assistance shall be allocated to councils in a way, which recognises the needs of Aboriginal peoples and Torres Strait Islanders within their boundaries.

#### 6. Council Amalgamation

Where two or more local governing bodies are amalgamated into a single body, the general purpose grant provided to the new body for each of the four years following amalgamation should be the total of the amounts that would have been provided to the former bodies in each of those years if they had remained separate entities.

### A.2 Local road grants

The National Principle relating to allocation of the amounts payable under section 12 of the Act (the identified road component of the financial assistance grants) among local governing bodies is as follows:

#### 1. Identified road component

The identified road component of the financial assistance grants should be allocated to local governing bodies as far as practicable on the basis of the relative needs of each local governing body for roads expenditure and to preserve its road assets. In assessing road needs, relevant considerations include length, type and usage of roads in each local governing area.

## Appendix C. Aboriginal Cost Adjustor Analysis Table

The following table provides an estimate of the impact of amending the Aboriginal Cost Adjustor as suggested in this report. These are estimates only and calculated using the 2022-23 balance budget spreadsheet.

Two scenario's have been analysed:

- **Scenario 1:** remove the criteria which examines the number of Aboriginal people in a local government area i.e. 0% based on Aboriginal population and 100% based on relative population, leaving only an assessment of the relative percentage of Aboriginal people in a local government.
- **Scenario 2:** remove the criteria which examines the number of Aboriginal people in a local government area and add criteria to include those for which the local governments state share of Aboriginal population exceeds 2.0%

Local Government	Aboriginal Population	Population	Percentage of LGA Pop Aboriginal	State Share of Aboriginality Population %	Original Assessment	Scenario 1	Scenario 2
Albany	1,579	38,370	4.12%	1.57%	234,917	361,486	257,498
Armadale	2,703	96,128	2.81%	2.69%	375,775	0	414,126
Ashburton	1,474	13,285	11.10%	1.47%	264,479	383,822	286,080
Bayswater	1,122	68,877	1.63%	1.12%	158,859	0	0
Belmont	1,437	42,795	3.36%	1.43%	211,378	0	0
Beverley	105	1,767	5.94%	0.10%	50,932	60,279	52,841
Boddington	108	1,776	6.08%	0.11%	52,194	61,803	54,156
Brookton	147	946	15.54%	0.15%	116,279	130,548	119,470
<b>Broome</b>	<b>6,055</b>	<b>16,961</b>	<b>35.70%</b>	<b>6.02%</b>	<b>1,024,915</b>	<b>1,513,538</b>	<b>1,112,938</b>
Broomehill-Tambellup	178	1,076	16.54%	0.18%	126,639	143,545	130,340
Bunbury	1,481	31,508	4.70%	1.47%	225,573	344,425	246,813
Busselton	829	41,041	2.02%	0.82%	122,459	0	0
Canning	1,195	93,611	1.28%	1.19%	166,339	0	0
Carnamah	23	525	4.38%	0.02%	30,338	32,890	30,977
Carnarvon	1,385	4,995	27.73%	1.38%	356,289	471,265	377,829
Chapman Valley	76	1,553	4.89%	0.08%	40,557	47,419	41,981
Cockburn	2,104	119,928	1.75%	2.09%	289,795	0	319,616
Collie	456	8,625	5.29%	0.45%	93,372	130,596	100,188
Coolgardie	533	3,382	15.76%	0.53%	168,815	213,897	177,470
Coorow	46	958	4.80%	0.05%	36,007	40,462	37,001
Corrigin	63	1,136	5.55%	0.06%	42,895	48,828	44,183
Cue	55	144	38.19%	0.05%	245,208	255,859	248,729
Dalwallinu	103	1,388	7.42%	0.10%	59,877	69,306	61,864
<b>Derby-West Kimberley</b>	<b>6,062</b>	<b>8,207</b>	<b>73.86%</b>	<b>6.03%</b>	<b>1,263,572</b>	<b>1,759,015</b>	<b>1,354,437</b>
Dowerin	30	658	4.56%	0.03%	32,376	35,516	33,128
Dumbleyung	25	666	3.75%	0.02%	26,696	29,305	27,319

Local Government	Aboriginal Population	Population	Percentage of LGA Pop Aboriginal	State Share of Aboriginality Population %	Original Assessment	Scenario 1	Scenario 2
Dundas	111	715	15.52%	0.11%	111,416	122,813	114,098
East Pilbara	2,769	10,868	25.48%	2.75%	525,715	750,668	566,627
Esperance	827	14,174	5.83%	0.82%	145,956	212,850	158,048
Gnowangerup	138	1,210	11.40%	0.14%	89,334	102,208	92,101
Goomalling	54	975	5.54%	0.05%	41,657	46,871	42,817
Gosnells	3,665	126,459	2.90%	3.65%	503,817	0	555,751
Greater Geraldton	5,150	38,146	13.50%	5.12%	766,686	1,179,511	840,341
<b>Halls Creek</b>	<b>2,957</b>	<b>3,491</b>	<b>84.70%</b>	<b>2.94%</b>	<b>919,553</b>	<b>1,169,212</b>	<b>967,375</b>
Harvey	790	28,563	2.77%	0.79%	121,936	0	0
Jerramungup	48	1,139	4.21%	0.05%	32,613	37,131	33,593
Joondalup	1,297	160,579	0.81%	1.29%	176,937	0	0
Kalamunda	1,344	59,435	2.26%	1.34%	192,221	0	0
Kalgoortie-Boulder	3,093	28,709	10.77%	3.08%	477,061	725,434	521,488
Karratha	3,979	23,243	17.12%	3.96%	634,019	954,074	691,407
Katanning	430	4,024	10.69%	0.43%	123,556	159,594	130,393
Kellerberrin	111	1,180	9.41%	0.11%	73,308	83,701	75,551
Kojonup	118	1894	6.23%	0.12%	54,449	64,879	56,562
Kondinin	71	866	8.20%	0.07%	60,481	67,487	62,072
Kulin	32	767	4.17%	0.03%	30,230	33,466	30,981
Kwinana	1,875	48212	3.89%	1.87%	272,741	422,873	299,483
Laverton	463	1,236	37.46%	0.46%	294,707	337,768	303,934
Leonora	343	1,572	21.82%	0.34%	181,377	212,304	187,786
Mandurah	2,298	89,448	2.57%	2.29%	320,583	0	353,201
Manjimup	404	9,089	4.44%	0.40%	81,235	114,175	87,256
Meekatharra	469	980	47.86%	0.47%	360,270	405,515	370,329
Melville	899	103,459	0.87%	0.89%	124,567	0	0
Menzies	282	533	52.91%	0.28%	366,947	398,112	374,730
Merredin	294	3360	8.75%	0.29%	93,472	118,348	98,250
Mingenew	30	418	7.18%	0.03%	48,683	52,252	49,622
Moora	344	2380	14.45%	0.34%	135,629	165,427	141,523
Morawa	161	660	24.39%	0.16%	173,292	190,131	177,318
Mount Magnet	155	455	34.07%	0.15%	232,745	250,692	237,381
Mukinbudin	35	520	6.73%	0.03%	46,566	50,461	47,544
Mundaring	1,564	39161	3.99%	1.56%	232,172	357,526	254,533
Murchison	92	164	56.10%	0.09%	361,632	378,171	366,963
Narrogin(S)	470	4870	9.65%	0.47%	122,411	161,468	129,738
Ngaanyatjaraku	1,548	1,797	86.14%	1.54%	741,773	879,328	769,812
Northam	869	11,060	7.86%	0.86%	164,122	234,696	176,951
Northampton	243	2,826	8.60%	0.24%	85,770	106,555	89,818
Nungarin	21	243	8.64%	0.02%	56,615	59,707	57,533

Local Government	Aboriginal Population	Population	Percentage of LGA Pop Aboriginal	State Share of Aboriginality Population %	Original Assessment	Scenario 1	Scenario 2
Perenjori	52	569	9.14%	0.05%	63,819	69,464	65,210
Pingelly	188	1150	16.35%	0.19%	126,750	144,422	130,579
Plantagenet	203	5,354	3.79%	0.20%	50,524	67,331	53,662
Port Hedland	3,494	15,768	22.16%	3.48%	601,129	883,342	652,035
Quairading	107	983	10.89%	0.11%	81,986	92,303	84,279
Rockingham	3,443	140,923	2.44%	3.43%	471,559	0	520,327
Shark Bay	96	962	9.98%	0.10%	74,886	84,177	76,958
Stirling	3,039	223,260	1.36%	3.02%	411,272	0	454,261
Swan	5,069	156,254	3.24%	5.04%	692,060	0	763,834
Tammin	58	394	14.72%	0.06%	99,385	106,425	101,262
Three Springs	64	559	11.45%	0.06%	79,800	86,781	81,526
Trayning	26	343	7.58%	0.03%	50,664	53,981	51,576
Upper Gascoyne	185	290	63.79%	0.18%	421,895	447,112	429,092
Wanneroo	3,553	215,878	1.65%	3.53%	481,172	0	531,435
West Arthur	32	789	4.06%	0.03%	29,505	32,722	30,248
Wickepin	31	720	4.31%	0.03%	30,929	34,107	31,676
Wiluna	264	691	38.21%	0.26%	272,978	300,295	279,450
Wongan-Ballidu	103	1,268	8.12%	0.10%	64,251	73,796	66,289
<b>Wyndham-East Kimberley</b>	<b>3,075</b>	<b>7337</b>	<b>41.91%</b>	<b>3.06%</b>	<b>668,633</b>	<b>920,679</b>	<b>715,044</b>
Yalgoo	109	354	30.79%	0.11%	206,248	219,990	209,999
Yilgarn	57	1135	5.02%	0.06%	38,838	44,206	40,003
York	151	3,618	4.17%	0.15%	46,011	58,735	48,443



## Appendix D. Location Cost Adjustor Analysis Table

The following table provides an estimate of the impact of amending the Location Cost Adjustor as suggested in this report. These are estimates only and calculated using the 2022-23 balance budget spreadsheet.

Two scenario's have been analysed:

- **Scenario 1:** amend the cost adjustor weighting to increase the weighting based on the ARIA+ score and reduce the weighting attributed to population, i.e. 80% based on the ARIA+ score and 20% based on population
- **Scenario 2:** increase the threshold for eligibility so that only local governments with an ARIA+ score of more than 4 are eligible.

Local Government	ARIA++ Town Score	2020 Population	Original Location Assessment	Scenario 1	Scenario 2
Albany	2	38,370	2,344,896	1,311,931	0
Armadale	0	0	0	0	0
Ashburton	12	13,285	1,583,913	1,483,608	2,824,286
Augusta-Margaret River	1	17,130	1,048,909	588,432	76,773
Bassendean	0	0	0	0	0
Bayswater	0	0	0	0	0
Belmont	0	0	0	0	0
Beverley	3	1,767	280,108	289,912	179,829
Boddington	2	1,776	256,411	257,890	155,622
Boyup Brook	3	1,793	309,249	327,538	207,496
Bridgetown-Greenbushes	2	4,828	439,988	358,324	165,996
Brookton	4	946	337,955	405,868	426,280
<b>Broome</b>	<b>9</b>	<b>16,961</b>	<b>1,585,032</b>	<b>1,311,255</b>	<b>3,168,620</b>
Broomehill-Tambellup	5	1,076	410,348	496,244	510,810
Bruce Rock	6	950	473,746	586,733	562,444
Bunbury	0	31,508	1,801,928	912,491	13,833
Bussetton	1	41,041	2,364,371	1,211,581	0
Cambridge	0	0	0	0	0
Canning	0	0	0	0	0
Capel	1	18,617	1,096,640	581,750	40,116
Carnamah	8	525	563,058	725,915	612,075
Carnarvon	8	4,995	844,398	889,641	1,310,764
Chapman Valley	5	1,553	445,718	520,845	590,716
Chittering	3	6,175	553,780	446,345	203,346
Claremont	0	0	0	0	0
Cockburn	0	0	0	0	0
Collie	1	8,625	544,114	317,591	54,641

Local Government	ARIA++ Town Score	2020 Population	Original Location Assessment	Scenario 1	Scenario 2
Coolgardie	5	3,382	549,514	572,744	865,280
Coorow	9	958	652,646	824,889	742,091
Corrigin	7	1,136	543,092	670,398	649,156
Cottesloe	0	0	0	0	0
Cranbrook	4	1,033	361,567	433,236	458,014
Cuballing	4	859	322,643	389,567	273,894
Cue	13	144	930,836	1,234,304	944,280
Cunderdin	3	1,402	318,876	358,864	239,312
Dalwallinu	7	1,388	572,609	697,837	702,202
Dandaragan	5	3,367	536,905	556,641	851,270
Dardanup	0	14,695	847,090	434,496	13,141
Denmark	3	6,422	580,939	470,875	216,487
<b>Derby-West Kimberley</b>	<b>12</b>	<b>8,207</b>	<b>1,263,226</b>	<b>1,296,175</b>	<b>2,029,484</b>
Donnybrook-Balingup	1	6,241	414,354	257,322	60,174
Dowerin	4	658	322,302	398,618	383,738
Dumbleyung	8	666	559,301	714,239	621,483
Dundas	11	715	770,269	993,212	837,026
East Fremantle	0	0	0	0	0
East Pilbara	12	10,868	1,432,914	1,396,581	2,447,620
Esperance	8	14,174	1,327,962	1,100,298	2,651,338
Exmouth	12	2,939	996,080	1,189,116	1,270,484
Fremantle	0	0	0	0	0
Gingin	2	5,419	455,544	351,117	148,014
Gnowangerup	6	1,210	468,443	567,367	581,416
Goomalling	3	975	259,369	299,716	204,037
Gosnells	0	0	0	0	0
Greater Geraldton	3	38,146	2,352,242	1,332,319	187,438
<b>Halls Creek</b>	<b>12</b>	<b>3,491</b>	<b>1,028,098</b>	<b>1,205,701</b>	<b>1,354,041</b>
Harvey	1	28,563	1,678,371	887,025	57,407
Irwin	3	3,591	439,644	416,367	235,853
Jerramungup	9	1,139	683,667	857,691	790,012
Joondalup	0	0	0	0	0
Kalamunda	0	0	0	0	0
Kalgoorlie-Boulder	4	28,709	1,905,219	1,182,584	4,585,677
Karratha	9	23,243	1,941,538	1,489,508	4,111,655
Katanning	5	4,024	551,365	544,851	927,072
Kellerberrin	5	1,180	400,342	477,984	510,514
Kent	9	564	669,710	866,274	722,369
Kojonup	4	1,894	382,071	419,857	274,586

Local Government	ARIA++ Town Score	2020 Population	Original Location Assessment	Scenario 1	Scenario 2
Kondinin	9	866	646,042	820,434	726,897
Koorda	7	397	520,519	675,251	557,586
Kulin	8	767	620,365	790,881	691,977
Kwinana	0	0	0	0	0
Lake Grace	9	1,274	710,695	887,343	829,644
Laverton	13	1,236	988,657	1,259,757	1,104,058
Leonora	12	1,572	947,552	1,189,059	1,094,324
Mandurah	0	0	0	0	0
Manjimup	3	9,089	737,134	553,007	221,329
Meekatharra	14	980	1,008,020	1,297,681	1,099,519
Melville	0	0	0	0	0
Menzies	13	533	908,646	1,186,321	958,410
Merredin	5	3,360	550,341	574,886	864,052
Mingenew	5	418	381,997	489,562	421,025
Moora	4	2,380	397,894	417,970	262,828
Morawa	8	660	571,411	730,668	633,032
Mosman Park	0	0	0	0	0
Mount Magnet	12	455	882,778	1,155,520	925,260
Mount Marshall	9	507	660,251	856,357	707,587
Mukinbudin	8	520	555,166	715,629	603,716
Mundaring	0	0	0	0	0
Murchison	15	164	1,077,909	1,429,456	1,093,221
Murray	0	18,523	1,064,331	543,117	13,141
Nannup	3	1,420	268,023	290,210	187,438
Narembeen	7	846	554,300	699,058	633,288
Narrogin(S)	4	4,870	522,603	466,492	246,228
Nedlands	0	0	0	0	0
Ngaanyatjarraku	16	1,797	1,208,624	1,526,514	1,376,403
Northam	1	11,060	682,993	387,606	55,332
Northampton	5	2,826	488,220	517,312	752,074
Nungarin	8	243	558,812	733,591	581,500
Peppermint Grove	0	0	0	0	0
Perenjori	11	569	770,975	1,001,058	824,101
Perth	0	0	0	0	0
Pingelly	4	1,150	361,982	428,256	469,353
Plantagenet	3	5,354	504,421	419,360	200,579
Port Hedland	9	15,768	1,517,329	1,277,403	2,989,531
Quairading	4	983	362,188	436,429	453,967
Ravensthorpe	11	1,603	835,880	1,038,698	985,547

Local Government	ARIA++ Town Score	2020 Population	Original Location Assessment	Scenario 1	Scenario 2
Rockingham	0	0	0	0	0
Sandstone	16	78	1,130,436	1,503,559	1,137,718
Serpentine-Jarrahdale	0	0	0	0	0
Shark Bay	14	962	1,018,065	1,311,925	1,107,884
South Perth	0	0	0	0	0
Stirling	0	0	0	0	0
Subiaco	0	0	0	0	0
Swan	0	0	0	0	0
Tammin	6	394	409,685	527,613	446,471
Three Springs	7	559	515,188	660,481	567,380
Toodyay	2	4,513	363,321	270,999	107,206
Trayning	8	343	581,087	758,561	613,111
Upper Gascoyne	16	290	1,134,859	1,499,430	1,161,935
Victoria Park	0	0	0	0	0
Victoria Plains	6	911	443,866	548,739	528,923
Vincent	0	0	0	0	0
Wagin	4	1,793	381,181	423,447	548,587
Wandering	4	430	297,605	376,471	273,203
Wanneroo	0	0	0	0	0
Waroon	1	4,276	304,222	203,409	61,557
West Arthur	4	789	302,071	365,447	257,295
Westonia	10	300	685,853	900,282	713,862
Wickepin	5	720	406,053	507,353	473,276
Williams	4	1,023	300,826	352,721	242,770
Wiluna	14	691	1,004,761	1,307,002	1,069,277
Wongan-Ballidu	5	1,268	430,235	513,681	548,624
Woodanilling	6	428	407,464	523,045	447,425
Wyalkatchem	6	483	433,410	555,038	478,506
<b>Wyndham-East Kimberley</b>	<b>9</b>	<b>7,337</b>	<b>1,038,865</b>	<b>1,038,171</b>	<b>1,723,895</b>
Yalgoo	13	354	948,287	1,247,641	981,338
Yilgarn	9	1,135	699,348	878,788	805,319
York	1	3,618	290,396	216,093	85,073
<b>TOTAL</b>		<b>558,208</b>	<b>79,196,450</b>	<b>79,196,450</b>	<b>78,993,796</b>