HUNTER JOINT ORG.

COLLABORATION OF HUNTER COUNCILS

# Submission:
## Financial Assistance Grants Draft Methodologies

9 October 2026

4 Sandringham Avenue, Thornton,
NSW 2322 - 02 4978 4020
www.hunterjo.nsw.gov.au

Linda Scott
Chair, NSW Local Government Grants Commission
E: grantscommission@olg.nsw.gov.au

9 October 2026

Dear Linda,

**Re: Submission to draft Financial Assistance Grants Distribution Methodology**

The Member Councils of the Hunter Joint Organisation (Hunter JO) welcome the opportunity provided by the NSW Local Government Grants Commission to provide input to the draft methodologies for the distribution of NSW Financial Assistance Grants.

The Hunter JO is the statutory Local Government entity established by the NSW Government, through the *NSW Local Government Act 1993,* to support the ten member Councils of the Hunter Region to work together for better rural and regional outcomes, and to enhance the way Local and State Governments work together to plan and deliver important regional infrastructure and investment.

Member Councils of the Hunter JO include:

- Cessnock City Council
- Dungog Shire Council
- Lake Macquarie City Council
- Maitland City Council
- MidCoast Council
- Muswellbrook Shire Council
- City of Newcastle
- Port Stephens Council
- Singleton Council
- Upper Hunter Shire Council

The core statutory functions established by the NSW Government for the Hunter JO and joint organisations more broadly across NSW include:

1. Strategic planning and priority setting
2. Intergovernmental collaboration
3. Shared leadership and advocacy

Financial sustainability achieved through reformed funding processes and secure financial models is a core strategic priority of the Hunter JO Strategic Plan 2035. This includes advocating for more equitable and efficient funding models that enhance the long-term financial capacity of Local Government to deliver essential services to their communities.

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Hunter JO has developed the following submission in direct consultation with the Hunter JO Board of Mayors and drawing on our long-standing regional advocacy work in this area. The submission:

1. Notes that the current proposed methodology achieves an outcome where some member councils receive an increase in their 2027/28 FA Grant while others receive a significantly reduced amount.
2. Notes that the lack of transparency and clarity on the current proposed methodology increases uncertainty for Councils and significantly impacts the ability of Councils to effectively plan and resource services, projects and priorities for their communities through the Community Strategic Plan, Delivery Program and associated long term resource strategies such as the Long Term Financial Plan.
3. Focuses on:
    - A call to action for the Commission to provide greater transparency around the proposed methodologies for both the general purpose & roads components of the Financial Assistance Grants without pausing the current process.
    - Bringing to the attention of the Commission the specific concerns shared by the Member Councils with the current draft methodologies, as outlined in the submission.
4. Reiterates the Hunter JOs existing position that FA Grants should be increased to an amount that equals no less than 1% of current Commonwealth taxation revenue.

***NB Lake Macquarie City Council has requested that their dissension to the information provided in the submission be noted.***

I encourage you to consider the information provided in the submission and would welcome the opportunity to further discuss with you.

Should you have any further queries please don't hesitate to contact Steve Wilson, Executive Officer Hunter JO on M 0448 401 436 or E stevew@hunterjo.nsw.gov.au.

Yours Sincerely,

Cr Sue Moore
Mayor Singleton Council
Chair Hunter Joint Organisation

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# SUBMISSION

## Draft Financial Assistance Grants Distribution Methodology

9 October 2026

## Introduction

The Local Government Grants Commission (LGGC) is currently consulting on proposed changes to the methodologies (i.e. general purpose & roads components) for allocating Financial Assistance (FA) Grants among NSW councils.

The anticipated funding impacts across the Hunter JO Member Councils arising from the proposed methodologies (i.e. general purpose & roads components) vary significantly, which has made it challenging to prepare a consensus-based position (as has been the case more broadly across NSW Councils) addressing either the outcomes or timeframe of their implementation.

This is because a position advocating for the interests of councils that stand to receive less funding would be advocating against the financial interests of member councils that stand to benefit from the proposed methodologies. Conversely, advocating for the proposed methodologies as they stand could materially disadvantage those member councils who would experience significant reductions in funding. Similarly, while pausing or transitioning implementation of the proposed methodologies could assist some member councils manage the projected budgetary impacts that are forecast, this could be to the detriment of other councils historically disadvantaged by the existing distribution methodologies, as it would delay the provision of much needed funding.

Consideration of these challenges occurred through an Extraordinary meeting of the Hunter JO Board held on 6th October 2026, convened to confirm a regional position from the Hunter JO on the draft methodologies. From this meeting it was resolved:

> *That the Hunter JO Board endorse the Hunter JO providing a submission to the NSW Grants Commission reflecting the aligned concerns of the Hunter JO Member Councils regarding the proposed methodology for Financial Assistance Grants (FA Grant) covering the following points:*
>
> 1. *Notes that the current proposed methodology achieves an outcome where some member councils receive an increase in their 2027/28 FA Grant while others receive a significantly reduced amount.*
> 2. *Notes that the lack of transparency and clarity on the current proposed methodology increases uncertainty for Councils and significantly impacts the ability of Councils to effectively plan and resource services, projects and priorities for their communities through the Community Strategic Plan, Delivery Program and associated long term resource strategies such as the Long Term Financial Plan.*

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3. *That the regional submission focuses on:*
    - *A call to action for the Commission to provide greater transparency around the proposed methodologies for both the general purpose & roads components of the Financial Assistance Grants without pausing the current process.*
    - *Bringing to the attention of the Commission the specific concerns shared by the Member Councils with the current draft methodologies, as outlined in this report.*

***4.*** *Reiterates its existing position that FA Grants should be increased to an amount that equals no less than 1% of current Commonwealth taxation revenue.*

In line with the resolution, this submission focuses predominantly on shared concerns around the overall transparency of the proposed methodologies as well as more specific concerns with particular data inputs and modelling within the methodologies.

**NB Lake Macquarie City Council has requested their dissension to the information provided in the submission be noted.**

## Shared concerns and recommendations

Transparency of data inputs and modelling

The overarching shared concern identified by Hunter JO member councils is the lack of transparency and clarity of the proposed methodologies and the data inputs and modelling that underpin them. As a result, this directly increases uncertainty for Councils and significantly impacts their ability to effectively plan and resource services, projects and priorities for their communities through the Community Strategic Plan, Delivery Program and associated long term resource strategies such as the Long-Term Financial Plan.

While anticipated changes in funding from the proposed methodologies have been provided to each Council by the Local Government Grants Commission (LGGC), it is not possible from the nature and transparency of information currently available, to evaluate the impact on future allocations arising from changing circumstances. For example, while the proposed methodologies may currently be forecasting an increase in funding for a Council, it cannot be determined whether an unforeseen event such as a natural disaster may in fact cause a decrease in funding in future years.

Beyond the overall transparency of the formula, more specific shared concerns with the data inputs and modelling included in the proposed methodologies focus on:

1. Transparency of the methodologies
    - Inability to interrogate the methodologies
    - Correction factors

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2. Revenue Criteria
    - Inappropriate revenue streams
    - Natural disaster funding
    - Discontinued revenue programs
    - Capacity to raise revenue

More detailed information on these shared concerns and recommendations is provided in Appendix 1.

<u>Return to 1% of Commonwealth Taxation Revenue</u>

While Councils have been invited by the LGGC to provide advice on the specific methodologies that are proposed, the concerns and challenges arising from the proposed redistribution are emblematic of the broader systemic, nation-wide financial strain local government is experiencing. This underscores the broader and urgent need for expanded funding overall. It is for this reason that this submission is reiterating to the LGGC the existing and long-standing position of the Hunter JO that Financial Assistance Grants be increased to an amount that equals no less than 1% of current Commonwealth taxation revenue.

We are calling on the NSW Government to partner with local councils, and advocate to the Federal Government for a return of Financial Assistance Grants to 1% of Commonwealth taxation revenue.

**Appendix 1: Shared concerns with proposed methodologies.**

| Focus Area | Description |
|---|---|
| **Transparency of Methodologies** | *Inability to Interrogate the methodologies*<br>• Commitments were previously made by the LGGC to build transparency around the distribution methodologies.<br>• While efforts toward this objective are welcomed, there remains considerable ambiguity regarding the drivers within both the proposed and existing methodologies and their impact on funding outcomes.<br>• Importantly, there is a need to get a weighting breakdown for both the existing and proposed methodologies, to be able to effectively quantify the impact of the proposed change from the old to the new. Having a better understanding of the imperfect features / outcomes of both existing and proposed models is important information to assist Councils provide advice and choose between them.<br>• The Grants Commission modelled alternative distribution models as part of their initial review work, however these alternative models have not yet been made available for review by the sector, nor the decisions on why the current methodology was chosen.<br>• The inability to access and interrogate the detailed assumptions, formulas and calculations within the draft methodologies makes it impossible for Councils to understand the mechanisms that are driving changes, or to effectively evaluate the logic of the draft methodologies on their organisations as local conditions and circumstances change over time. |
| | *Correction Factors*<br>Caution is recommended around the use of arbitrary correction factors to reach a predetermined objective / outcome. This has been a detrimental feature of the existing distribution methodologies currently in place.<br>For example, in the proposed new model it appears that an arbitrary value from the Accessibility/Remoteness Index of Australia (ARIA) has been determined to allow the fourteen far western councils to be no worse off. Our submission does not question the need for ensuring these Councils are no worse off given the substantial financial sustainability challenges they face |

| Focus Area | Description |
|---|---|
| | but does caution against arbitrary correction factors being utilised and increasingly applied over time which could again lead to distortions in the outcomes generated from the distribution methodologies. |
| **Revenue Criteria** | *Inappropriate revenue streams*<br>The current methodologies take into account revenue streams for Councils that are not considered appropriate. This is because Council's have no direct control over these revenue settings, or because the funds generated are not available to Councils for the delivery of core community services and infrastructure. Examples include:<br>1. Fees, charges and levies collected by Councils solely or substantively on behalf of the NSW Government, where no or limited funds are returned to councils. For example, from the NSW Waste Levy collected by Hunter councils, less than 5% is returned to Councils. For City of Newcastle alone, this return is less than 1%.<br>2. Revenue from Council owned entities that effectively operate as independent entities (e.g. Newcastle Airport), over which Councils have no direct management or financial control, nor do they directly receive the revenue generated by these independent entities. Instead, consideration should be applied for any dividends that may be received by councils that can be used for operational expenditure. |
| | *Natural Disaster Funding*<br>The inclusion of natural disaster funding in the revenue calculation is not considered appropriate, given these grants are not provided to support delivery of normal services, but to simply restore assets and facilities to their previous condition following an extreme disaster event. |
| | *Discontinued grant programs*<br>The inclusion of discontinued grant funding programs in revenue calculations is not appropriate. A notable example of this in the Hunter Region is the Royalties for Regions program. While previously providing an important source of revenue to Councils |

| Focus Area | Description |
|---|---|
| | to support communities offset the impacts of mining, this program has been discontinued by the NSW Government and no alternative funding provided. Its inclusion in revenue calculations therefore distorts outcomes regarding councils ability to raise revenue. This is just one example of a grant that could change from year to year, impacting the modelling and outcome. |
| | *Capacity to Raise Revenue*<br><br>Utilising household income levels determined from ABS Census data can be an acceptable indicator of affordability and therefore capacity to pay. However, 'capacity to pay' is not currently an accepted justification that drives an approval to raise rates through Special Rate Variation processes. As such, using that assumption as a precursor for the raising of rates is questionable and therefore in need of a further explanation / clarification from the Commission.<br><br>For example, while Cessnock City Council's community was assessed as having the 'capacity to pay', the Independent Pricing and Regulatory Tribunal (IPART) ultimately rejected the council's Special Rate Variation (SRV) application. |