

MEDIA RELEASE: FEDERAL POLICY PROPOSAL

FEDERAL POLICY PROPOSAL Fairer Financial Assistance Grants for Regional Councils

Local Government plays a critical role in delivering essential services and maintaining infrastructure across Australia. However, not all councils face the same challenges. Regional and rural councils are responsible for managing vast road networks, community assets, and essential services across large, sparsely populated areas — often with a limited ratepayer base and fewer opportunities for local revenue generation.

This policy calls for a structural reform and funding increase to the Commonwealth's Financial Assistance Grants (FAGs) program, to provide more equitable and sustainable support for regional councils that are struggling under disproportionate infrastructure and service burdens.

The Current Challenge

Metropolitan councils, concentrated in high-density urban areas, are able to generate substantial income from rates, commercial development, and parking or service charges. They service more people in a smaller footprint, with fewer kilometres of roads, bridges, water mains, and waste networks per capita.

In contrast, regional councils may oversee tens of thousands of square kilometres, with just a few thousand residents contributing to the local rates base. These councils are often responsible for hundreds, sometimes thousands, of kilometres of local roads, often unsealed and impacted by extreme weather. Yet they receive a similar level of core federal funding per capita as metro areas.

This imbalance places enormous pressure on regional councils to either raise rates on low-income communities, defer maintenance, or cut services entirely. Over time, the result is widening inequality between city and country in terms of infrastructure quality, liveability, and local government viability.

Policy Objectives

This proposal recommends an increase to the national Financial Assistance Grants pool, alongside reform of the current funding formula to better reflect the real-world costs of delivering services in rural and regional Australia.

We propose:

- Lifting the FAGs pool to at least **1% of Commonwealth Tax Revenue**, restoring it to levels seen before 1996.
- Adjusting the funding distribution formula to place greater emphasis on road length, infrastructure costs per capita, and ratepayer density.
- Introducing a **Regional Equity Loading** for councils servicing areas over 7,500 square kilometres with fewer than 20,000 residents.
- Establishing a supplementary fund to address infrastructure backlogs in councils with high road maintenance costs and low own-source revenue.



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Why This Matters

Fairer funding for regional councils isn't just an accounting issue — it's a matter of equity, sustainability, and national cohesion. Local government is often the only level of government physically present in rural areas, and when councils are forced to under-invest, communities suffer. Roads deteriorate, waste systems fail, town water becomes unreliable, and local services disappear.

Regional Australia already contributes significantly to the national economy through agriculture, energy, and manufacturing. It's time federal funding mechanisms reflected the cost of keeping those communities viable.

By improving Financial Assistance Grants, we give councils the tools they need to maintain infrastructure, attract and retain staff, and deliver for the people who call these communities home.

Alignment and Support

This policy aligns with the ongoing advocacy of the Australian Local Government Association (ALGA), which has long campaigned for FAGs to be restored to 1% of federal tax revenue. It is supported by regional councils across NSW, Victoria, South Australia, and beyond, and builds on Productivity Commission findings that identified vertical fiscal imbalance as a key barrier to effective local governance in rural areas.

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