



# Queensland Government

## Queensland Treasury Response to Commonwealth Grants Commission Draft Report

### **General Issues**

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### ***Treatment of Commonwealth Payments***

Significant changes have occurred in the range and delivery of Commonwealth payments to states, including National Agreements and National Partnership payments. The *Inter-Governmental Agreement on Federal Financial Relations* signed by the Council of Australian Governments in 2008 contained directions on the treatment of Commonwealth Payments by the Commission.

Queensland has sought to assist the Commission obtain clear direction, through its Terms of Reference, on how to deal with Commonwealth Payments, and understands the Commission will be given further direction in its final Terms of Reference.

### ***Three year versus Five year averaging***

Queensland understands the Commission is seeking to make its processes contemporaneous. For example, it has proposed using a direct assessment method in the assessment of Capital, where in the past it used the backward looking, and more problematic, Debt Charges approach. The Commission is seeking to have assessments reflect the current fiscal circumstances of states, using the most up to date data.

In the context of the Commission's move to make its process more up to date, the proposed move from five-year averaging to three-year averaging is an appropriate part of the 2010 Review package.

### ***Timing of Next Review***

The Draft Report raised the prospect of conducting a 'mini review' to report in 2013 to align with the availability of 2011 Census data. The 'mini review' would only address issues the Commission or states consider topical. States are unlikely to reach a consensus on the topical assessments for consideration, with the risk a 'mini-review' would have a similar scope of a full Review. Census data can be utilised in the annual updates as they become available as occurred with the 2006 Census.

Queensland considers that there is little merit in attempting to complete a review so soon after the 2010 Review, and suggests if regular reviews are to be continued that the next review should be in 2015, or if aligning to the Census is considered important, 2018.

### ***Transitional Arrangements***

If transitional arrangements become an issue, it discussions will be between the Commonwealth and State Governments, discussion of the matter is not required in the 2010 Review Final Report.

### ***Scope of Equalisation***

The 2010 Review has not expanded the scope of equalisation, but the amended definition more accurately reflects what the Commission seeks to achieve. What some states view as a major change to the Commission's processes, and therefore the scope of equalisation, is simply a new way of addressing issues that have been assessed in the past. Capital was included in the Commission's assessment in a partial way in the 2004 Review, through the assessment of debt charges and depreciation. However, the debt charges methodology was not able to reflect what states do, and had to change. By considering the best way to reflect what states do, the Commission was able to identify clearly and specifically what it had and continues to seek to achieve through equalisation.