Commonwealth Grants Commission

STATE FINANCES DIVISION

9.30 am — 1.15 pm 21 September 2016
held at the commission's offices, Canberra

Present:	Chairperson	Mr G J Smith
	Members	Dr L Williams
		Prof J Petchey

The Chairman opened the meeting and welcomed Dr Lynne Williams to her first Commission meeting.

MINUTES

1. The minutes of the State Finances meeting held on 17 August 2016 were accepted.

Actions arising

The Commission noted the following:

- A paper will be sent to members before the next Commission meeting discussing the results of the updated wages assessment based on the new ABS Compensation of Employees data from the 2015 Survey. Commission approval to send the results to States will be sought.
- The Commission paper on Changes in State budgets 2000-01 to 2014-15 has been posted on the web.
- The What States do papers on Payroll tax, Stamp duty on conveyances, Community health and Roads have been posted on the CGC Cloud.
- The Commission web site now includes simplified presentations on federal financial relations and the work of the Commission, along with additional text describing fiscal equalisation.

The Commission asked that further consideration be given to adding material (of no more than 2-3 pages) in a graphical/tabular form to draw together the framework that guides HFE.

2017 UPDATE

2. AP 2016-37 2017 Update – report structure and work plan

The Commission considered the paper and agreed:

- to the proposed structure of the report
- to use the proposed structure for all updates until the next review, with the flexibility of adding chapters as circumstances require
- to the proposed content on the CGC website
- to the proposed update work plan
- that all supporting information be a Commission staff responsibility.

3. AP 2016-38 Natural disaster relief expenses

The Commission noted the issues regarding the natural disaster relief expense assessment and indicated its intention to consider the issue later in the update process when more information is available regarding the Commonwealth's assurance processes.

Pending further information on the outcome of the assurance processes, the Commission expressed an inclination to include State estimates, in particular for 2015-16, in the update, with the proviso that any changes to relevant years would be fully incorporated into a future assessment.

2020 REVIEW

4. AP 2016-34 Identifying area based expense indicators

The Commission considered the paper and approved a program of further work that will include:

- examining the appropriateness of using ICSEA as an indicator of socio-economic status in schools
- attempting to quantify differences between capital cities that affect the cost of services.

The Commission agreed:

- to continue to measure socio-economic status with IRSEO for the Indigenous population and NISEIFA for the non-Indigenous population for all assessments currently using these measures, unless subsequent work determines ICSEA to be a more appropriate measure for the Schools education assessment
- to continue to measure remoteness using ABS remoteness areas.

5. AP 2016-39 Revisiting the urban transport and infrastructure models

The Commission considered the paper and agreed to a consultancy in relation to the urban transport recurrent and infrastructure assessments. The Commission noted that the current approach is significantly influenced by expenses and investment in Sydney and Melbourne, and suggested that the consultant be asked to look at overseas experience (comparable overseas cities) as a way of testing the Australian results.

The Commission also suggested that a consultant be sought for a scoping study prior to going to a full consultancy. The scoping study should cover, among other things, the availability of reliable financial data and its suitability for use in Commission modelling of urban transport subsidies and investment.

In addition, the Commission asked that the consultancy include an investigation of the substitutability of urban roads and urban transport investment and expenses.

6. AP 2016-31 Raising revenue – a global revenue assessment?

The Commission noted the paper. It asked staff to bring forward a future paper on options for a global assessment of the less volatile revenues including, but not limited to, insurance taxes and other revenue.

7. AP 2016-40 What States do – mining

The Commission noted the way States raise mining revenue. It agreed that the factual part of the paper (excluding discussion of assessment issues and recommendations) be uploaded to the CGC Cloud for access by States.

The Commission approved a program of further work which would examine:

- the impact of a more contemporaneous mining assessment
- ways of assessing average policy when there are production bans in some States
- whether any elasticity effects are material and, if they are, whether it is possible to quantify them reliably.

8. AP 2016-32 What States do – motor taxes

The Commission noted the way States raise motor taxes. It agreed that the factual part of the paper (excluding discussion of assessment issues and recommendations) be uploaded to the CGC Cloud for access by States.

The Commission approved a program of further work which would examine:

- the treatment of revenue raised to support a National Injury Insurance Scheme
- the split of State annual registration fees between heavy and light vehicles
- whether any progressivity effects are material
- whether any elasticity effects are material and, if they are, whether it is possible to quantify them reliably.

The Commission asked staff to include in a future proposed assessment paper analysis on the sensitivity of changing the split of State revenue between heavy and light vehicles.

9. AP 2016-33 What States do – housing

The Commission noted the paper. It approved a program of future research that would examine:

- whether Census or AIHW data provide a better basis for the assessment
- whether community housing should be assessed separately from State-owned and managed housing
- whether the size of the Indigenous cost weight remains appropriate and whether there is a case to apply the Indigenous cost weight also to the depreciation and capital assessments
- how much of State expenses is accounted for by State funding going into affordable housing projects and the relative importance of affordable housing in the total mainstream community housing stock
- whether the equal per capita assessment of first home owner related expenses remains appropriate
- subject to State views, the merits of reallocating homelessness expenses to the Housing category.

10. AP 2016-42 What States do – school education

The Commission noted the paper. It agreed that the factual part of the paper (excluding photos, discussion of assessment issues and recommendations) be uploaded to the CGC Cloud for access by States.

The Commission approved a program of future work which includes:

- revisiting our approach to measuring the effect of socio-demographic groups on the cost of school education.
- simplifying, or abolishing, the assessment of transport of school children
- preparing a discussion paper which resolves the assessment issues related to differences between States identified in the paper.

OTHER MATTERS

11. AP 2016-43 Work program for the next twelve months

The Commission considered the paper and approved the proposed work plan, noting that it is subject to change depending on when terms of reference are received. The Commission agreed to a set of meeting dates through to the end of February 2018.

FUTURE MEETINGS

The next meeting will be held on 26 October 2016.

The Chairperson closed the meeting at 1:15pm on 21 September 2016.

Read and confirmed

G J Smith
Chairperson