COMMONWEALTH GRANTS COMMISSION

STATE FINANCES DIVISION

9.30 am — 3.00 pm 3 May 2017

Meeting held at the Commission's offices, Canberra

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

MINUTES

1 The minutes of the State Finances meeting held on 22 March 2017 were accepted.

Actions arising

2 The Commission noted the following.

- The Secretary sent a revised 'indicative' work program to States on 24 March 2017, with an explanation of how it should be understood.
- On 24 March 2017, staff circulated a revised outline to Commissioners of the staff discussion paper on the principle of HFE, supporting principles and their implementation, to be prepared for the May meeting.

2017 UPDATE

AP 2017-17 Review of the 2017 Update process

3 The Commission noted that States were generally happy with the update processes and the report. It thanked staff for their efforts. It agreed that staff should continue the approaches adopted in the 2017 Update with regard to data requests, sending the outline of the report, maintaining the report structure as far as possible and in dealing with the update of the assessment system on line. It agreed that staff should respond to States on their feedback, including giving them an undertaking that the

Commission will be as timely as possible in providing States with advice on major changes.

2020 REVIEW

Productivity Commission review of economic impact of horizontal fiscal equalisation

4 The Commission noted it had current terms of reference from the Treasurer requiring it to report on a review of methods by February 2020. It therefore concluded that, despite the PC inquiry, it needed to conclude the work on the HFE objective and supporting principles this year so that the review could be finished by the due date. It also considered providing its latest views and research on HFE would assist the PC in its inquiry.

5 The Commission asked staff to write to States advising that the Commission believes it has no choice but to continue the review process:

- acknowledging the PC inquiry and recognising that it may lead to supplementary terms of reference for the Commission
- recognising that the two concurrent inquiries will stretch State resources and that States may need to prioritise their contributions to both
- proposing changes to the work program to facilitate the publication of Commission views on the HFE objective and supporting principles and their implementation, based on the current IGA and terms of reference, hopefully by the end of September:
  - the initial staff paper on HFE and its supporting principles would be released to States in mid-May and State submissions would be due by end July as proposed
  - bilateral discussions between the Commission and State Treasurers and Treasury staff on State submissions would be held in August and early September
  - the Commission paper on HFE and the supporting principles would be brought forward to the end of September
  - the proposed teleconferences between Commission staff and State Treasury officers would be moved to October and November
- proposing that States would have a further opportunity to provide submissions to the Commission on the approach to the review, the objective(s), supporting principles and their implementation after the Productivity Commission has reported and the Government has dealt with its findings. This may take place

instead of optional submissions on the Commission's paper on HFE and its implementation by the end February

AP 2017-16 Staff discussion paper – The principle of HFE and its implementation

6 The Commission noted the paper and provided editorial comment. It asked that the introductory section be reworked to describe the Commission's process for considering the principle of HFE and its implementation in the review, acknowledging the inquiry to be undertaken by the Productivity Commission.

7 The Commission asked that State views expressed (other than those on process) not be attributed to individual States. It said that as this was a fresh review States should not feel constrained by previously expressed views. The Commission decided that the issue covered in the 'Comparable effort' section would be more appropriately addressed later in the review as an assessment question.

AP 2017-13 Staff research paper – Achieving HFE – other approaches to distributing the GST

8 The Commission noted the paper and provided editorial comment. It asked staff to review the assumptions underpinning the actual per capita distribution.

9 The Commission agreed to release the revised paper to States.

AP 2017-14 Staff research paper – Options for improving contemporaneity

10 The Commission noted the paper and provided editorial comment. It asked staff to exclude analysis if it was affected by a change in assessment methods.

11 The Commission agreed to release the revised paper to States.

AP 2017-15 Staff research paper – State mining policies

12 The Commission noted the paper and provided editorial comment.

13 The Commission agreed to release the revised paper to States.

AP 2017-08 Consultancy proposal – Elasticity adjustment feasibility study

14 The Commission noted the paper. The Chairperson recused himself from decisions on the paper lest there be any possible conflict of interest arising from his role as member of the advisory board for the Tax and Transfer Policy Institute.

15 The remaining Commission members agreed that staff should:

- proceed with the scoping study according to the proposed statement of requirements and approach proposed in the paper
- inform States of the Commission's intention to engage the Tax and Transfer Policy Institute at the ANU to undertake the work and invite State comments on the proposed statement of requirements should they wish.

AP 2017-10 What States do – Services to industry

16 The Commission noted the paper and agreed to release the factual part of the paper to the States for comment. The Commission noted that some of the data in the paper are confidential which could limit the distribution of the paper more broadly.

FUTURE MEETINGS

17 The next Commission meeting will be held on 26 July 2017.

18 The Chairperson closed the meeting at 3.00 pm on 3 May 2017.

Read and confirmed

G J Smith

Chairperson