Commonwealth Grants Commission

STATE FINANCES DIVISION

9.00 am — 4.00 pm 10 February 2015

held at the Commission's offices, Canberra

Present:	Chairperson	Mr G J Smith
	Members	Mr G P Appleyard
		Ms P Faulkner AO
		Ms J Menzies
		Prof J Petchey

MINUTES

1. The minutes of the State Finances meeting held 28 January 2015 were accepted.

Actions arising

- The Commission noted that a letter had been sent to the ACT Treasury, copied to all States, advising it could not provide preliminary results at this stage of the review because it was still considering its response to the Western Australia contemporaneity issue and the supplementary terms of reference now asks the Commission to report only to the Treasurer on 28 February.
- The Commission noted that submissions had been received on the issues raised in the letter from the Treasurer from all States but Victoria, and on the possible options to improve contemporaneity suggested by Commission staff from all States but Queensland and the ACT. All three States had advised that their previous views on the issues stood and they had nothing further to add.

2015 REVIEW

2. Response to Treasurer's letter

The Commission considered the draft response and asked that it be restructured. It asked that the response note that the Commission was aware that the options considered were not exhaustive, but represented those the Commission considered appeared practical and

potentially reliable. It asked that these options, possibly with relativities, be moved from the attachment to the main body of the response. It also asked that the covering letter to the Treasurer be expanded to address some of the main points considered by the Commission. It asked that a further draft be provided at the next meeting.

3. AP 2015-08 2015 Review report – final draft

The Commission considered the draft of the final report and provided staff with comments on the content and structure. It also requested editorial and wording changes.

It asked staff to provide a revised draft of Volume 1, except Chapter 5, for the next meeting. It agreed that the Chairman should approve the changes to be made to the rest of the report.

In considering the draft of the final report, the Commission again reviewed assessments. It decided to make the following changes.

- The Commission revised the location adjustments for Western Australia from $65 million to $70 million, Tasmania from -$25 million to -$30 million and the ACT from $20 million to $30 million. It confirmed that the Northern Territory's adjustment should remain at -$50 million. This was based on revised and rounded calculations of a proportion of the GST each State would have received, had its capital city been classified as one classification less or more remote under the ABS remoteness classification.
- The Commission decided it should adjust the substitutability proportion for Community Health from 65% to 70%.
- The Commission decided the proxy indicator for economic environment (bulk-billed GPs) in the Community Health component should be discounted by 25%. It considered the indicator less appropriate for community health than for emergency department presentations, where it is not discounted.
- The Commission decided a 12.5% discount should be reintroduced in the Net borrowing assessment because there continued to be some uncertainty that all appropriate disabilities had been recognised. It noted treating urban transport and housing as general government activities reduced but did not remove the uncertainties about the assessment, justifying a reduction in the discount from the 25% discount in the 2010 Review to 12.5%.

FUTURE MEETINGS

The next Commission meeting will be held on 24 February 2015.

The Chairperson closed the meeting at 4.00 pm on 10 February 2015.

Read and confirmed

G J Smith
Chairperson