Commonwealth Grants Commission

STATE FINANCES DIVISION

9.00 am — 4.00 pm on 24 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 on 10 February 2015 were accepted.

2015 REVIEW

2. Response to the Treasurer's letter

The Commission confirmed that its advice to the Treasurer should be that it could not recommend an alternative approach to the current system which achieved both HFE and a GST distribution in the application year which more closely reflected the fiscal capacities of the States in that and future years. It also decided to include illustrative relativities though not relating to any specific alternate approach, in the response.

It confirmed the basic structure of the response but asked for redrafts of some sections:

- to clarify how the Commission was interpreting the Treasurer's letter
- to make it clearer that HFE is the basis of the Commission's advice
- to clarify the purpose of the illustrative relativities.

The Commission considered a second draft of the response and agreed to further drafting changes. It agreed the Chairman should clear these final changes before signing and sending the letter to the Treasurer by 28 February 2015.

4. AP 2015-09 Final report

The Commission considered a final draft of Volume 1 of the report and agreed to a number of drafting changes which it decided the Chairman should clear.

Members asked that the report and the response to the Treasurer be placed on the Commission's cloud on Friday for their access.

OTHER MATTERS

5. Email received from Western Australia on 17 February

The Commission noted the content of the email and that staff had responded to Western Australia. It also asked that the matters raised be dealt with adequately in the report and in the response to the Treasurer.

6. Reflections on the review process

The Commission reflected on the review process and concluded the following.

- At the start of any review, an environmental scan should be undertaken to identify the important issues for the review, whether they be matters of principle or assessment. For example, the issue of contemporaneity may need to be revisited as well as the measurement of remoteness and the transport and wages assessment.
- In the next review it would be important to consider from first principles what we are doing and why. The first part of the review could focus on this and the second part the development of the detail of assessments.
- Careful consideration would need to be given to the forms of consultations undertaken with States:
  - A high level conference to which academics and States could be invited to assist in identifying the major issues and options for dealing with them.
  - Functional conferences of experts might be considered.
  - State visits would need to be carefully designed to obtain maximum benefit for the Commission in relation to what it considers are the major issues.
- Commission meetings with fuller discussion of the issues could be held.

The Commission noted that State views on the process would be sought and an internal staff review of process would also be conducted.

7. Commissioner Appleyard

The Chairperson noted that this was likely to be Glenn's last meeting. He acknowledged and thanked him for his exemplary contribution to the work of the Commission over the last 11 years. He noted Glenn was extremely knowledgeable about the work of the

Commission and a pleasure to work with. On behalf of the Commission, the Chairperson wished Glenn all the best for the future.

Mr Appleyard responded that it had been a pleasure working as a Commissioner. He noted that he had enjoyed the collaborative style of the Commission and found it highly stimulating and a pleasure to work with current and past members. He also acknowledged the assistance and support provided by staff.

8. Appreciation of contribution of staff to the review

The Commission thanked staff for their work on the Review, noting their professionalism and dedication.

FUTURE MEETINGS

The Commission agreed to the following meeting dates in 2015-16. It noted that, while some meetings may not be required, the dates should be reserved to ensure the Commission can deal with potential work for the period, such as the wages assessment and a possible update.

28 April

27 May

24 June

20 August

6 October

18 November

14 December

19 January

9 February

23 February

The Chairperson closed the meeting at 4.00pm on 24 February 2015.

Read and confirmed

G J Smith
Chairperson