Commonwealth Grants Commission

STATE FINANCES DIVISION

9.30 am — 1.30 pm on 24 June 2015
held at the Commission's offices, Canberra

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

MINUTES

1. The minutes of the State Finances meeting held on 27 May 2015 were accepted.

Actions arising

- The Commission noted that comments had been received from most States on the proposed work plan for the wages assessment in the 2016 Update. Based on these comments it confirmed the work plan.
- The Commission noted that the Green paper on the Reform of the Federation had been released and that three options relating to HFE and the distribution of GST were discussed.

2015 REVIEW

2. AP 2015-21 Western Australia's mining related expenditure data for the 2015 Review

The Commission noted the paper and agreed:

- staff should pass on Western Australia's mining related expenditure data to the other States
- staff should contact Western Australia to advise that the Commission had noted the receipt of the data and it had been passed on to the other States.

2020 REVIEW

3. AP 2015-16 History of the regional costs assessment

The Commission noted the paper and agreed the history part of it should be placed on the Commission's website. It asked that a brief introduction to the set of history papers be included on the webpage, explaining that they relate to areas of interest that have been raised in other fora.

It noted the focus for future work in this area, and endorsed the approach that staff proposed to take. It noted that:

- interstate differences in wages, or in policy, should not be captured in the regional costs assessment
- work on developing a cost related geography required large data sets
- different services can be delivered using different service delivery models and understanding these differences may improve the basis for any extrapolation from the impact of regions on costs in schools in the future.

4. AP 2015-17 Review of analysis in the 2015 Review

The Commission noted that it valued the analysis that split changes in the common years between impact of data changes and impact of method changes. It accepted staff advice that a comprehensive split was likely to be arbitrary and imprecise, but asked that such analysis be as available as practical.

It noted that the nature of the 2020 Review may determine what analysis could be undertaken, but under an assumption that the 2020 Review is somewhat like the 2015 Review, it would like to at least have major data revisions identified in text, even if the total impact of data changes could not be reliably measured.

The Commission decided that the grouping of disabilities adopted in the 2015 Review should be retained until the next review. Depending on how the Commission wishes to frame the drivers of the distribution of the GST at that time, the grouping may be considered over the course of the 2020 Review.

5. AP 2015-20 History of the gambling assessment

The Commission noted the paper and agreed the history part of the paper should be placed on the Commission's website.

2016 UPDATE

6. AP 2015-18 Wage costs assessment position paper and AP 2015-15 History of the wage costs assessment

The Commission considered that the position paper should be redrafted to:

- include material explaining how it formed part of the consultative process on a new wage assessment
- explain that, to facilitate that consultation, staff had consolidated currently available State views and evidence on key assessment issues and set out positions on each they were currently inclined to put to the Commission based on that evidence.

It noted that the paper would be circulated for final comment early in the week of 29 June, with comments due (out of session) by cob Friday of that week.

In discussing the paper, the Commission noted that:

- its underlying assessment related to wage costs, which included both consideration of average wages and the use of labour
- it wanted the paper to refer to a range of theoretical mechanisms outside of State control, such as compensating differentials, labour demand, attachment to place and the costs of moving that would explain why there may be differences in public sector wage costs for the average employee, at least in the short run
- observed public sector differentials would not be policy neutral
- it may not be important to determine why public sector wages differ but merely to observe that private sector wages differ for comparable employees and that, as this reflected the policy neutral wage level in a community, it may be a suitable proxy of public sector wage differences across States
- Western Australia has argued that a relationship between the public and private sector wages levels may not be a necessary precondition for the assessment.

OTHER MATTERS

7. AP 2015-22 National partnership on remote indigenous housing

The Commission noted that:

- staff are currently preparing a paper for the Commission on the appropriate scaling treatment of NPPs such as NPARIH
- it may be asked to consider the issue of the treatment of NPARIH funding at its August meeting.

The Commission said that it would prefer not to give advice on how it might treat a Commonwealth payment while it is still under negotiation. This is because until it knows the details of the arrangements that have been implemented, the Commission would find it difficult to provide reliable advice.

It asked that the Department of Prime Minister and Cabinet be advised of this and that, if there were new or better information on how the NPARIH operates (from either the

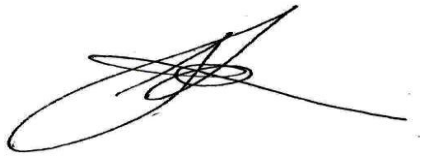
Department or the Northern Territory), then the Commission could reconsider the treatment of the payment in the 2016 Update of relativities.

FUTURE MEETINGS

The Commission noted the next meeting would be on 20 August 2015 and the papers likely to be presented.

The Chairperson closed the meeting at 1:30 pm on 24 June 2015.

Read and confirmed



G J Smith
Chairperson