Commonwealth Grants Commission

STATE FINANCES DIVISION

9.30 am — 2.05 pm 27 May 2015
held at the Commission's offices, Canberra

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

MINUTES

1. The minutes of the State Finances meeting held 24 February 2015 were accepted.

Actions arising

- The Commission noted that Glenn Appleyard had resigned.

2015 REVIEW

2. AP 2015-12 Media feedback on the 2015 Review report and response to Treasurer's letter

The Commission noted the paper. It agreed that it was not appropriate for the Commission to engage in the debate over whether its recommended relativities should be accepted. It noted the support given to HFE and the Commission in the letter to the Commonwealth Treasurer from seven State Treasurers.

3. AP 2015-13 Review of the review process

4. AP 2015-10 Commission work program 2015-16

Based on the Commission's experience with the 2015 Review, and to make full use of the time before receipt of any new terms of reference, it decided it wanted to engage early on issues relating to horizontal equalisation principles and architecture and on more detailed assessment questions later. It asked staff to bring forward papers on:

- HFE issues, such as:

- what we are trying to equalise (scope – government provided or all services in a State, what government services and revenues)
- alternative approaches/models to use to achieve HFE (simpler, partial, safety net, predictive)
- contemporaneity and the treatment of changes in federal relations, State circumstances and policies
- how should historical data be project forward to the application year
- what have been the important trends in HFE – how much redistribution and to which States, what have been the major drivers
- how should average policy be implemented
- what is meant by policy neutrality and what are the implications of assessment where this is not achieved
- should new review methods be phased in
- are we treating Commonwealth payments appropriately, particularly where one State refuses a payment?

- History papers, such as:
  - wages
  - regional costs and service delivery scale
  - administrative scale
  - gambling
  - economic development, including the impact of Commonwealth decisions on State use of resources
  - mining
  - the associated infrastructure used by States to deliver services.
- Assessment work planning, including:
  - Regional costs
  - Administrative scale
  - Health
  - Roads and transport
  - Gambling
  - User charges
  - Services to industry
- Information papers, such as:
  - Analysis of relativities and change
  - The budget analysis process
  - The assessment system and calculating relativities

- External content (web and cloud)

The Commission asked that staff prepare two different styles of agenda paper to allow it to deal with this work in a meaningful way:

- information or discussion papers with no recommendations
- briefer decision-making papers with recommendations

It also decided it would seek briefings on difficult issues when required.

For the next review, the Commission decided, again subject to terms of reference, it would aim to undertake a full comprehensive review of assessments if time permitted, but limit the assessments reviewed more strictly if the next review is to be conducted over a short time period. It would also seek to follow an iterative approach in the development of principles and more detailed methods.

In terms of consultation with the States, it would:

- seek to hold a meeting between State Treasurers and the Commission to commence the review, to allow Treasurers to put the issues they considered important on the table
- consider holding multilateral meetings with senior State officers on a small number of specific issues, including inviting third party experts
- adopt other approaches, such as hearings, as appropriate
- use teleconferences more sparingly
- provide a mix of bi-lateral and multi-lateral meetings with senior State officials and Commission staff
- as part of developing the work plan:
  - seek State views on the possibility of additional rounds of multi-lateral consultations, including giving States the opportunity to provide more initial input into the development of assessments
  - provide States with enough opportunity to provide their views through written submissions
- provide more specific responses to State positions in the draft and final reports to ensure States know the Commission has considered their arguments (to facilitate this, the minutes should record Commission decisions in more detail, including reasons for decisions, to provide better guidance for report preparation and quality assurance checks)
- undertake State visits, if time permits, but provide States with Commission-approved guidelines on how the visits should be framed; for example, each visit should be associated with an assessment issue which is likely to have an impact on HFE and Commissioners should not be required to interact with service clients

- advise States that, for practical reasons, a cut-off for Commission advice on its decisions and State comments will be implemented prior to release of the final report.

In terms of on-going research, it would:

- reconstitute the Data working party in 2016 to identify and explore data issues facing the Commission.
- use consultants throughout the review on a case-by-case basis to assist staff in developing methodologies and to validate assessments
- continue the current data collection protocols, including the current confidentiality arrangements
- not limit the use of confidential data because the Commission must use the best data available for measuring disabilities

It also noted that it would be desirable to improve community knowledge of the Commission's work, in particular, HFE principles and its methodology for determining GST distribution relativities. It proposed doing this by writing opinion pieces for publication and offering training sessions to State Treasury and other departmental officials.

5. AP 2015-11 Australian Government Reviews

The Commission noted the paper.

6. AP 2015-15 History of the wage costs assessment

The Commission noted the paper and agreed that it should be provided to States and placed on the web at the same time as the wages position paper is released.

2016 UPDATE

7. AP 2015-14 Wage costs review work plan

The Commission considered that the decision on the future of the wages assessment was largely an empirical one, but noted that most of the consultation would occur before new data were available.

It agreed that the ABS's timetable on the release of data meant that this was inevitable, and agreed to the proposed work plan.

FUTURE MEETINGS

The next meeting will be held on 24 June 2015.

The Chairperson closed the meeting at 2.05 pm on 27 May 2015.

Read and confirmed

G J Smith
Chairperson