COMMONWEALTH GRANTS COMMISSION

STATE FINANCES DIVISION

09.30 am — 1.20 pm 22 March 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 February 2017 were accepted after amendment.

Actions arising

2 The Commission noted the following.

- The 2017 Update was sent to the Treasurer and the States, under embargo, on 10 March 2017. It was also placed on the Commission's cloud.
  - The Report and accompanying material will be released publicly through the Commission's web site on 24 March 2017, subject to the advice of the Treasury.
  - Western Australia wrote to the Commission on 16 March 2017 requesting amendments to the 2017 Update report because of two 'errors'. These related:
    - to the correction to the Community Health adjustment error which Western Australia suggested was not an error because the way it was calculated in the 2015 Review was the way it was reported in the 2015 Review Report and
    - to the use of backcasting for the Student First funding which Western Australia considered inappropriate because the MYEFO distribution for 2017-18 was unreliable.

    The Commission rejected Western Australia's request because it considered the report circulated on 10 March was final so far as the

methods applied and the Commission decisions made were concerned. It concluded that the issues Western Australia raised did not constitute the late discovery of errors and the report would not be amended. It wrote to Western Australia in such terms on 17 March 2017.

  - The ACT had written advising the Secretary that it would raise the issue of reinstating a superannuation adjustment in the wages assessment because of the high cost of its PSS members in the 2018 Update. The Secretary proposed to write to the ACT, noting that the Commission would need to consider whether there was a data problem that would trigger the need for a method change as part of the 2018 Update process.

- The proposed 2020 Review work program was sent to States in a letter from the Secretary dated 24 February 2017.

2020 REVIEW

AP 2017-09 2020 Review final work program

3 The Commission considered the State comments on the draft work program and made some changes as a result. It agreed to the despatch of the indicative work program to the States with a letter from the Secretary explaining how the program should be understood.

Oral report on elasticity consultancy

4 Staff provided an oral report on the progress of the proposed elasticity consultancy. The Commission noted that staff had had preliminary discussions with researchers from the Tax and Transfer Policy Institute on possible ways to proceed with the project. It noted that staff would bring back a revised consultancy proposal following further discussions to determine whether a scoping study was necessary before proceeding with the full project.

AP 2017-06 HFE objective and supporting principles for 2020 review

5 The Commission noted the paper. It discussed changes to be made to it for the next iteration, which will become the draft staff discussion paper on HFE, supporting principles and their implementation, to be prepared for the May meeting.

6 In particular, the Commission asked for the paper to address the following.

- The implicit hierarchy in the supporting principles, including that practicality is a first order principle at all levels.

- The implementation aspects of the supporting principles, including the discounting framework and materiality thresholds.
- The assessment guidelines.
- The aspirational nature of full contemporaneity, and that in reality the system effectively provides an averaged set of completion grants with no advance, with the question being what is the most appropriate year or years to be completed.
  - States are to be explicitly asked for their preferred trade-offs in respect of contemporaneity for budget management purposes.

FUTURE MEETINGS

7 The next Commission meeting will be held on 3 May 2017.

8 The Chairperson closed the meeting at 1:20 pm on 22 March 2017.

Read and confirmed

G J Smith

Chairperson