



Australian Government


Commonwealth Grants Commission

2020 REVIEW

NEW ISSUES FOR THE 2020 REVIEW

**STAFF DISCUSSION PAPER
CGC 2019-01-S**

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Submissions sought by	<p>Submissions due by 22 November 2019. Email submissions in Word and PDF format to secretary@cgc.gov.au .</p> <p>Submissions of more than 10 pages in length should include a summary section.</p>
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BACKGROUND

- 1 This paper sets out new issues identified by Commission staff as relevant to the 2020 Review. We are seeking State and Commonwealth treasuries' views on staff proposals.
- 2 Please provide comments by 22 November 2019 to secretary@cgc.gov.au. The contact officer for queries is Priscilla Kan (priscilla.kan@cgc.gov.au or 02 6229 8849).

NEW ISSUES FOR THE 2020 REVIEW

- 3 The new issues for the 2020 Review include:
 - Welfare assessment — treatment of the National Disability Specific Purpose payment (SPP) following full transition to the National Disability Insurance Scheme (NDIS)
 - treatment of new Commonwealth payments.

WELFARE ASSESSMENT – TREATMENT NATIONAL DISABILITY SPP

Background

- 4 The change to arrangements for disability services is a major shift in federal financial arrangements.
- 5 In 2020-21, the application year for the 2020 Review, transition to the National Disability Insurance Scheme will be largely complete and the National SPP will cease. From 2020-21, Commonwealth support for disability services will be through payments to the National Disability Insurance Agency.
- 6 In the 2019 Update, the assessment of NDIS expenses in the Welfare category moved to full scheme implementation. The new issue for this update is how the National Disability SPP should be treated now that the scheme is fully implemented. Up to and including the 2019 Update, the National Disability SPP to the States has been treated as having an impact on the GST distribution.

Analysis

- 7 Staff consider that the National Disability SPP should have no effect on the GST distribution from 2020-21 to reflect the full implementation arrangements that will be in place in the application year. This will ensure symmetry in the treatment of the payment and the associated expenses and that the assessment reflects circumstances

in the application year. To achieve this, staff propose to assess the National Disability SPP on an EPC basis in the 2020 Review and until the payment drops out of the assessment years. This is expected to occur in the 2024 Update when the final payment to Western Australia in 2019-20 will drop out of the assessment window.

Staff propose to recommend that the Commission:

- assess the National Disability SPP on an EPC basis because in the application year all States will have largely completed their transition to the NDIS.

TREATMENT OF COMMONWEALTH PAYMENTS COMMENCED IN 2018-19

8 Staff have examined the Commonwealth payments that commenced in 2018-19, as listed in the Commonwealth's Final Budget Outcome 2018-19, and propose to treat them as set out in Attachment A, Table A-1. The proposals are based on the following guideline adopted in the 2020 Review:

payments which support State services, and for which expenditure needs are assessed¹, will impact on State fiscal capacities.

9 If a payment has multiple components, and the Commission decides that one or more component should not affect State fiscal capacities, Commission staff will collect information to split the payment to ensure the appropriate treatment is applied.

Terms of reference requirements

10 The 2020 Review terms of reference we have received to date did not give directions on the treatment of particular payments. However, the following payments that commenced in 2018-19 were quarantined by the 2019 Update terms of reference:

- payments relating to the Project Agreement for the Health Innovation Fund – Stage 1
- payments to the Australian Capital Territory relating to the Project Agreement for the expansion of Clare Holland House
- payments to the Northern Territory of up to \$ 550 million over 5 years for Remote Indigenous Housing commencing in 2018-19.

¹ Some expenses are assessed on an equal per capita (EPC) basis because population is considered the driver. This is referred to as a deliberative EPC assessment. In these cases, the Commission considers that needs are assessed.

- 11 Accordingly, staff propose the above payments be treated in a way that they do not affect State fiscal capacities.
- 12 The 2019 Update terms of reference also required the payment for the additional general revenue assistance relating to GST transitional support and top-up payments under the Commonwealth's HFE reform package (to commence in 2019-20) not to affect State fiscal capacities. However, the Commonwealth paid Western Australia \$434 million of its 2019-20 top-up payment in 2018-19. Staff propose to treat the payment as having no impact on State fiscal capacities in this review.
- 13 In addition, the 2019 Update terms of reference quarantined payments to South Australia for a Proton Beam Therapy Facility. This payment was expected in 2018-19. However, it was not included in FBO 2018-19.
- 14 We have received preliminary advice from the Commonwealth Treasury that the 2020 Review (supplementary) terms of reference will direct the Commission to exclude the \$56 million Commonwealth payment to Tasmania in 2018-19 for the Marinus Link initiative from its calculation of State fiscal facilities. In the absence of terms of reference, staff propose to recommend treating the payment as having no impact State fiscal capacities because needs are not assessed.

TREATMENT OF COMMONWEALTH PAYMENTS COMMENCED IN 2019-20 OR 2020-21

- 15 Table A-2 of Attachment A provides a list of new payments that will commence in 2019-20 or 2020-21. Although the payments shown will affect the year in which the 2020 Review relativities will apply, staff do not propose to backcast any of them because they do not represent a major change in federal financial arrangements. Staff will consider their treatment in the relevant updates.

ATTACHMENT A

Table A- 1 Proposed treatment of Commonwealth payments commenced in 2018-19, Final Budget Outcome, 2018-19

Commonwealth payment	Description	2018-19 \$m	Proposed treatment	Reason for no impact treatment
HEALTH				
Health services				
Specialist dementia care	Funding for a program that delivers intensive and specialised care for people with very severe behavioural and psychological symptoms of dementia.	0.2	Impact	
Health infrastructure				
Expansion of Clare Holland House	Funding for the expansion of Clare Holland House in the ACT to increase palliative care facilities in the territory.	4.0	No impact	U2019 Terms of Reference requirement.
Fussell House accommodation	Funding for the development of the Fussell House accommodation facility in New South Wales to house veterans and their families who receive treatment at the National Centre for Veterans' Healthcare.	4.0	No impact	Needs not assessed. Treatment of veterans is a Commonwealth responsibility.
Redevelopment of Strathalbyn residential aged care facility	Funding for additional residential aged care services in Strathalbyn, South Australia by undertaking capital works at the Strathalbyn and District Aged Care Facility. A new 36-bed residential aged care building will be constructed.	2.5	No impact	Needs not assessed. Aged care services are Commonwealth responsibility.
Other health				
Community Health, Hospitals and Infrastructure projects	Funding to all States for health infrastructure and services to improve access to care. Some of the payments are made through the Guaranteeing Medicare project.	100.8	Impact	

Table A- 1 Proposed treatment of Commonwealth payments commenced in 2018-19, Final Budget Outcome, 2018-19 (Continued)

Commonwealth payment	Description	2018-19 \$m	Proposed treatment	Reason for no impact treatment
Health Innovation Fund	Funding to support the delivery of new projects that support health prevention and the better use of health data, consistent with reforms at clauses 7(c)(v) and (vi) of the Heads of Agreement on Public Hospital Funding and Health Reform agreed in February 2018.	50.0	No impact	U2019 Terms of Reference requirement.
SKILLS AND WORKFORCE DEVELOPMENT				
Job Ready Generation Package – North-West Tasmania	Funding to support the delivery of training, workforce planning and job matching initiatives in north-west Tasmania that are focused on meeting the skill needs of industries in the region.	3.2	Impact	
AFFORDABLE HOUSING				
National Regulatory System for Community Housing (NRSCH)	Funding to support the delivery of a range of papers to review the effectiveness of the NRSCH in accordance with terms agreed between the Commonwealth and States. New South Wales is responsible for delivering project outputs. The Commonwealth will provide an estimated total financial contribution to New South Wales of up to \$1.1 million. The States will contribute matched funding or in-kind contributions.	0.8	No impact	The Commonwealth is purchasing the services from New South Wales for a national project and needs are not assessed.
Remote housing – payments to the Northern Territory commencing in 2018-19	Funding of up to \$550 million over five years to the Northern Territory to improve remote housing in the Territory by reducing overcrowding for Aboriginal people in 73 remote Northern Territory communities and the 17 Alice Springs town camps.	35.0	No impact	U2019 Terms of Reference requirement. (ToR only apply to the Remote housing payments to the Northern Territory commencing in 2018-19).

Table A- 1 Proposed treatment of Commonwealth payments commenced in 2018-19, *Final Budget Outcome, 2018-19 (Continued)*

Commonwealth payment	Description	2018-19 \$m	Proposed treatment	Reason for no impact treatment
INFRASTRUCTURE				
Infrastructure investment program — Roads of Strategic Importance	Funding of \$4.5 billion over 12 years to upgrade key routes to improve access for businesses and communities to essential services, markets and employment opportunities. Initial investments of \$2.2 million to Tasmania.	2.2	National network roads (NNR) – 50% no impact; Off NNR – 100% impact	50% no impact for NNR investment because roads assessment may not capture all non-policy influences.
Western Sydney City Deal	<p>Funding over 20 years to deliver improved community facilities and urban amenities, and to cut development costs and boost housing supply in Western Sydney. It aims to:</p> <ul style="list-style-type: none"> • improve connectivity through North South rail link, rapid bus services and exploring 5G network and smart digital technology • create new jobs through the building of Badgerys Creek Aerotropolis, Western Sydney Investment Attraction Fund and Western Sydney Investment Attraction Office, establishment of the NDIS Quality and Safeguards Commission, releasing government land to drive economic growth and Indigenous employment, social employment and procurement • improve access to education and skill training opportunities through the creation of Aerospace Institute, STEM (Science, technology, engineering and mathematics) University, Aerotropolis VET facility, secondary school and TAFE skills exchange • improve liveability and sustainability through creation of the Western Parkland Liveability Program, restoring and protecting the South Creek corridor and a Strategic Assessment under the <i>Environment Protection and Biodiversity Conservation Act 1999</i> (Cth) • plan to deliver housing to ensure sustainable growth while maintaining character of the Western Parkland City. 	7.8	No impact – payments direct to local governments; Impact – payments to States	Payments to local government are out of scope.

Table A- 1 Proposed treatment of Commonwealth payments commenced in 2018-19, Final Budget Outcome, 2018-19 (Continued)

Commonwealth payment	Description	2018-19 \$m	Proposed treatment	Reason for no impact treatment
ENVIRONMENT				
Grants assistance to primary producers impacted by the north Queensland floods	Funding to assist primary producers affected by the north and far north Queensland monsoon trough to rebuild their farm enterprises through grants to purchase on-farm infrastructure and to restock or replant.	300.0	No impact	States act as an intermediaries and needs are not assessed.
Marinus Link	Funding to Tasmania to support progress towards the delivery and approvals phase of a second electricity transmission interconnector from Tasmania to the mainland, the Marinus Link. The payment is for project planning, scoping and project delivery strategy only. The project is estimated to cost a further \$1.3 to 3.1 billion to build. TasNetworks, the electricity network operator in Tasmania, has also received funding from the Australian Renewable Energy Agency (ARENA).	56.0	No impact	Project aims to improve security of the National Energy Market. Needs are not assessed. (Expecting the R2020 Terms of Reference (supplementary) will direct the Commission to exclude this payment from its calculation of State fiscal capacities.)
On-farm emergency water infrastructure rebate	Funding for one-off rebates to eligible primary producers to improve water infrastructure that addresses animal welfare and improves drought resilience for primary producers.	6.7	No impact	States act as an intermediaries and needs are not assessed.
Prepared communities	Funding to deliver on high priority State initiatives to improve community preparedness for, and resilience to, disasters. The project forms part of the broader Preparing Australia Package of initiatives, which targets investment in key national emergency management and resilience activities that address urgent or critical priorities, or which are of strategic national importance.	5.0	No impact	Needs are not assessed for disaster mitigation.

Table A- 1 Proposed treatment of Commonwealth payments commenced in 2018-19, Final Budget Outcome, 2018-19 (Continued)

Commonwealth payment	Description	2018-19 \$m	Proposed treatment	Reason for no impact treatment
Preparing Australia package	<p>Funding to invest in critical emergency management capabilities to enhance Australia's natural disaster preparedness and community resilience.</p> <p>The outputs of the national partnership agreement are:</p> <ul style="list-style-type: none"> • New South Wales, on behalf of all States and Territories: <ul style="list-style-type: none"> – commence the implementation of a 3-year program for the next generation National Fire Danger Rating System – expand the trial of Public Safety Mobile Broadband to additional locations, and establish a national project management office in the NSW Telco Authority to implement this capability. • Victoria, on behalf of all States and Territories, extend the contracts for and undertake capital upgrades to ensure the continued operation of Emergency Alert (Australia's national telephony-based warning system) until June 2020. 	9.4	No impact	The Commonwealth purchase the services from New South Wales for a national project and needs are not assessed (There is a payment in 2017-18 for the development of a national fire danger rating system. This payment does not affect State fiscal capacities.)
General revenue assistance				
Transitional GST top-up payments — payment to Western Australia	The Commonwealth paid Western Australia \$434 million of its 2019-20 top-up payments in 2018-19.	434.0	No impact	U2019 Terms of Reference requirement.

Table A- 2 Commonwealth payments commencing in 2019-20 or 2020-21, Federal Financial Relations, Budget Paper No. 3, 2019-20

Commonwealth payment	Description	New in 2019-20 \$m	New in 2020-21 \$m
Proton Beam Facility	Funding for the establishment of a proton beam therapy facility in Adelaide. (Payment quarantined in the 2019 Update terms of reference.) The payment (\$40.7 million) was expected in 2018-19 but does not appear FBO 2018-19.		
Comprehensive palliative care across the life course	Funding for new and innovative approaches to improve palliative and end-of-life care coordination for older Australians living in residential aged care.	9.9	
Grace's Place	Funding provided to New South Wales to assist with the construction of Grace's Place, a residential trauma recovery centre for children and young people aged between 3 and 18 years impacted by homicide.	4.1	
Skills for Tasmania	Funding to provide fee-free training and support for training materials to encourage Tasmanians to train in areas of priority skills needs.	2.3	
Infrastructure investment program – Major projects Business Case Fund (a)	Funding for the development of business cases for road and rail infrastructure projects.	40.0	
Geelong City Deal (a)	Funding of \$153 Million over seven years for infrastructure projects to support economic diversification in Geelong.	26.5	
Townsville city deal (a)	Funding over 15 years to support programs of planning, reform and investment in Townsville.	55.0	
Adelaide City Deal	Funding to support projects including development of a new innovation and cultural precinct in the city centre.	4.0	
Albury Wodonga Regional Deal	Funding to support projects that boost economic and social development in the region.	3.2	
Barkly Regional Deal	Funding of \$45.4 million over three years to support projects that boost economic and social development in the Barkly region.	5.7	

Table A- 2 Commonwealth payments commencing in 2019-20 or 2020-21, Federal Financial Relations, Budget Paper No. 3, 2019-20 (Continued)

Commonwealth payment	Description	New in 2019-20 \$m	New in 2020-21 \$m
Hinkler Regional Deal	Funding of \$71 million over four years to support community and transport infrastructure projects that boost economic and social development in the Bundaberg and Hervey Bay regions.	11.0	
Launceston City Deal	Funding of \$47.5 million over five years towards 12 projects to reduce pollution and improve the health of the Tamar River in Tasmania.	8.8	
Disaster risk reduction	Funding to reduce the risk and impact of disasters on Australians in line with the priorities of the National Disaster Risk Reduction Framework. The funding forms part of a broader \$130.5 million package over five years from 2019-20 to support resilience to disasters triggered by natural hazards.	20.9	
National forestry industry plan	Funding to support the States to offer advice on the establishment of new farm forestry assets, private native forestry and Indigenous forestry areas' suitability for sustainable harvesting of forest products.		1.8
Yellow crazy ant control	Funding to ensure a more concerted approach to yellow crazy ant control activities in and adjacent to the wet tropics of Queensland World Heritage Area.	3.0	
Family law information sharing	Funding to support the placement of State family safety officials (such as child protection or policing officials) in the family law courts across Australia. These co-located officials will facilitate information sharing between the family law, child protection and family violence legal systems. They will also foster a more coordinated response to safety issues, to promote the safety and wellbeing of families and children.	2.7	
National Mechanism for Commonwealth legal assistance	Through the Legal Assistance Package, the Australian Government intends to create a new, single National Mechanism for Commonwealth Legal Assistance Funding from 1 July 2020. The National Mechanism will integrate new and existing Commonwealth legal assistance funding currently allocated across the Attorney General's, Treasury and Social Services portfolios. Subject to negotiations, the National Mechanism will be a unified administrative system that provides quarantined funding to legal aid commissions, community legal centres and Aboriginal and Torres Strait Islander Legal Services, delivered via the States and Territories.		397.5

(a) Program expected to commence in 2018-19 but did appear in Final Budget Outcome 2018-19.