



Australian Government
Commonwealth Grants Commission

New issues in the 2022 Update

March 2022

New issues in the 2022 Update

Key points

- In each update, the Commission consults with each state and territory ('states') about new issues that might affect GST distribution.
- The COVID-19 pandemic has affected states' revenue raising and spending priorities, and hence their fiscal capacities. The assessment period for this update covers July 2018 to June 2021, which means that 16 months of the assessment period were affected by the pandemic. The Omicron variant did not emerge until 2021–22, so its impacts are not reflected in this update. Key issues arising from the pandemic for this update include the impact of the COVID-19 pandemic on: revenue assessments; expenditure on health services; and expenditure on services to industry.
- Other new issues the Commission has considered in this update include the treatment of negative relativities, an adjustment to reflect new accounting standards and the treatment of new Commonwealth payments.

Assessment issues

In each update, the Commission identifies a range of new issues that might affect GST distribution. These issues fall into the following groups:

- assessment issues, relating to how changed circumstances are incorporated into assessments
- data issues: how the latest available data, data corrections or changes to data availability are incorporated into assessments
- treatment of Commonwealth payments, including new payments and major changes in payment arrangements.

The COVID-19 pandemic presented a range of issues across these groups, and these are discussed at the beginning of this paper.

Several other issues also required consultation and resolution.

Before it decides how to treat new issues, the Commission consults with states. The new issues discussion paper and state responses are available on the Commission's website (<https://www.cgc.gov.au/reports-for-government/2022-update/consultation-new-issues>).

This paper describes how the Commission decided to address each of the new issues raised in the discussion paper.

Commission approach to COVID-19 in this update

COVID-19, and the Commonwealth and state government responses to it, continues to affect the Australian economy and society. The 2022 Update assesses state circumstances for the 36 months from July 2018 to June 2021, of which 16 months were affected by the pandemic. The Omicron variant did not emerge until 2021–22, so its impacts are not reflected in this update. An important issue for the 2022 Update was how the pandemic and government responses have influenced states' relative fiscal capacities and whether these impacts are appropriately captured in the Commission's assessments.

Pending receipt of terms of reference for the 2022 Update, the Commission asked states for their views on the following:

- whether existing revenue assessments would largely capture the effects of the pandemic on state revenue raising capacity
- the impact of COVID-19 on state health expenses, whether the drivers of these expenses differ from those reflected in the 2020 Review health assessment method, and the appropriate treatment of Commonwealth payments and state funded spending under the *National Partnership on COVID-19 Response*
- whether the 2020 Review methods are appropriate for assessing state spending on services to industry, given the large increase in spending on business assistance in response to the pandemic
- any other expense categories (for example transport) where the impact of COVID-19 on state spending is not captured through existing methods.

States have different views about the drivers of state spending and revenue raising capacity during the pandemic and the role played by policy choices. On balance, the Commission considered that state responses to COVID-19 largely reflected specific state circumstances arising from the pandemic, rather than policy choices. The unpredictable and varying impacts of the pandemic are similar in nature to the impacts of a natural disaster. The Commission's consideration of these issues is detailed in the relevant sections below. The Commission will continue to monitor potential impacts of the pandemic and its ongoing consequences as part of its work for future updates.

Impact of COVID-19 on revenue assessments

Issue

In the 2021 Update, the Commission concluded that state policy responses to the economic impact of COVID-19 in 2019-20 were broadly similar, and any differences largely reflected state circumstances, rather than policy settings. The Commission decided that the existing revenue assessments would largely capture the effects of the pandemic on state revenue raising capacity. The issue for the Commission in the 2022 Update was whether this approach remained appropriate.

State views

New South Wales said state policy responses to COVID-19 were similar in 2020-21 and to the extent that responses are having differential effects on state revenue raising capacity, this is already captured through existing revenue assessment methods. Victoria said state policy responses to the pandemic were policy neutral, and any differences reflected differences in state circumstances.

Queensland said the 2020 Review methods were conceptually sound and remain appropriate. South Australia and the ACT said there is no reliable and practical method to measure any effect of state policy differences on revenue bases.

Western Australia said differences among state policies and effectiveness in responding to COVID-19 significantly affected revenue bases and, while there should be an adjustment to reflect policy differences, it was difficult to do so and it accepted there should be no adjustment to revenue bases.

Commission decision

Consistent with its view in the 2021 Update, the Commission has concluded that the existing approach to revenue assessments is largely appropriate for capturing the effects of the pandemic on the revenue raising capacities of the states.

The Commission determines states' capacities to raise revenue in each category by applying an average tax rate to each state's assessed revenue base. It measures state assessed revenue bases using data that closely reflect the actual revenue bases accessed by states. To the extent that those data capture the economic impacts of COVID-19, the economic impacts will be reflected in the Commission's assessment of state revenue raising capacities.

Specific revenue issues

States were consulted on the following specific revenue issues:

- treatment of waivers and rebates
- treatment of tax deferrals

- treatment of JobKeeper Payments in the payroll tax assessment.

Treatment of waivers and rebates

Issue

States announced decisions to waive, in whole or in part, tax liabilities for the 2019-20 and 2020-21 years. Rather than waivers, some states provided tax rebates. The policy intent of waivers and rebates was the same. The issue for the Commission was whether to apply the same treatment as in the 2021 Update, which involved removing rebates from expenses and offsetting them against the appropriate revenue category.

The new issues discussion paper proposed the same approach as in the 2021 Update for the 2022 Update.

State views

All states supported the treatment of waivers and rebates using the approach implemented in the 2021 Update.

Commission decision

The Commission decided to apply the same treatment to tax waivers and tax rebates that it used in the 2021 Update.

Treatment of tax deferrals

Issue

Some states deferred tax liabilities for the 2019-20 and 2020-21 years. Deferrals affect the timing of revenue collections rather than the amount collected. States differed on whether they reported deferrals on an accrual basis (in the year the liability arose) or a cash basis (in the year it was paid). The issue for the Commission was whether to assess deferrals on an accrual basis or a cash basis. In the 2021 Update, the Commission treated deferrals on an accrual basis and aligned them with the year that gave rise to the liability.

The new issues discussion paper proposed applying the same treatment in the 2022 Update.

State views

All states supported the same treatment of tax deferrals used in the 2021 Update.

Commission decision

The Commission decided to treat tax deferrals on an accrual basis by retaining the approach it implemented in the 2021 Update.

Treatment of JobKeeper Payments in the payroll tax assessment

Issue

The JobKeeper Payment scheme was a Commonwealth funded wage subsidy paid directly to eligible employers, who were responsible for

passing them on to eligible employees. Most states exempted JobKeeper Payments from payroll tax. New South Wales and Victoria exempted only ‘top-up payments’ (amounts above employees’ usual salary). In the absence of reliable data with which to make an adjustment, the Commission decided in the 2021 Update not to adjust the payroll tax base for JobKeeper Payments.

State views

All states supported continuing to assess JobKeeper Payments as part of the payroll tax on practicality grounds.

Commission decision

The Commission decided to apply the same approach it used in the 2021 Update.

Specific expense issues

States were consulted, or raised issues, on the following specific expense assessments:

- health services
- services to industry
- transport.

Impact of COVID-19 on health services

Issue

State health services continued to respond to the COVID-19 pandemic in 2020-21. The Commonwealth continued to partially fund COVID-19 related health expenditure through the *National Partnership on COVID-19 Response*.

For the 2021 Update, the Commission considered separately how to treat the Commonwealth and state shares of funding under the *National Partnership on COVID-19 Response*.

For the Commonwealth share, the issue for the Commission, as with all Commonwealth payments, was whether the payment supported state services for which the Commission assesses state spending requirements. The Commission decided in the 2021 Update that it could not assess COVID-19 related drivers of state health spending because COVID-19 related activity data were not available.¹ Therefore, given the specific needs for this expenditure were not assessed, the Commonwealth share of the *National Partnership on COVID-19 Response* was excluded from the health assessment.

The other half of spending under the *National Partnership on COVID-19 Response* is funded by states. The Commission noted in its 2021 Update

¹ Data on health activity in 2019-20 were not available for the 2021 Update. Activity data for 2018-19 were used for 2019-20.

that, while there were grounds to suggest that the 2020 Review health assessment method did not capture the drivers of COVID-19 related health spending, it did not have the relevant data to make such an assessment. Further, the terms of reference for the 2021 Update required the Commission to use the methods from the 2020 Review. Therefore, the only available approach consistent with the terms of reference was to apply the 2020 Review health assessment to state funded spending under the *National Partnership on COVID-19 Response*.

The issue for the Commission in the 2022 Update was whether the 2020 Review assessment method adequately captures the drivers of COVID-19 related health spending, and if not, how to treat Commonwealth and (terms of reference allowing) state funding under the *National Partnership on COVID-19 Response*.

State views

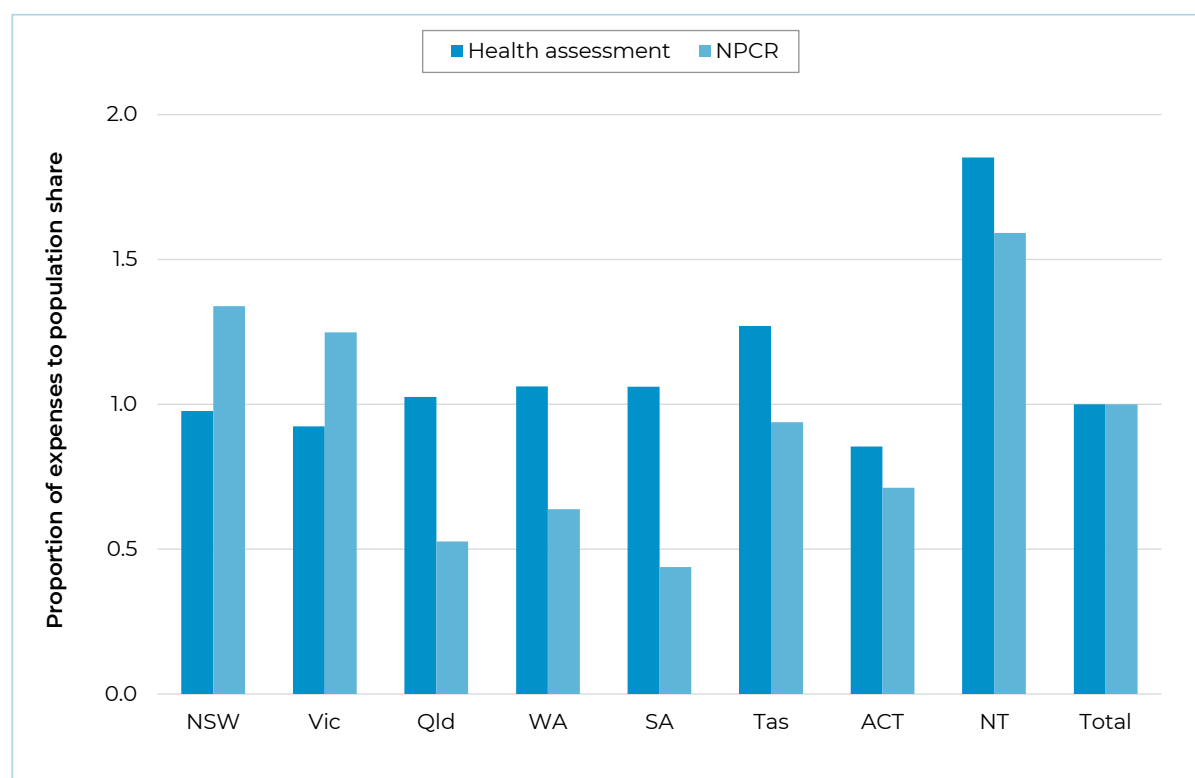
New South Wales and Victoria considered states enacted policies responding to the ‘uncontrollable and random impacts of the virus, following nationally agreed frameworks’. Both states and the Northern Territory considered the drivers of COVID-19 related health spending to be substantially different to those in the Commission’s health assessment. New South Wales and Victoria supported an actual per capita assessment of state spending covered by the *National Partnership on COVID-19 Response*. The Northern Territory proposed an assessment based on a state’s underlying vulnerability to COVID-19.

Western Australia considered differences among states in their policies were significant drivers of the differing impact of COVID-19. Queensland, Western Australia, South Australia and the ACT considered the existing health methods remain appropriate for assessing spending on COVID-19. South Australia said that although there may be some additional drivers of COVID-19 health expenditure, there is no policy neutral way of assessing this expenditure and no policy neutral data source to support an alternative assessment. Western Australia said Commonwealth funding under the *National Partnership on COVID-19 Response* should be assessed as impacting relativities.

Commission decision

The drivers of state health spending in response to the pandemic are different from the usual drivers of health spending. As such, the Commission’s existing method of assessing state health expense needs does not align with the drivers of COVID-19 related health spending. This remains the case when COVID-19 activity data for 2019-20 are included in the assessment, noting that these data only cover four months of the assessment period (see Figure 1).

Figure 1 Assessed state health needs versus NPCR payment distribution



Source: Commission calculation using National Health Funding Body NPCR expenses and Australian Bureau of Statistics GFS expenses.

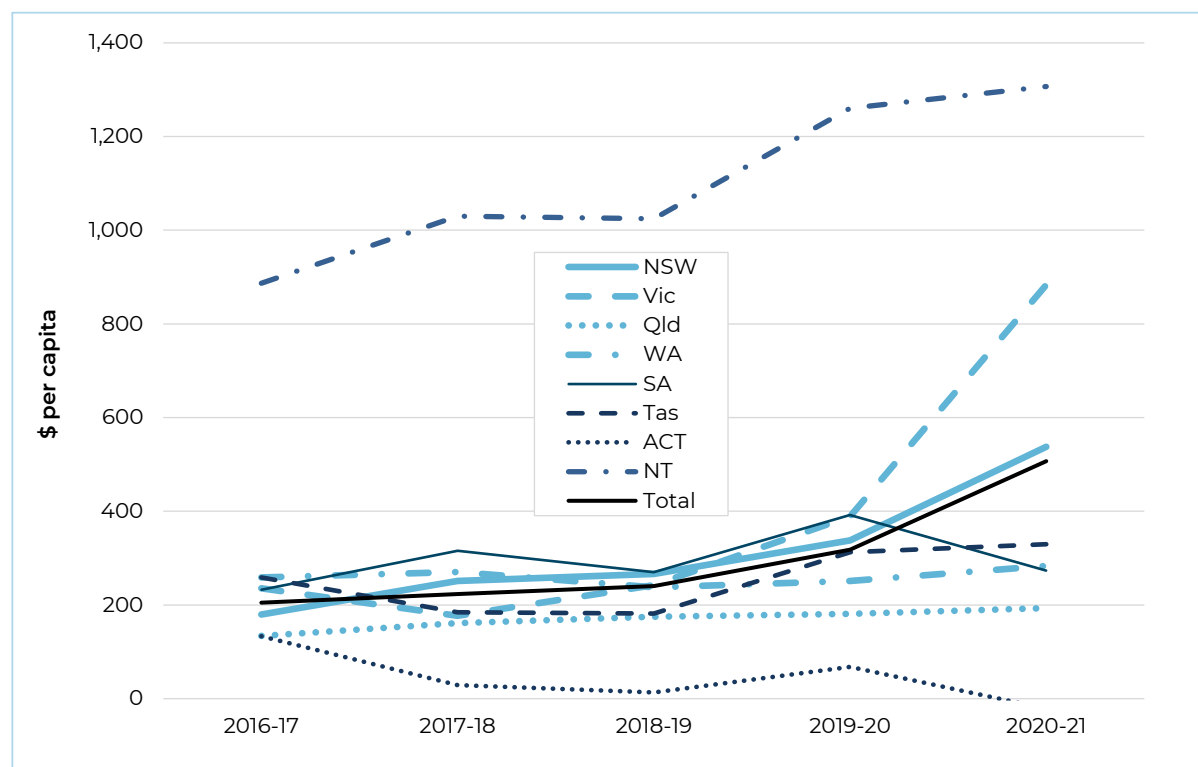
Sufficient data are still not available to determine the drivers of COVID-19 related health spending. Consequently, the Commission will continue to exclude the Commonwealth payments under the *National Partnership on COVID-19 Response* from the health assessment. Notwithstanding that the drivers of state health spending in response to the pandemic differ from the usual drivers of health spending, in keeping with the terms of reference for the 2022 Update, the Commission has applied the 2020 Review health assessment approach to state funded spending under the *National Partnership on COVID-19 Response*. Any other treatment would involve a change from the 2020 Review assessment methods and would be outside the terms of reference for the update.

Impact of COVID-19 on services to industry

Issue

State support for businesses during the pandemic differs, both in nature and magnitude, from the usual business development spending states undertake (see Figure 2). The issue for the Commission was whether the 2020 Review assessment method for the services to industry category adequately captured the drivers of COVID-19 related business support spending. If not, and terms of reference allowing, the Commission needed to decide which business support programs should be assessed differently, and how to determine states' differing spending needs.

Figure 2 State spending per capita on Services to industry



Source: Commission calculation.

Note: The differential response to COVID-19 is likely to be one of the major drivers behind the rapid growth of spending on services to industry in Victoria in 2020-21. Trends over time for some states may reflect changes in accounting practices and data revisions.

State views

New South Wales and Victoria supported a differential assessment of COVID-19 related business support spending. Both states considered that an actual per capita assessment would be appropriate. However, Victoria acknowledged that business support does not have a national agency monitoring a single national agreement, as is the case with health spending. This made it more challenging for the Commission to assure itself that spending has been policy neutral.

Queensland, Western Australia, South Australia and Tasmania considered business support expenses in response to COVID-19 should continue to be assessed on an equal per capita basis.

Western Australia, South Australia and Tasmania argued that different impacts on business within states arose from policy differences between states, rather than purely external influences, and that support for affected businesses is also a policy choices.

Queensland considered that method changes outside a method review should occur only in very rare circumstances, at the direction of the Commonwealth Treasurer through terms of reference. The Commission should develop comprehensive position papers (including evidence for change and potential models) for consultation with states. This would allow states to properly consider the issue and potential solutions.

The Northern Territory considered that the methods in the 2020 Review were not designed to accommodate the impacts of COVID-19 on states' needs. As such, a specific disability for COVID-19 or differential assessment may be appropriate. However, it will be important to ensure any adjustment for COVID-19 expenses is policy neutral.

Tasmania and the ACT supported a change to the proportion of state spending on 'other industries' that the Commission split between regulation and business development. That split (53% regulation/47% business development) was agreed in the 2020 Review. Tasmania and the ACT argued the split should be updated due to the increased spending on business development in response to COVID-19.

Commission decision

State spending to support businesses during the COVID-19 pandemic is distinctly different from states' usual business development programs. The Commission identified various indicators that could potentially be used to determine the drivers of COVID-19 related business support spending, such as change in turnover or hours worked. However, in keeping with the terms of reference for the 2022 Update, the Commission has applied the 2020 Review services to industry assessment approach to state business support spending. Any other treatment would involve a change from the 2020 Review assessment methods, and would be outside the terms of reference for the 2022 Update.

The Commission has not changed the split of other industries spending between regulation and business development, as the change would not have resulted in a material impact on the distribution of GST revenue for any state. This was because the indicators of state spending requirements for regulation and business development result in similar assessments of need.

Impact of COVID-19 on the transport assessment

Issue

The transport assessment considers net expenses from transport services. These may have been affected by changed transport patterns during the pandemic.

State views

Western Australia noted that the transport assessment's accuracy may have been reduced by the pandemic but did not propose any action in this update. Queensland suggested the Commission monitor the impact on the transport assessment. Both states flagged this as a potential issue for the next method review.

No other states raised COVID-19 impacts on the transport assessment as an issue.

Commission decision

The Commission will monitor the possible impact of the pandemic on this assessment as part of work for future updates.

Negative relativities

Issue

For the 2020-21 assessment year, Western Australia was assessed to have the capacity to raise revenue from its own sources and Commonwealth payments which, in aggregate, was greater than its assessed expense needs. As a result, the Commission calculated an assessed relativity for Western Australia for 2020-21 of less than zero. The state's average assessed relativity across all three assessment years in this update remained above zero. This is the first time the Commission has had to consider the implications of a negative assessed relativity. The 0.7 floor for relativities for any state means that this issue has no bearing on the GST relativities in this update. However, the treatment of a negative assessed relativity is relevant to the calculation of the relativities that would have applied had the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018* not been enacted (no worse off relativities).

The issue for the Commission was whether a single year assessment of a state's needs can remain negative, or whether it should be adjusted to zero. Because relativities average to one, an upwards adjustment would require the Commission to determine how to adjust other states' assessed relativities down.

State views

Most states considered negative annual relativities to be valid and supported leaving them in place. Several states said replacing them would be a method change.

States also said setting a negative relativity to zero would compromise horizontal fiscal equalisation (HFE). An adjustment to an annual relativity would be 'artificially increasing the relativity' (Victorian submission) and 'would increase the fiscal capacity gap between the strongest state and the other states — the opposite intention of HFE' (New South Wales submission).

Some states said replacing a negative relativity would be unnecessary if the average relativity over the assessment period is positive.

Western Australia was the only state to argue in favour of adjusting a negative relativity: 'When calculating data-year relativities, the Commission assesses a GST requirement that would be paid in that year, if it had had actual data for that year at the time. Hence, as for the grant-year relativity, a negative data-year relativity would not make sense because it would imply those GST requirements to be negative.'

Commission decision

In coming to a decision, the Commission considered several factors, including the objective of fiscal equalisation and avoiding unnecessary complexity.

On balance, the Commission considered it appropriate to allow any negative annual relativities in the three year assessment period to flow through to the calculation of the average relativity.

Data issues

Adjusting wage costs for JobKeeper Payment effects

Issue

The Commission's wage costs assessment is based on a regression model using data from an Australian Bureau of Statistics survey, collected in August each year. In August 2020, many employees were working fewer than their normal hours. Eligible workers earned a minimum of \$750 per week under the JobKeeper Payment, regardless of the hours they worked.

The issue for the Commission was whether the relationship between wages and productivity was broken for those workers receiving the minimum JobKeeper Payment. To maintain the reliability of the model, the Commission considered removing employees earning exactly \$750 per week.

Workers whose employers received the subsidy but continued to pay higher wages received their usual, market wages. Removing all those earning exactly \$750 per week from the model implicitly assumes that most workers earning exactly \$750 received the JobKeeper Payment alone, and not their usual wages.

State views

New South Wales, Victoria, Queensland and the ACT agreed that JobKeeper Payments do not reflect market wages. They supported removing employees earning \$750 per week from the regression used in the wage costs assessment. New South Wales' support was subject to sufficient explanation of the effects on the model coefficients. Victoria reiterated its concerns about the wage costs assessment more generally.

Western Australia, Tasmania and the Northern Territory did not support removing employees earning \$750 per week from the wage costs regression. They agreed that JobKeeper Payments were likely to distort estimated wages in the model. However, they also argued that making this change would further complicate the model and may have unpredictable effects on the state coefficients.

South Australia suggested the Commission should increase the discount to the wage assessment in response to the unpredictable effect of the JobKeeper Payment. Tasmania and the Northern Territory suggested using 2019-20 data for the 2020-21 assessment year wages assessment.

Commission decision

The purpose of the wages regression model is to identify the private sector wage pressures in each state, as a proxy for wage pressures on each state government. It is important that the model measures these pressures as accurately as possible.

For JobKeeper Payment recipients there was no relationship between their attributes, including their hours worked, and their income. This meant there was a prima facie case that including people earning exactly \$750 per week would weaken the model's accuracy.

The Commission's analysis showed this was the case. Including these workers reduced the amount of variation explained. This indicated that these were influential observations and may introduce bias.

A regression model that excludes people earning exactly \$750 per week was also more consistent overall with the model from the 2021 Update.

The key difference between the prospective models was that because there was no relationship between hours worked and income for JobKeeper Payment recipients, a model including people earning exactly \$750 per week had a weaker relationship between hours worked and income, as shown in Table 1. Doubling the hours a person worked, did not quite double the person's expected wages, but the effect was stronger when we excluded those people where hours worked had no relationship with their wages.

Table 1 Expected increase in weekly wage associated with doubling usual hours worked

	Male	Female
	%	%
Model including those earning \$750	75.4	77.5
Model excluding those earning \$750	78.6	81.8

Note: Modelled wage estimates for those working 16-59 hours per week.

Source: Commission calculation.

The largest impact of this decision was on South Australia and Tasmania. Because these states had low average wages, a boost to \$750 was proportionately larger for employees in these states. Tasmania had the highest proportion of employees receiving exactly \$750 per week (8.7%). South Australian casual workers were more likely to have their wage boosted to \$750, while South Australian permanent employees were less likely to be stood down and have their wage cut to \$750. This meant that including those who earned \$750 per week would inflate apparent wage levels in South Australia and Tasmania. This would have a material effect

on GST needs (\$31 per capita for South Australia, and \$12 per capita for Tasmania), as shown in Table 2.

Table 2 Effect of excluding those earning \$750/week in the wages model

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Redist
Redistribution (\$m)	37	8	22	-6	-55	-7	0	0	68
Redistribution (\$pc)	5	1	4	-2	-31	-12	1	0	28

Source: Commission calculation.

Tasmania and the Northern Territory suggested using the 2019-20 regression results. However, the Commission considered using the latest available data preferable.

Wages for workers receiving the JobKeeper Payment alone are not market wages. They did not represent the market pressures on states. Including them made the model less accurate.

The Commission has removed those workers from the model data.

New Western Australian native title agreements

Background

In 2020-21, Western Australia commenced compensation payments in relation to the South-West Native Title Agreement and the Yamatji Nations Indigenous Land Use Agreement. The Australian Bureau of Statistics (ABS) will record these payments in the year the payments occur. However, Western Australian Treasury will accrue these settlement costs in the 2020-21 financial year.

The issue for the Commission was whether to assess these expenses in the year they are accrued by Western Australia or the year the payments occur.

State views

The Northern Territory noted its preference that the Commission treat similar native title expenses in future in the same way as this update. It also requested advice on the impact and materiality of the proposed treatment over time.

All other states considered that these expenses should be assessed in the year in which payments occur.

Commission decision

Western Australia's expenses relating to the South-West Native Title Agreement and the Yamatji Nation Indigenous Land Use Agreement are assessed in the year they are paid. This approach will be undertaken for all similar native title expenses in this review period. This will ensure that state-reported expenses align with the year in which they are recorded in Government Finance Statistics, and hence in the same year that they are included in aggregate state expenses. It will also ensure the assessment more accurately reflects state needs in the given year.

Commission calculations rely on historical data. The impact and materiality of this treatment over time is unclear as data are currently only available for the first year in which payments under these settlements commenced.

New accounting standards

Issue

New Australian Accounting Standards have been adopted by states. However, the ABS regards these changes as inconsistent with its national accounts standards and will not be incorporating them into its Government Finance Statistics data. As the investment and net borrowing assessments use data from both the ABS and states, these assessments could draw on inconsistent data. The Commission considered whether to make a data adjustment to maintain the internal consistency of the investment assessment.

ABS and state data show that around \$3.4 billion in lease payments and related expenditure would be classified as recurrent expenditure in ABS data, but as investment in the state data. An adjustment is possible to make all data consistent with the new accounting standards.

This adjustment would change the GST distribution to most states by less than \$4 per capita, but it would increase the Northern Territory's GST share by about \$30 per capita. In the 2022 Update, the change only affects 2019-20, but in future updates it will affect the two assessment years where the Commission uses GFS data, and so the impact is likely to double.

State views

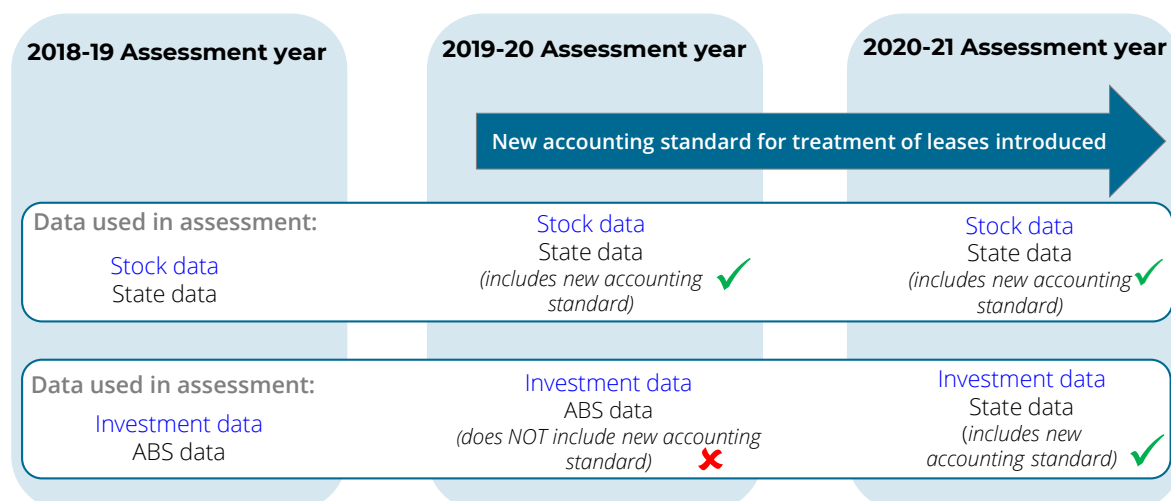
The Northern Territory questioned the reliability of the data used by ABS to make the adjustment, and whether this would deteriorate over time.

All other states supported the proposal to adjust ABS Government Finance Statistics data to be consistent with the accounting standards, if doing so is materially different from using ABS Government Finance Statistics data as published.

Commission decision

To make the ABS data consistent with state data, the Commission has adjusted ABS Government Finance Statistics data to reclassify \$3.4 billion from recurrent expenditure (lease payments) to investment expenditure, specifically the depreciation of the right to use the leased asset. The timing of this adjustment is illustrated in Figure 3. In the absence of data on the extent of lease payments in each category, it has assumed this to be proportional to the level of investment.

Figure 3 Data used in investment assessment



Health assessment – non-admitted patient data

Issue

In the 2020 Review, the Commission committed to replacing the proxy indicator of non-admitted patient activity with national weighted activity unit data once their quality improved sufficiently.

During consultation with states on this issue for the 2021 Update, Tasmania raised concerns about the misalignment of the expense data used in the assessment. These are based on the Government Finance Statistics classification, while the national weighted activity unit data are from the Independent Hospital Pricing Authority. The latter align with the National Health Reform Agreement classification. Specifically, the Government Finance Statistics classification includes general practitioner-type services, and the National Health Reform Agreement does not.

Staff consulted with states on an approach to estimate national weighted activity units for GP-type services to better align the expense and activity data in the assessment.

The issue for the Commission was whether to include the estimates for GP-type service activity in the non-admitted patient assessment.

State views

New South Wales, Queensland, Western Australia and the ACT supported including activity data for GP-type services in the non-admitted patient assessment. New South Wales said the Commission could apply a discount in the short term, to manage risk if the reliability of the proxy is unclear.

Victoria, South Australia, Tasmania and the Northern Territory raised concerns about the quality and representativeness of the data, including data needed for the proposed approach. They said they would appreciate the opportunity to review the data and analysis.

Commission decision

For the 2022 Update, the Commission decided not to adjust the data to include the estimates for GP-type service activity in the non-admitted patient assessment. For the 2023 Update, it will undertake further consultation with the states and the Independent Hospital Pricing Authority. It will consider the outcome of this consultation in the next update.

Health assessment – cross-border capital stock factor for hospital services

Issue

In the 2020 Review, the Commission decided to include a cross-border factor in the investment assessment to recognise capital costs associated with providing hospital services to non-residents. Including this factor resulted in a material redistribution of GST revenue for the ACT.

In its submission on new issues for the 2022 Update, the ACT said this factor had not been included in the 2020 Review and the 2021 Update.

Commission decision

The Commission included the capital stock factor adjustment in the 2022 Update. As this was correcting an error, the Commission did not consult on this matter.

Treatment of Commonwealth payments

The Commission has used the following guideline, developed in the 2020 Review, to determine the treatment of new Commonwealth payments in this update:

payments which support State services, and for which expenditure needs are assessed², will have an impact on State fiscal capacities.

The treatment of Commonwealth payments that began in 2020-21, as listed in the *Commonwealth of Australia's Final Budget Outcome, 2020-21*, is shown in Table A-1 and Table A-2.

The Commission consulted states on the appropriate treatment of all payments. Where states raised issues with the proposed treatment of particular payments, or made specific comments, these are discussed below.

² Some expenses are assessed Equal Per Capita (EPC) 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.

Kangaroo Island nurse outreach program

Issue

The nurse outreach program funds the provision of an outreach primary health care nurse practitioner to complement the existing public and private health services on Kangaroo Island in South Australia. The nurse practitioner will provide services such as health promotion, disease prevention and health management strategies.

The issue for the Commission was whether this payment was for a state-type service for which it assesses expenditure needs. If so, it should be included in the assessment.

State views

South Australia considered this payment should not have an impact on relativities as the funding is provided for primary health care, which is a Commonwealth responsibility. All other states supported the payment impacting on relativities on the basis that it is primarily for community health services, for which the Commission assesses state expense needs.

Commission decision

Both Commonwealth and state governments fund primary health care services. The Commonwealth funds population-specific services, including community-controlled Aboriginal and Torres Strait Islander primary health care, health services for veterans, and residential aged care. It also funds medical services delivered by private providers through the Medicare Benefits Scheme. State governments provide most of the funding for community health services and deliver community-based and preventive services.

The services to be provided by the Kangaroo Island nurse outreach program are community health services, a state function for which the Commission assesses expense needs. The Commission treated the payment as having an impact on relativities.

Future Drought Fund – Farm business resilience and regional drought resilience planning

Issue

States will use the funding provided under the Farm Business Resilience Program to provide subsidised training for farm owners and farm managers to build their strategic management and planning skills.

States will use the funding under the Regional Drought Resilience Planning Program to assist partnerships of local government consortia and regional stakeholders to develop Regional Drought Resilience Plans for their region.

Funding will not be restricted to areas currently experiencing drought. It is a national program with funding available to all agriculture-dependent communities across Australia.

State governments are required to make a minimum financial contribution to the programs.

The issue for the Commission was whether this payment was for a state-type service for which it assesses expenditure needs. If so, it should be included in the assessment.

State views

South Australia said funding under this program is primarily related to drought planning and mitigation strategies. It argued that the Commission does not assess business development expenses related to drought responses and therefore this payment should not have an impact on relativities. All other states supported the payment having an impact on relativities.

Commission decision

The Commission considered this payment is for a state-type service for which needs are assessed. The Commission agreed it does not assess expense needs for drought responses. However, this payment is not a response to support a community currently experiencing drought. Rather, it is a national, broad-based program to help farm businesses.

The Commission treated the payment as having an impact on relativities.

Horticultural Netting Trial Scheme

Issue

Horticultural netting grants help primary producers to purchase and install netting to increase crop productivity, through reducing the impact of adverse weather conditions and animal predation and reducing water usage.

The issue for the Commission was whether this payment was to achieve a Commonwealth objective. If so, it should not affect relativities.

State views

South Australia argued it was administering the horticultural netting program on behalf of the Commonwealth. It said the ultimate beneficiaries of this funding are horticultural producers, not the South Australian Government and therefore the payment should not impact relativities. All other states supported the payment impacting on relativities on the basis that it is for business development, for which the Commission assesses state expense needs.

Commission decision

Both Commonwealth and state governments provide funding to support business development. In some cases, payments made through states to third parties might have indirect effects on state fiscal capacities. In principle, if these payments affect a state's fiscal capacity by relieving the state of the need to provide assistance, their effects should be included in the Commission's assessments. However, in the 2020 Review, the Commission decided not to consider payments by the Commonwealth to third parties for business development in the equalisation process.

In this case, the payment is for horticultural producers to achieve a Commonwealth objective, with the states acting as intermediaries. The Commission treated the payment as having no impact on relativities.

Remote Housing

Issue

Remote Housing payments support significant reform in the provision of housing for Indigenous Australians in remote communities. Such payments are generally to support state services and would have an impact on state fiscal capacities. However, the 2021 Update terms of reference directed the Commission to assess a one-off remote housing payment to Queensland as having no impact on its relativity.

The issue for the Commission was to address a concern raised by New South Wales that this payment should impact relativities as it is a state-like service.

State views

New South Wales stated Commonwealth payments relating to remote housing should impact relativities as the provision of remote housing is a state-like service and should be equalised.

Commission decision

The 2021 Update in the terms of reference directed the Commission to assess a one-off remote housing payment to Queensland as having no impact on its relativity. This treatment will stand in the 2022 Update.

COVID-19 World and National heritage

Issue

This payment supports regional communities affected by the COVID-19 pandemic. It will fund 31 projects at heritage sites in all states except the ACT.

The issue for the Commission was whether this payment was for a state-type service for which it assesses expenditure needs. If so, it should be included in the assessment.

State views

Western Australia argued that many of the projects funded by this payment aim to improve the experience of visitors, through the construction and maintenance of information centres, improving signage and creating tracks and trails, rather than environmental protection.

All other states supported a no-impact treatment of the payment on the basis that it is primarily for environmental protection, for which the Commission does not assess needs.

Commission decision

The payment supports state services. However, the drivers of Commonwealth funding under this agreement are influenced by factors not assessed by the Commission. This includes both stated purposes of the payment, recovery from COVID-19 by funding environmental protection activity. The Commission treated the payment as having no impact on relativities.

Regional recovery partnerships

Issue

The Australian Government has committed \$100 million over two years to support recovery and growth in ten COVID-19 affected regions. The partnerships are with both state and local governments and are intended to deliver jobs and economic diversification.

The issue for the Commission was whether each project was for a state-type service, and hence whether the payment relieves the state of potential expenditure.

State views

Western Australia noted the Regional Recovery Partnerships are treated as no-impact because the Commission deems these payments are to support local council services. Western Australia also considered that, while these partnerships involve local government, many of the associated projects appear to focus on tourist infrastructure and business development. It questioned the consistency of treatment between this payment and payments under the city and regional deals. For example, one of the regional recovery projects is for an Aquaculture and Agriculture Tech Skills Hub in Mackay. However, the Innovation Hub and Barkly Business Hub are treated as impact payments as they are considered business development.

Commission decision

While some individual projects may be projects that could be state-type functions, the overall pattern of projects is more consistent with local government functions, for which needs are not assessed. The Commission treated the payment as having no impact on relativities.

City Deals

Issue

The Commonwealth has instituted a series of City Deals, each agreed by the relevant state and local government. The Commonwealth payment funds a range of projects in each selected city. The issue for the Commission was whether each project is a state-type service, and hence whether the payment relieves the state of potential expenditure.

State views

South Australia commented that some funding within the Adelaide City Deal will be passed on to local government and non-South Australian Government entities. Funding for Smart Technology – Free WiFi and Smart Technology – CCTV are being passed onto the Adelaide City Council in accordance with the funding arrangements agreed with the Commonwealth Government and should be treated as no impact.

The Northern Territory argued the whole Darwin City Deal: Education and Community Precinct should be assessed as no-impact rather than the current split proposal. This is because the precinct will be entirely owned by Charles Darwin University and any future co-location of the State Library will be subject to commercial leasing arrangements between the Northern Territory and the university. No funding under the project agreement is allocated to support the State Library.

Western Australia raised concerns about the consistency of the treatment of payments for components of the City Deals and Regional Deals. Given the difficulty in distinguishing between a state expense or a local government expense, Western Australia suggested the Commission could adopt a default position to assess City Deal components as no-impact unless the payment is very clearly for a state expense (e.g. upgrading a hospital or public transport facilities). This would be in line with a ‘conservatism’ principle that Western Australia proposed in the 2020 Review, under which the Commission would tend towards no redistribution in response to uncertainty.

In particular, Western Australia highlighted the differing treatments of the Perth City Deal and the Geelong City Deal, both of which include aspects of street revitalization. It also questioned why the redevelopment of the Queenscliff Ferry Terminal is treated as a port rather than urban transport in a similar fashion to Circular Quay or Elizabeth Quay.

It would like to understand why an agreement with such a varied range of easily discernible projects is assessed as a whole, rather than treating each component separately, as directed in the 2020 Review guidelines.

Commission decision

Whether an aspect of a City Deal is implemented by a state or local government entity has no bearing on the treatment of a payment. The

Commission considered whether it was for a state-type service, not whether this particular instance was implemented by the state government. Free WiFi networks and CCTV camera systems are usually provided by local governments rather than state governments. As such, the Commission has decided these payments should not have an impact on relativities.

Based on the information provided by the Northern Territory government, the Darwin City Deal is solely for non-state functions and so should not impact on relativities.

The Perth City Deal is focused on state roads and improving public transport access. As such, it should impact relativities. The Commission does consider each project within the City Deals separately. There are two components in the Perth City Deal with the first payment in 2020-21: the Edith Cowan university CBD campus and the CBD transport plan. These are considered separately in this update and are treated differently. Other projects will be considered once payments have begun. The Commission does not have a conservatism principle and cannot change its principles, except in a method review.

The Queenscliff Ferry Terminal is a private facility unconnected to Victoria's urban transport system and, as such, the Commission has treated it as a port.

Commonwealth Own Purpose Expenses (COPEs)

Issue

The Northern Territory noted that Commonwealth funding under the *National Partnership on Northern Territory Remote Aboriginal Investment* (NTRAI) is treated as having no impact. However, the Children and Family Schedule under NTRAI expired before the expiry of the overarching NTRAI partnership, and the Commonwealth agreed to continue funding the same initiatives through Commonwealth Own-Purpose Expense (COPE) payments. The issue for the Commission was whether these COPE payments should continue to be treated as no-impact, consistent with NTRAI funding.

Commission decision

The 2016 terms of reference directed that National Partnership Payments for NTRAI should not impact the relativities. Consistent with previous practice and related investment payments, these COPE payments will continue to be treated as no-impact. The Commission will require the continued assistance of the Northern Territory to identify and isolate the relevant payments.

Treatment of Commonwealth payments commenced in 2020-21

Table A-1 Treatment of Commonwealth payments commenced in 2020-21, *Final Budget Outcome*, 2020-21

Commonwealth payment	Description	2020-21 \$m	Treatment	Reason for treatment
Health				
Kangaroo Island nurse outreach program	Funding to provide an outreach Primary health care nurse practitioner to complement the existing public and private health services on Kangaroo Island, South Australia.	1.2	Impact	Community health services are a state government responsibility for which needs are assessed.
Reducing Stillbirths	Grants to the RCPA and RANZCR so they can provide more stillbirth autopsies and investigations. It will also be used to develop educational resources to support parents.	1.0	Impact	Perinatal services are provided in state and non-state settings. On balance, the Commission considered this should be an impact payment because it supports state services for which needs are assessed.
Centre for National Resilience	Funding to support increased quarantine capacity at the Centre for National Resilience, including capital expenditure, health services and facility operations to accept Australian repatriations.	69.6	No impact	Payment supports a national objective (the repatriation of Australians). This service is not normally provided by states.
Quarantine arrangements in Tasmania	Funding to support the delivery of quarantine services in Tasmania, including health services and agreed operational costs associated with the quarantine services to accept Australian repatriation.	4.0	No impact	Payment supports a national objective (the repatriation of Australians). This service is not normally provided by states.

Commonwealth payment	Description	2020-21 \$m	Treatment	Reason for treatment
Queensland 2032 Olympic and Paralympic Games Candidature	Funding to support the assessment of the 2032 Olympic and Paralympic Games opportunity, including the development, management, and administration of candidature for Queensland to host the 2032 Olympic and Paralympic Games.	4.5	No impact	Payment supports the assessment of Queensland's bid to host the 2032 Olympic Games and Paralympic games. Needs are not assessed for major international sporting events.
Skills and workforce development				
Energising Tasmania	Funding for Registered Training Organisations to deliver nationally-recognised qualifications to workers in areas of priority skills needed to support the Battery of the Nation initiative and, more broadly, energy, infrastructure and related sectors in Tasmania.	4.6	Impact	Payment supports state services and needs are assessed.
Job Trainer Fund	Funding to provide an additional 340,700 training places to help school leavers and job seekers access short and long courses to develop new skills in growth sectors and create a pathway to more qualifications.	386.4	Impact	Payment supports state services and needs are assessed.
Revitalising TAFE campuses across Australia initiative	Funding to support small infrastructure projects such as building and construction works to expand, upgrade or refurbish TAFE facilities and buildings; purchasing or upgrading specialist-training equipment; and investing in technological infrastructure.	21.0	Impact	Payment supports state services and needs are assessed.

Commonwealth payment	Description	2020-21 \$m	Treatment	Reason for treatment
Community services				
COVID-19 Self-isolation for remote communities	Funding to reimburse states for some of the costs incurred in the provision of government funded self-isolation facilities for the duration of the Remote Travel Restrictions in the Northern Territory, Western Australia, South Australia, and Queensland.	3.6	No impact	Payments under this program are for the reimbursement of the costs of self-isolation facilities in several states. Quarantine arrangements are part of the national response to COVID-19. This serves a national interest and is a Commonwealth responsibility.
Affordable Housing				
HomeBuilder	This initiative supports the residential construction sector and encourages consumers to proceed with purchases or renovations that may have been delayed due to the effects of COVID-19.	865.7	No impact	Payment is a stimulus to achieve a Commonwealth objective, with the states acting as intermediaries. The Commission treated the payment as having no impact on relativities.
Social impact investments – Youth at risk of homelessness	Funding to state governments to trial social impact investments that aim to help young people at risk of homelessness.	0.5	No impact	The Commission does not assess needs for ‘Other welfare’.
Infrastructure				
Local Roads and Community Infrastructure	Funding of \$1.5 billion over two years to support local councils to deliver priority local road and community infrastructure projects across Australia, supporting local economies and communities to cope with COVID-19.	835.2	No impact	Payments support local council-type services rather than state services.

Commonwealth payment	Description	2020-21 \$m	Treatment	Reason for treatment
Public Safety Mobile Broadband	Funding to support the delivery of a proof-of-concept trial for a Public Safety Mobile Broadband (PSMB). The PSMB supports Australia' to prepare for, and respond to, natural disasters and emergencies at the national scale.	8.0	No impact	Disaster mitigation is a state responsibility. However, the Commission does not assess needs.
Regional recovery partnerships	\$100 million over two years to support recovery and growth in 10 COVID-19 affected regions: (NSW) The Snowy Mountains; Hunter and Newcastle; Parkes Regions; (Qld) Cairns and Tropical North Queensland; Gladstone; Mackay-Isaac-Whitsunday Regions; (Tas) all of Tasmania; (Vic) Gippsland Region; (SA) Kangaroo Island; and (WA) South-West Region.	48.8	No Impact	Payments support local council-type services rather than state services.
Environment				
Bilateral energy and emission reduction agreements	These agreements support the provision of reliable and affordable power to remote areas in WA and the NT.	28.5	Impact	Payment supports state services and needs are assessed.
COVID-19 World and National heritage	Funding to support the domestic tourism industry and regional communities through on-ground projects to improve infrastructure at World and National heritage sites.	32.7	No impact	The payment supports state services. However, the drivers of Commonwealth funding under this agreement (COVID-19) are influenced by factors not assessed by the Commission.
Disaster risk reduction	Funding to states to reduce the risk and impact of disasters on Australians in line with the priorities of the National Disaster Risk Reduction Framework.	20.9	No impact	Disaster mitigation is a state responsibility. However, the Commission does not assess needs.
Environmental assessment systems upgrade	Funding to support activities to establish new and interoperable environmental assessment systems including an online environmental assessment portal, an environmental assessment system, and a biodiversity data repository.	3.0	No impact	Environment protection is a state responsibility. However, the Commission does not assess needs for environmental protection.

Commonwealth payment	Description	2020-21 \$m	Treatment	Reason for treatment
Environment Restoration fund	Funding to protect Australia's water, soil, plants and animals, and support their productive and sustainable use.	1.0	No impact	Environment protection is a state responsibility. However, the Commission does not assess needs for environmental protection.
Fishing and Camping Facilities program	Funding for local councils to improve, maintain or build new boating, marine rescue, fishing and camping facilities (such as boat ramps).	3.3	No impact	Payment supports local council-type services rather than state services.
Forestry Industries Bushfire Salvage Transport assistance	Grants to cover the additional costs of salvage log haulage to processing mills and/or storage facilities to forestry entities affected by the 2019-20 bushfires.	10.7	No impact	Business development is a state responsibility. However, the Commission does not assess needs for the impacts of bushfires.
Future Drought Fund/Farm business resilience	Funding to provide farm businesses with training to develop strategic management skills and support the development of a Farm Business Plan to better plan for and manage drought. Funding will be provided from the Future Drought Fund.	16.0	Impact	Payment is for a national, broad-based program to help farm businesses to better manage and plan for drought. The Commission assesses needs for business development.
Future Drought Fund/Regional Drought resilience planning	Funding to support group partnerships with local councils and regional stakeholders to develop Regional Drought Resilience Plans for agriculture. Funding will be provided from the Future Drought Fund.	9.9	Impact	Payment is for a national, broad-based program to help farm businesses to better manage and plan for drought. The Commission assesses needs for business development.
Horticulture netting trial scheme	Horticultural Netting Infrastructure Grants help primary producers in the Riverland and Adelaide Hills/Greater Adelaide region to fund the purchase and installation of new netting or the replacement of any damaged netting over land used to grow horticulture crops.	23.6	No Impact	Payment is intended for horticultural producers, to achieve a Commonwealth objective, with the states acting as intermediaries. The Commission treated the payment as having no impact on relativities.
Recycling Infrastructure	Funding for improved recycling outcomes by addressing critical infrastructure gaps in Australia's waste management and resource recovery system.	4.5	No impact	Recycling and waste management services are the responsibility of local governments, and not a service normally provided by states.

Commonwealth payment	Description	2020-21 \$m	Treatment	Reason for treatment
Securing Forestry resources for economic security	Grants supporting storage of wood products sourced from forests affected by the 2019-20 bushfires. This will mitigate the effects of bushfire-induced short-term timber oversupply by extending the life of fire-affected timber that must be harvested now.	5.4	No impact	Business development is a state responsibility. However, the Commission does not assess needs for the impacts of bushfires.
Water for the Environmental special account/Off-farm Efficiency program	\$1.4 billion over four years for state-led efficiency measures in the Murray-Darling Basin under the Water for the Environment Special Account.	35.0	Impact	Payment is designed to 'increase the volume of water available for irrigators and communities'. Business development is a state function and needs are assessed.
Other purposes				
National Legal Assistance Partnership	The Australian Government is providing additional funding for legal assistance services delivered by legal aid commissions, community legal centres and Aboriginal and Torres Strait Islander legal services		Impact	Payment supports state services and needs are assessed.
- Aboriginal and Torres Strait Islander Legal services		79.5		
- Community legal centres		48.5		
- Domestic Violence Units and Health Justice Partnerships		9.9		
- Legal aid commissions		234.3		

Commonwealth payment	Description	2020-21 \$m	Treatment	Reason for treatment
- Social and Community Services Sector supplementation		12.3		
- State and territory legal assistance administration		3.9		
National Legal Assistance Partnership/Family advocacy and support services	Funds for the operation of family advocacy and support services by legal aid commissions. They are providing integrated duty lawyer and family violence support services at locations across Australia.	9.9	No impact	Payment primarily supports family law court services, a Commonwealth function.
Queensland Country Bank Stadium	Construction of a new multipurpose sporting stadium in Townsville.	5.0	Impact	Payment relates to the planning and building of cultural venues. This is a normal state function and needs are assessed.

Table A-2 City and Regional Deals

Commonwealth payment	Description	2020-21 \$m	Treatment Reason for treatment
Townsville		15.0	
Port of Townsville channel upgrade	The project involves a widening of the Port of Townsville shipping channel to allow larger ships to enter the Port (Proponent - Port of Townsville Ltd.)		No Impact Ports are not provided by state general government sectors.
Geelong		10.1	
Revitalising Central Geelong - Geelong Train Station Upgrade	Funding to upgrade the Central Geelong train station.		Impact Payment supports state services and needs are assessed.
Revitalising Central Geelong - Green Spine Block 1	Funding to redevelop a section of Malop Street (Gheringhap St to Moorabool St), with more park features and a more pedestrian and bike-orientated environment.		No impact Payment supports local council type services rather than state services.
Revitalising Central Geelong - Green Spine Block 3	Funding to redevelop a section of Malop Street (Yarra St to Bellerine St) with more park features and a more pedestrian and bike-orientated environment.		No impact Payment supports local council-type services rather than state services.
Geelong Waterfront Safe Harbour Precinct	Installation of a new publicly accessible wave attenuator, marina arm and casual berthing.		No impact Payment supports local council type services rather than state services.
Priority Projects - Shipwreck Coast Masterplan	Improved infrastructure, services and amenities identified under Stage 2 of the Victorian Government's Shipwreck Coast Master Plan.		Impact Payment is primarily related to improving tourism by the state government. This is a state function and needs are assessed.

Commonwealth payment	Description	2020-21 \$m	Treatment Reason for treatment
Redevelopment of Apollo Bay Harbour	Public realm infrastructure improvements for the Apollo Bay Harbour precinct to broaden the range of commercial operations and recreational offerings.		Impact Payment is related to infrastructure that will improve tourism. This a state function and needs are assessed.
Point Grey, Lorne Redevelopment	Building of a new Lorne Aquatic and Angling Club building, a new commercial restaurant, improved public spaces and walking paths in Lorne.		Impact Payment is related to infrastructure that will improve tourism. This a state function and needs are assessed.
Apollo Bay to Skenes Creek Coastal Trail	Construction of a coastal trail for pedestrians and cyclists between Apollo Bay and Skenes Creek.		Impact Payment is related to infrastructure that will improve tourism. This a state function and needs are assessed.
Redevelopment of the Queenscliff Ferry Terminal	Upgrading the Queenscliff Ferry Terminal building, board walks and public realm.		No impact Payment is for infrastructure related to the functions of a Port (ferry terminal). Ports are not provided by state general government sectors.
Darwin		45.0	
Education and Community Precinct	Funding for an Education and Community Precinct in Darwin's city centre, including a new city campus for Charles Darwin University, a new Northern Territory Government library, café and community spaces.		No Impact Payment is for higher education services (i.e., university buildings). This service is not normally provided by states.
Perth		27.8	
Edith Cowan University CBD Campus	Funding to support Edith Cowan University to build a new City Campus.		No impact Payment is for higher education services (i.e. university buildings). This service is not normally provided by states.
CBD Transport Plan	Funding to improve active and public transport accessibility and safety in the CBD.		Impact Payment is for normal state government road upgrades/safety and needs are assessed.

Commonwealth payment	Description	2020-21 \$m	Treatment Reason for treatment
Adelaide		9.6	
The Innovation Hub	Funding for a dedicated hub to bring together entrepreneurs, industry, universities, and the public to support commercialisation of ideas and technology.	Impact	Payment is for business development purposes. These are normal state functions and needs are assessed.
Smart Technology - Free WiFi	Funding for supporting smart technology initiatives in the city centre.	No Impact	Free WiFi networks are usually provided by local governments and are not a service normally provided by states.
Smart Technology - CCTV	Funding for supporting smart technology initiatives in the city centre.	No Impact	CCTV camera systems are usually provided by local governments and are not a service normally provided by states.
Smart Technology - Experience Adelaide	Funding for supporting smart technology initiatives in the city centre.	No Impact	City technology initiatives are usually provided by local governments and are not a service normally provided by states.
Aboriginal Arts and Culture Centre	Development of a globally-recognised centre for Aboriginal art and culture.	Impact	Payment supports a new cultural centre. This is a normal state function and needs are assessed.
Carrick Hill	Construction of a pavilion to support services and amenities for visitors.	Impact	Payment relates to improving tourism. This a normal state function and needs are assessed.
Mitcham Hills Trail & Glenthorne Loop	The Loop will link major natural and cultural attractions in southern Adelaide.	Impact	Payment relates to improving tourism. This a normal state function and needs are assessed.

Commonwealth payment	Description	2020-21 \$m	Treatment Reason for treatment
Hinkler		0.3	
Outer Harbour Pre-feasibility Study	Funding to undertake a pre-feasibility study into potential long-term opportunities for a new outer harbour and connecting infrastructure for the Port of Bundaberg.		No impact Payment supports development of a port. Ports are not provided by state general government sectors.
Albury-Wodonga		1.5	
Preliminary Strategic Work	Support for the development of proposals that could form part of the Albury-Wodonga Regional Deal. The Deal will bring together all levels of government to harness local opportunities and strengths.		Impact Payment supports state planning functions for the Albury-Wodonga regional councils. This is a normal state function and needs are assessed.
Barkly		3.8	
Tennant Creek Visitor Park	Provision of a dry and secure accommodation option for transitional and seasonal visitors from outlying communities and to address the critical need for more housing options in the Barkly region. The project is a joint venture between the Commonwealth, the Northern Territory Government and the Barkly Regional Council.		Impact Payment is to develop social housing. This is a normal state government function and needs are assessed.
Barkly Local Community Projects Fund	Grants to deliver local projects in communities and Aboriginal homelands outside Tennant Creek. The project is jointly funded by the Commonwealth, Northern Territory Government and Barkly Regional Council. The project will support local capacity, government and leadership in remote communities and respond to remote community priorities for infrastructure developments.		No impact Payment is for local government-type community infrastructure, and to support the local community in the Barkly region rather than state services.

Commonwealth payment	Description	2020-21 \$m	Treatment Reason for treatment
Barkly Business Hub	Supporting regional business creation and growth by building local business capacity and helping local businesses capitalise on economic opportunities in the region by connecting them with investment opportunities.	Impact	Payment is for business development purposes. This is a normal state function and needs are assessed.