




Australian Government
Commonwealth Grants Commission

2025 Methodology Review

Other expenses consultation paper

October 2023

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Submissions sought by	<p>1 March 2024</p> <p>Submissions should be placed in your private state channel in CGC Engagement Teams, with a post notifying Katrina Baldock.</p> <p>Submissions should be in Word format and posted in the relevant state channel of the CGC engagement Team. Submissions more than 10 pages in length should include a summary section.</p>
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Overview of category

- 1 The other expenses assessment includes all state and territory (state) expenses not included in the other specific expense assessments.
- 2 The expenses included in this assessment are:
 - civil protection services such as:
 - mountain rescue, beach surveillance and life saving
 - evacuation of flooded areas
 - maintenance of state emergency services and their operations, except those expenses that are included in the natural disaster relief category
 - the administration and operation of fire prevention and firefighting services
 - the control of domestic animals and livestock
 - services related to recreation, culture and religious activities
 - services related to communications, such as the production and dissemination of information and statistics on:
 - communication services
 - grants, loans or subsidies to support the construction, operation, maintenance or upgrading of communication systems
 - the administration, operation, or support of executive and legislative bodies.

Current assessment method – 2020 Review

- 3 The current assessment method assesses other expenses to be equal per capita with differences in wage cost and regional cost applied to some components.
- 4 In the 2020 Review the Commission concluded that the costs of providing services such as general public services, culture and recreation, communication and civil protection services are broadly related to the size of state populations, and unit costs are unlikely to differ materially between states. Hence, state population is considered the driver for the use of services.
- 5 Differences in the cost of providing services to different regions within a state and differences in wage costs between states affect how much states need to spend on the components of other expenses. Therefore, for public safety, culture and recreation, communications, and half of other service expenses, a regional and wage cost adjustment is applied to reflect differences in the costs of providing services. The regional and wage costs adjustment was applied to 64% of total other expenses in 2021–22.

Data used in the assessment

- 6 State expenses are sourced from the Australian Bureau of Statistics (ABS) Government Finance Statistics series and the states. The population data used is the ABS's Estimated Resident Population series.

Category and component expenses

- 7 State spending on other expenses is shown in Table 1. These expenses amount to 10.5% of total state expenses in 2021–22. Victoria spent the largest share of its budget on other expenses, 11.4%, and the Northern Territory the smallest, 5%.

Table 1 Other expenses by state, 2021–22

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Total expenditure (\$m)	9,459	7,629	6,134	3,250	2,094	657	539	311	30,073
Proportion of total expenditure (%)	11.0	11.4	10.3	8.6	10.8	10.0	9.4	5.0	10.5

Source: Commission calculation, 2023 Update.

- 8 Table 2 shows that total other expenses between 2018–19 and 2021–22 have increased by 43% to \$30.1 billion. New South Wales and Victoria had the largest increases in dollar terms across this period. South Australia had the biggest percentage increase and Queensland's other expenses fell between 2018–19 to 2021–22. By expense sub-component, the increase in spending was driven by financial and fiscal affairs, general public services, fire protection services and recreation and sporting services.

Table 2 Other expenses, 2018–19 to 2021–22

	2018–19	2019–20	2020–21	2021–22
Total expenditure (\$m)	20,995	24,474	26,399	30,073
Proportion of total expenditure (%)	8.8	10.7	10.4	10.5

Source: Commission calculation, 2023 Update.

- 9 Table 3 shows the structure of the other expenses assessment.

Table 3 Structure of the other expenses assessment, 2021–22

Component	Component expense	Driver of need	Influence measured by driver
	\$m		
Other expenses	30,073	EPC	The driver of these expenses is state population (a).
		Wage costs	Recognises the difference in wage costs between states affects the delivery of other services (b).
		Regional costs	Recognises the high cost in the delivery of other services to remote areas (b).

(a) Population is considered the only driver for some categories of expenses but not all.

(b) Applied to a subset of service expenses that was 64% of total category expenses in 2021–22.

Source: Commission calculation, 2023 Update.

GST distribution in the 2023 Update

- 10 Table 4 shows the impact of the other expenses assessment on the distribution of GST in 2023–24. Other expenses distributed \$85 million, or \$3 per capita, compared to an equal per capita distribution.

Table 4 GST impact of other expenses assessment, 2023–24

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Other expenses	8	-42	-19	48	-18	-6	8	20	85
Total (\$pc)	1	-6	-4	17	-10	-11	17	78	3.2

Source: Commission calculation, 2023 Update.

- 11 Further detail on service provision arrangements, the range of services included within this category and the underlying conceptual cases for the assessment methods are explained in volume 2, chapter 23, [Report on GST Revenue Sharing Relativities, 2020 Review](#).

What has changed since the 2020 Review?

- 12 The Commission’s preliminary view is that there have been no developments that warrant changing the method for the other expenses assessment.

Consultation questions

- Q1. Do states agree with the expenses classified to the other expenses category?
Q2. Do states agree that other expenses should be assessed equal per capita?

Proposed assessment

Differences from the 2020 Review approach

- 13 Subject to comments from states the Commission does not propose to make changes to its 2020 Review approach.

Proposed assessment structure

14 Table 5 shows the proposed structure of the other expense assessment.

Table 5 Proposed assessment structure for other expenses

Component	Driver of need	Influence measured by driver	Change since 2020 Review
Other expenses	EPC	The driver of these expenses is state population (a)	No
	Wage costs	Recognises difference in wage costs between states affect the costs of delivering services (b)	No
	Regional costs	Recognises the higher cost to deliver services to regional and remote areas (b)	No

(a) Population is considered the only driver for some but not all components of expenses in this category.

(b) Applied to a subset of service expenses that was 64% of total category expenses in 2021-22.

Source: Commission calculation, 2023 Update.

New data requirements

15 At this stage, the Commission is not proposing any new data requirements for other expenses.

Consultation

16 The Commission welcomes state views on the consultation questions identified in this paper (outlined below) and the proposed assessment. State submissions should accord with the 2025 Review framework. States are welcome to raise other relevant issues with the Commission.

Q1. Do states agree with the expenses classified to the other expenses category?

Q2. Do states agree that other expenses should be assessed equal per capita?