



Australian Government
Commonwealth Grants Commission

New issues in the 2024 Update

March 2024



New issues in the 2024 Update

Key points

- Leading up to each annual update, the Commission consults states and territories (states) about new issues that might affect the Good and Services Tax (GST) distribution.
- In 2023, selected Australian Bureau of Statistics (ABS) 2021 Census data became available, with potential implications for the justice and transport assessments.
- Other new issues considered in this update related to mining, payroll tax, Native Title and land rights, and the treatment of new Commonwealth payments.

Summary of Commission decisions

Data issues

- Apply ABS 2016 Census-based use-weights to 2016 Census-based population estimates for First Nations people in the 2024 Update justice assessment.
- Update the characteristics of urban areas that are applied to the regression coefficients in the urban transport assessment using:
 - ABS 2021 Census significant urban areas definitions to update urban area populations and population-weighted densities
 - ABS 2021 Census distance to work data to update network complexity
 - ABS 2016 Census passenger data to model passenger numbers
 - updated average slope data from Geoscience Australia.
- Discontinue the separate adjustment to remove the remuneration of Australian Defence Force personnel and Australian embassy employees from the measure of the payroll tax base from the 2022–23 assessment year.

Assessment issues

- Suspend the national capital assessment from the calculation of GST relativities for the 2024 Update because the ACT's assessed needs for the national capital assessment are negative.
- Separately assess nickel royalties in the 2024 Update.
- Apply the 2020 Review health assessment approach to state-funded spending under the National Partnership on COVID-19 Response.
- Do not assess treaty-related costs in the Native Title and land rights assessment.

Commonwealth payments

- Apply the treatment of Commonwealth payments as listed in Table A-1 at Attachment A.

Background

In each annual update, the Commission identifies new issues that might affect the GST distribution. A discussion paper seeking state views on new issues was released on 29 September 2023. For the 2024 Update, the new issues fall into the following categories:

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

This paper outlines the Commission's decisions on each of the new issues raised in the discussion paper.

Data issues

ABS 2021 Census

The 2021 Census data have progressively become available since June 2022. The latest release was on 27 April 2023. The following new data from this release will be incorporated into the 2024 Update:

- First Nations population on Census night
- populations of discrete First Nations communities
- significant urban areas boundaries and urban population.

Use of ABS 2016 Census disaggregated First Nations population estimates in the justice assessment

Issue

The ABS has released its First Nations population estimates based on the 2021 Census. The Commission consulted with states, proposing to continue to apply 2016 Census-based use-weights to 2016 Census-based population estimates for First Nations people in the 2024 Update justice assessment.

State views

All states except Victoria supported the Commission's proposal to continue to use ABS 2016 Census First Nations populations in the justice assessment. States said that the increase in First Nations populations from non-demographic factors, including increased numbers of people identifying as First Nations and improved coverage in the ABS 2021 Census, were likely to bias the assessment if the Commission was not also able to update the 2016 First Nations justice services use-weights. States also said that the Commission's approach is consistent with the method used in the 2018 Update.

Western Australia said that pre-existing use and cost weights calculated in the 2020 Review may not be applicable to First Nations people identified in the 2021 Census. Western Australia queried whether any other assessments have usage weights and/or cost weights that are not updated annually, and if so, said that ABS 2016 Census-based First Nations population should be used for those assessments in the 2024 Update. The Commission has verified that no other assessments are affected by this issue.

Victoria said that using the 2021 Census-based First Nations population figures would provide a better estimate of the need for state spending on justice services than the 2016 Census-based population projections, as they are the best and most recently available measure of First Nations populations.

Commission decision

The Commission agrees that the 2021 Census-based estimates are the most reliable and up-to-date estimates of the distribution of First Nations populations. However, a large proportion of the growth in First Nations populations between the 2016 and 2021 censuses is due to non-demographic factors. As a result, the distribution and characteristics of First Nations populations in the 2021 Census are not comparable with the 2016 Census. The Commission does not consider it appropriate to apply 2021 First Nations population estimates to use-weights based on 2016 Census estimates.

The Commission's position is to use the 2016 Census-based use-weights and 2016 Census-based population estimates for First Nations people in the 2024 Update justice assessment. This ensures that the assessment is not biased by the non-demographic increase in First Nations populations.

More recent data have been requested to update the use-weights as part of the 2025 Review. If updated data are received, 2021 Census-based estimates will be used in the calculation of the use-weights for the 2025 Review.

Use of ABS 2021 Census disaggregated First Nations population estimates in other assessments

Issue

The Commission advised states that ABS sub-state First Nations population estimates for 2021 will be incorporated into the 2024 Update. This reflected the Commission's understanding that First Nations population projections, based on the 2021 Census, would be available in time for the 2024 Update. However, these projections will now not be available until after the 2024 Update has been finalised. First Nations population projections (by state and age) will therefore be adjusted by the Commission to be more current and will be based on the ratio between the First Nations populations from the 2021 Census and the projected First Nations populations for 2021 from the 2016 Census.

State views

All states either supported or did not comment on the proposal to update the ABS 2016 Census First Nations populations projections using the 2021 Census First Nations populations as an interim measure prior to the ABS release of updated projections.

Commission decision

The Commission will update population projections from the 2016 Census using the ratio between the First Nations populations from the 2021 Census and the projected First Nations populations for 2021 from the 2016 Census.

Use of 2021 Census urban area data in the urban transport assessment

Issues

The Commission sought state views on updating the characteristics of urban areas that are applied to the regression coefficients in the urban transport assessment. Views were sought on the following:

- using ABS 2021 Census significant urban area definitions to update urban area population and population-weighted densities
- using ABS 2021 Census distance to work data to update network complexity

- using updated Geoscience Australia average slope data to update topography
- continuing to use 2016 ABS Census passenger data to model passenger numbers.

Use ABS 2021 Census significant urban area definitions to update urban area population and population-weighted densities?

State views

New South Wales, Victoria, Tasmania, the ACT and the Northern Territory supported updating the significant urban areas definitions, urban area population and population-weighted density using the latest data from the ABS 2021 Census. Victoria noted that updating significant urban area population and population-weighted density would maintain consistency with other assessments that have been updated with 2021 Census data.

New South Wales noted that the current method of calculating population-weighted density using Statistical Area 1s (SA1s) made the assessment sensitive to both changes in SA1 populations and changes in SA1 boundaries, which may be disproportionate to the impact on transport needs. New South Wales argued that the geographic boundaries used in the population-weighted density should reflect the level at which people experience density. New South Wales suggested using the neighbourhood or Statistical Area 2 (SA2) level, which would also smooth volatility.

Queensland did not support updating populations and geographies and said that the assessment should not be updated until the model is reviewed in the 2025 Review. Queensland referred to the substantial issues it raised (and intends to raise) in response to the 2025 Review consultation papers. It raised concerns with the validity of the method used to calculate population-weighted densities and distortion caused by the population squared variable in the investment assessment. Queensland questioned the validity of the significant increase in population-weighted densities calculated for Melbourne and Sydney in contrast to the limited change for Brisbane, despite its ongoing densification. Queensland also said that the Commission has not substantiated its view that new significant urban areas have similar characteristics to existing significant urban areas.

Western Australia said the Commission should retain the existing 2016 Census-based urban populations and population-weighted densities (and the existing regression coefficients) for the 2024 Update, pending the 2025 Review. Western Australia noted concerns with the updated population-weighted densities of capital cities given the significant impact that population-weighted density has on the assessment. It noted that there was a 22% increase in population-weighted density for Melbourne compared with 0.4% in Adelaide. Western Australia argued that if the data for the independent variables have similar characteristics to old data, then it is unreasonable to not update the regression coefficients. However, if characteristics have changed, then it may be inappropriate to update the coefficients.

South Australia raised concerns about the consistency of SA1 boundaries when measuring population-weighted density and suggested the square kilometre population grid as an alternative measure. South Australia argued that if the large changes in density between the 2016 and 2021 Censuses are due to measurement issues unrelated to transport demand, then it would be inappropriate to use 2021 data with 2016 coefficients. South Australia said that all updates to the transport assessment should be deferred and considered in more detail as part of the 2025 Review.

Commission decision

The Commission acknowledges that the change in population-weighted density due to updating 2016 Census geographies with ABS 2021 Census geographies and populations results in a significant change in distribution. This change is driven by updates to:

- geography - the number and size of urban areas (significant urban areas) and the definition of SA1s within urban areas¹
- population within significant urban areas and SA1s
- the areas included in the population ranges used to model passenger numbers.

The illustrative impact of these changes to the GST distribution is shown in Table 1.

Table 1 Impact of using 2021 Census geographies and populations

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Changing geography	1	57	-5	-77	-82	-16	37	-19	15
Changing population	-16	28	-4	-8	-4	-3	0	-4	7
Changing population ranges	-7	-7	26	-7	-7	0	-1	0	5

Source: Commission calculation based on 2023 Update data.

The Commission notes that changes to the size and composition of individual SA1s result in a large change to the Commission's measure of population-weighted density. Several individual SA1s were split into multiple SA1s in the 2021 Census, which caused increases in population-weighted density, particularly for the Melbourne significant urban area.² Changing the method used to calculate population-weighted density would be a method change, and beyond the scope of the terms of reference for the 2024 Update.

The growth of populations within significant urban areas also caused changes due to the movement of individual areas between the population ranges used to model passenger numbers. In 2021-22 the population of the Brisbane significant urban area exceeded 2.5 million people. As a result, it is now assessed in the same population range as Sydney and Melbourne for that year. A similar movement into a higher population range also occurred for Port Macquarie (New South Wales).

The Commission notes that, wherever possible, the most reliable and up-to-date data should be used to reflect current state circumstances. There is no indication that the definition of SA1s in the 2016 Census is more or less reflective of urban transport needs than the 2021 Census-based definitions. Nor does the Commission have a reason to believe the 2021 Census-based geographies are unreliable.

The assessment was designed to model urban transport costs as cities grow and density changes. As noted in the [2024 Update new issues discussion paper](#), the newly defined urban areas have similar urban centre characteristics to those modelled in the regression using 2016 Census-based geographies. This is evidenced by the lack of statistically significant differences between 2016 Census areas and the 2021 Census areas for all of the urban centre characteristic variables (p-values ranged between 0.58 for the distance to work variable and 0.99 for the heavy rail passenger variable). In addition, while some individual urban area boundaries were altered to capture new developments, over 90% of urban area boundaries remained unchanged. Therefore, the Commission considers it appropriate to apply the regression coefficients to population-weighted densities based on the latest available data.

¹ The ABS redefine SA1s in a census to maintain consistent populations of 200 to 800 people as the population grows ([Australian Bureau of Statistics \(2021\)-Statistical Area Level 1](#))

² Splitting a single SA1 into multiple SA1s is necessary to account for population growth in an area, however the combined population-weighted density of the smaller 2021 SA1s is often higher than the original larger 2016 SA1s.

On balance, the Commission considers the ABS 2021 Census geography data are the best available, most up-to-date data, and should be used to update population-weighted densities in the urban transport assessment in the 2024 Update. The calculation of population-weighted densities will be considered in the 2025 Review.

Use ABS 2021 Census distance to work data to update network complexity?

State views

New South Wales, Western Australia, Tasmania, the ACT and the Northern Territory supported the Commission’s position that distance to work data from the 2021 Census were not affected by COVID-19 and are thus suitable to use for updating. Victoria and South Australia did not support the use of these data, saying there is not enough information to determine the impact of the pandemic on the estimates. Queensland did not support updating the data in the transport assessment in the 2024 Update.

Commission decision

The Commission notes most states supported updating the distance to work measure. Victoria and South Australia raised concerns about the impact of COVID-19 on network complexity. The Commission acknowledges that on Census Day, commuter behaviour was impacted by COVID-19 lockdowns and restrictions. However, the design of the Census question mitigated the impact of these disruptions on the distance to work data.³ Therefore, the Commission considers these data to be fit for purpose. Table 2 shows that updating the distance to work measurement does not have a significant impact on distribution.

Table 2 Illustrative distribution of updating distance and slope data in the urban transport assessment

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Distance to work	-2	-2	3	5	-2	1	7	-1	11
Slope	0	0	2	1	-3	-6	-5	-1	8

Source: Commission calculation in the 2023 Update

Use updated Geoscience Australia average slope data to update topography?

State views

All states except Queensland and South Australia supported the use of an updated average slope for significant urban areas in the transport assessment.

Queensland and South Australia did not support updating the data in the transport assessment in the 2024 Update. South Australia noted that in the 2020 Review, the Commission said that it would not update the average slope data between reviews.

Commission decision

The 2020 Review noted that slope would remain stable and so data would not be updated between reviews. However, slope data are required for the new urban areas identified in the 2021 Census-based geographies. In this situation, the Commission considers it appropriate to update slope data for all areas, so that the characteristics of all areas are derived using the same data. Table 2 shows that updating slope data does not have a significant impact on the assessment.

³ To account for lockdowns in different cities, the Census question asked respondents to list their usual place of work, regardless of where they actually worked on Census day.

Continue to use ABS 2016 Census passenger data to model passenger numbers?

State views

Most states supported continuing to use the ABS 2016 Census public transport passenger numbers, citing the impacts of COVID-19 on passenger numbers during the 2021 Census. However, the ACT suggested an adjustment to 2016 Census passenger numbers to capture the impact of the introduction of light rail services in the Territory. New South Wales requested that the ferry service in Newcastle be recognised in the assessment.

Commission decision

In the 2023 Update, the Commission did not update 2016 Census passenger number data in the assessment because data from the 2021 Census were distorted by COVID-19 lockdowns and not considered fit for purpose. Consistent with this decision, the Commission has maintained passenger data from the 2016 Census in the assessment as supported by most states.

In the 2023 Update, the Commission also considered an adjustment to 2016 Census passenger numbers to recognise the addition of light rail in Canberra and Newcastle. The Commission concluded that an adjustment was not appropriate because it did not capture network expansions in all urban centres, nor was it material. The Commission continues to consider a partial adjustment to passenger numbers is not appropriate in the 2024 Update. The Commission acknowledges that by maintaining 2016 Census passenger data in the assessment, changes to networks and passenger behaviours are not captured. As part of the 2025 Review process, the Commission is considering an adjustment that would recognise changes in passenger behaviour, and additional services across states.

As the ferry variable indicates the presence of a ferry service in an urban area, rather than passenger behaviour, it can be updated as new services are recognised. The dummy will be updated to account for ferry services in Newcastle and Hobart.

Payroll tax

Change in ABS Employment and Earnings, public sector data

Issue

The ABS has changed its method of collecting the public sector wages and salaries data used by the Commission and in doing so has changed the scope of the collection. The ABS Survey of Employment and Earnings has been discontinued. From 2022–23 these data are sourced from the Australian Taxation Office's Single Touch Payroll data.

The changes in the scope of ABS public sector wages and salaries data mean the Commission's separate adjustment to remove remuneration of Australian Defence Force personnel and Australian embassy employees is no longer necessary. Remuneration of those employees can now be excluded from the assessment in the same way as for general government sector employees.⁴ The Commission sought views from states on removing the adjustment.

State views

All states supported, in principle, the Commission's proposal to cease the adjustment. However, the Northern Territory said that the Single Touch Payroll data used by the ABS are still experimental. It said that, in the event there are significant unexpected changes to

⁴ Previously, remuneration of Australian Defence Force personnel and Australian embassy employees had to be removed from compensation of employees data before 'taxable proportions' based on wages and salaries data were applied. Since Australian Defence Force personnel and Australian embassy employees are now within scope of the wages and salaries data, their remuneration can be removed using the taxable proportions. This is consistent with the way remuneration of other general government sector employees is excluded from the assessment.

a state's taxable public sector wages, the approach may warrant reassessing as part of the 2025 Review.

Western Australia said that the Commission's proposed approach to exclude Australian Defence Force personnel and Australian embassy staff will be slightly less accurate than its current approach. However, it preferred the simpler method of using ABS Single Touch Payroll data if the results were not materially different.

Commission decision

The ABS considered the public sector wages and salaries estimates derived from Single Touch Payroll data for 2021–22 to be experimental. However, from 2022–23 it has adopted the new estimates for its published data and as inputs to the national accounts. The ABS regards these estimates as a robust and suitable replacement for those derived from the Survey of Employment and Earnings.

Retaining the previous approach to excluding Australian Defence Force personnel and Australian embassy employee wages and salaries would require the Commission to make the adjustment twice – to compensation of employees data and to the public sector wages and salaries data. This adds complexity without having a material impact.

The Commission notes that using the new data without the separate adjustment in 2021–22 (the year for which new and old data are available) would change the distribution by less than \$4 per capita for the most affected state (the ACT) compared to the previous method.

In the 2024 Update, the Commission has discontinued the separate adjustment to remove the remuneration of Australian Defence Force personnel and Australian embassy employees from compensation of employees data, as it is no longer necessary.

Assessment issues

National capital – negative assessed GST needs

Issue

The Commission sought views from states on suspending the national capital assessment from the calculation of GST relativities if the ACT had negative assessed needs.

State views

All states except New South Wales supported suspending the national capital assessment if the ACT's assessed GST needs under the assessment are negative. States highlighted that, at inception, the assessment was not envisaged to become negative. As such, the Northern Territory considered suspending the assessment a clarification of the current method.

New South Wales argued that assessments should continue to ensure that state expenditure needs are properly recognised whether those needs are higher or lower than average. New South Wales argued that irrespective of intent, the national capital assessment should reflect the relative costs of the national capital, and any method change or suspension of the assessment should be made as part of the review process.

Commission decision

The Commission notes that the national capital assessment was designed to recognise only the additional costs incurred by the ACT and was not designed to comprehensively consider the relative costs and benefits of being the national capital. Therefore, the ACT having negative assessed GST needs would be inconsistent with the 2020 Review method.

The Commission suspended the national capital assessment from the calculation of GST relativities in the 2024 Update because the ACT's assessed GST needs for the national capital assessment were negative.

Mining revenue – a separate assessment of nickel

Issue

The Commission sought views from states on separately assessing nickel royalties if a separate assessment was material.

State views

All states supported separately assessing nickel royalties if it is material to do so. Victoria also asked the Commission to share any modelling of future materiality tests.

Commission decision

The Commission has separately assessed nickel royalties in the 2024 Update. This is because a separate assessment is material and is likely to remain so for the foreseeable future.

The Commission agrees to share its modelling of future materiality tests with states, where materiality is a relevant consideration.

Mining revenue – separate assessments of metallurgical and thermal coal

Issue

The Commission sought views from states on separately assessing metallurgical and thermal coal royalties if a separate assessment was material.

State views

New South Wales, Victoria, Tasmania and the ACT supported separate assessments if it was material to do so. New South Wales said recent commodity price rises had caused the revenue capacities of the 2 major coal-producing states to diverge. It said equalisation would be improved by separately assessing the 2 types of coal. It provided an estimated split of coal.

Queensland did not support the proposal. It said splitting coal into metallurgical and thermal coal was artificial and had no connection to how royalties were collected. It would not be able to provide royalty data on that basis, requiring the Commission to estimate a split. It doubted the reliability of assessment outcomes based on an estimated split. Queensland also said splitting coal was inconsistent with the mineral by mineral assessment method. It was also concerned the issue had arisen too late in the inquiry for states to give it proper consideration and for them to assure the quality of the Commission's method of estimating a royalty split.

Commission decision

The Commission decided not to split the coal assessment in the 2024 Update. This would be a method change from the 2015 Review which said all coal would be assessed together. The 2015 Review remains the basis for the current assessment method as the 2020 Review supplementary terms of reference directed the Commission not to change the mining revenue assessment methodology.⁵ As such, the issue was not considered in the 2020 Review. In addition, the issues involved in reliably splitting the coal assessment are

⁵ Department of the Treasury, [2020 Methodology Review – Supplementary Terms of Reference](#), Treasury, 2019.

sufficiently complex that it would be difficult to obtain reliable data and undertake the appropriate degree of consultation to resolve them in time for the 2024 Update.

Additional issues raised by states

Response to COVID-19 – New South Wales and Victoria

Issue

In their submissions, New South Wales and Victoria said that the 2024 Update will be impacted by COVID-19 spending on health services and business support.

New South Wales said that, if the terms of reference for the 2024 Update allow for a method change, the Commission should revisit its preliminary view in the 2023 Update to undertake a change in method for COVID-19 impacts. This would involve treating the Commonwealth payments under the National Partnership on COVID-19 Response and the national partnerships on COVID-19 business support as impact. State spending on the health services and business support programs covered by these national partnerships would be separately assessed, on an actual per capita basis.

Victoria said that the 2024 Update will likely be the update with the most significant impacts from the COVID-19 pandemic, covering 2020-21, 2021-22 and 2022-23. Victoria said it would be valuable for the Commission to highlight again in the 2024 Update that its methods do not align with the underlying drivers of COVID-19 expenditure. This would also highlight that the current methods do not allow the Commission flexibility to respond to extraordinary events between reviews.

Commission decision

Consistent with the terms of reference for the 2024 Update requiring the Commission to use the assessment methods from the 2023 Update, the Commission has applied the 2020 Review health assessment approach to state funded spending under the National Partnership on COVID-19 Response. The Commission will continue to treat Commonwealth payments associated with the national partnership as ‘no impact’.

Treatment of spending on Treaty processes with traditional owners - Victoria

Issue

In its response to the Commission’s annual Native Title and land rights data request, Victoria requested that its spending on Treaty processes with traditional owners be assessed under the Native Title and land rights assessment category.

Commission decision

The Commission acknowledges that some spending incurred under Treaty processes may be for services similar to those provided for in Native Title settlements. However, the Commission considers Treaty-related costs as separate from the spending captured by the Native Title and land rights assessment, given the significant differences in function, scope and purpose between Native Title legislation and Treaties.

As there is currently no nationally consistent approach to developing or implementing Treaty processes, an actual per capita assessment of Treaty-related expenses would not be appropriate. The Commission has decided not to include Treaty-related expenses in the Native Title and land rights assessment.

Treatment of Commonwealth payments

The 2024 Update Terms of Reference require the Commission to prepare its assessments on the basis that certain Commonwealth payments to the states do not directly influence the GST revenue sharing relativities. Of the new payments listed in the terms of reference, only payments under the Social Housing Accelerator program fall within the assessment period for the 2024 Update.⁶

For all other 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 assessed will have an impact on State fiscal capacities'.

The treatment of Commonwealth payments that commenced in 2022-23, as listed in the *Commonwealth of Australia's Final Budget Outcome, 2022-23* is shown in Table A1 and Table A2.

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

Primary Care Pilot Program

Issue

This program is designed to pilot innovative health care models that reduce pressure on emergency departments.

State views

Tasmania said that, for the majority of states, the Primary Care Pilot program will improve primary care services. Tasmania said that as primary care is not a state responsibility, this funding should be treated as no impact.

Commission decision

Commonwealth and state governments share funding and responsibility for primary health care services. Based on the information available in the Primary Care Pilot Federal Funding Agreement, the Commonwealth payment could fund a mix of state and non-state primary care services.

On balance, the Commission considers that the funding will primarily increase the provision of Commonwealth-funded primary care services. These services are accounted for in the health assessment through the non-state sector adjustment. The Commission will treat the payment as no impact.

Expansion of the John Flynn Pre-vocational Doctor Program

Issue

The Australian Government is providing funding for additional rural primary care training rotations for junior doctors through the *John Flynn Pre-vocational Doctor Program*.

⁶ The 2024 Update Terms of Reference also specified that new payments for Energy Bill Relief Fund, Sporting Venue Infrastructure for the Brisbane 2032 Olympic and Paralympic Games (Queensland), and On-Country Learning (Northern Territory) should not impact the relativities. As these payments have not entered the Commission's assessment period they are not discussed in this paper. In addition, the terms of reference specify that payments which the Commission has previously been directed to treat as having no impact on the relativities, should continue to be treated in that way. As there has been no change in the treatment of these payments they are also not included in this paper.

State views

Tasmania said the purpose of this program is to increase rural general practitioners, funding for which was previously delivered under a grant program. Tasmania said as primary care is not a state responsibility, this funding should be treated as no impact.

Commission decision

Commonwealth and state governments share funding and responsibility for primary health care services. This payment is primarily intended to strengthen rural training capacity, that will increase the number of general practitioners in rural areas in the future. The services provided by general practitioners are accounted for in the Commission's non-state sector adjustment. The Commission will treat the payment as no impact.

South Australian Genomics Lab

Issue

In 2022-23, \$7 million was paid to South Australia for the South Australian Genomic Lab project. This new laboratory will be established with SA Pathology and aims to improve treatment options for Australians with cancer.

State views

South Australia said that the payment will facilitate enhanced cancer treatment accessibility for all Australians, especially those affected by rare, less common and early onset cancers, where treatment options are often limited. In light of this national impact, South Australia said that this funding should be treated as a no impact payment.

Commission decision

The South Australian Genomic Lab will provide benefits to both South Australians and Australian residents in other states. However, the Commission's framework for the treatment of Commonwealth payments has 2 criteria – is the funding for a usual state service and are needs assessed. This payment to support state health services meets these criteria and so the Commission will treat this as impact.

Digital Technologies Academy

Issue

In 2022-23, \$10 million was paid to the Digital Technologies Academy project under the Adelaide City deal.

State views

South Australia said that this funding is intended for the construction of an educational facility specialising in digital technologies and collaborative input is expected from both the university sector and the skills training sector. It said this investment in post-secondary education will not be operated solely by the state, with the university sector taking a significant role. As university funding is not a state responsibility, this funding should be treated as no impact.

Commission decision

The Commission considers that this payment is related to both the university sector and the post-secondary education sector. In this case, South Australia has said that the university sector role is 'significant'. For this payment to be treated as no impact, the Commission would need to determine the relative significance of the roles of the state post-secondary education 'skills training sector' and the university sector. In the absence of any evidence on the relative significance of these roles, or to reliably quantify any split for this payment, the Commission will treat this payment as impact.

Schools Upgrade Funding – Round 1

Issue

The schools upgrade fund is supporting capital projects to keep students and staff safe after disruptions due to COVID-19. Round 1 focuses on improving ventilation and air quality and making small scale improvements such as upgrading computing equipment and school facilities.

State views

New South Wales said that this payment also includes Commonwealth pass-through payments to non-government schools. As support for non-government schools is primarily a Commonwealth responsibility, this payment should be partially excluded.

Commission decision

The Commission agrees with New South Wales and notes that the relevant amount (payment to non-government schools) can be identified. The non-government portion of the payment will be treated as no impact.

Attachment A: Treatment of Commonwealth Payments that commenced in 2022–23

Table A-1 Treatment of Commonwealth payments commenced in 2022–23, Commonwealth Final Budget Outcome, 2022–23

Commonwealth payment	Description	2022–23 \$m	Proposed treatment	Reason for treatment (including expense category where 'no impact' payments will be deducted)
Health				
Access to HIV treatment	Funding to support the delivery of care to all people living with HIV in Australia who are not eligible for Medicare.	0.6	No impact	Service is normally provided through Medicare. Medicare is treated as a non-state service (Community and public health)
Medicare Urgent Care Clinics	Establishment of 50 clinics that are available after hours to reduce pressure on hospital emergency departments and improve access for urgent situations.	8.8	No impact	Clinics are to support Medicare-funded health services. Medicare is treated as a non-state service (Community and public health)
Palliative Care Services Navigation Pilot	Support for the delivery of a pilot to test a palliative care services navigation model. The pilot will develop an approach to end-of-life care pathways in South Australia.	1.0	Impact	Admitted patient services are a state responsibility and needs are assessed.
Primary Care Pilot	Funding to co-develop and pilot models that reduce pressure on emergency departments (ED) including ED diversion, ED prevention and strengthening partnerships between primary care, community care and the public health system.	50.0	No impact	The payment predominantly funds Commonwealth funded primary care services. (Community and public health).
Surge capacity for BreastScreen Australia	Funding as a one-off boost to capacity for the BreastScreen Australia program. It will enable services to catch up on delayed appointments.	2.0	Impact	Community health is a state service and needs are assessed.
World-class newborn bloodspot screening program	Funding to increase the number and consistency of conditions screened through the newborn bloodspot screening program.	4.9	Impact	Community health is a state service and needs are assessed.
Child Development Unit at Campbelltown Hospital	Funding to establish a child development unit to enhance current services for children aged 2-6 years with developmental delay concerns at Campbelltown Hospital.	4.0	Impact	Health investment is a state function and needs are assessed.
Comprehensive Cancer Centres	Funding to support the establishment of Comprehensive Cancer Centres in Brisbane, Perth and Adelaide.	2.5	Impact	Health investment is a state function and needs are assessed.

Commonwealth payment	Description	2022-23 \$m	Proposed treatment	Reason for treatment (including expense category where 'no impact' payments will be deducted)
South Australian Genomics Lab	Funding to establish a cancer genomics laboratory in South Australia, which aims to improve treatment options for Australians with cancer.	7.0	Impact	Health investment is a state function and needs are assessed.
Supporting Palliative Care in Launceston	Funding to support the construction of a new hospice, located within the Launceston General Hospital Precinct, to improve palliative care in northern Tasmania.	5.0	Impact	Health investment is a state function and needs are assessed.
Expansion of the John Flynn Prevocational Doctor Program	Funding for additional rural primary care training rotations for junior doctors through the John Flynn Prevocational Doctor Program.	12.5	No impact	The payment predominantly funds Commonwealth funded primary care services. (Community and public health).
Registration Scheme for Personal Care Workers	Funding to establish a national registration scheme and code of conduct for personal care workers in the aged care sector.	1.2	No impact	Aged care is a Commonwealth responsibility (Non-NDIS Disability services, aged care and national redress scheme)
Education				
Building boarding schools On-Country	Commonwealth investment to provide more options for local secondary education in remote communities through Studio Schools of Australia.	54.1	Out of scope	This is a payment to a non-government school. Support for non-government schools is primarily a Commonwealth rather than a state responsibility and therefore out of scope.
National Student Wellbeing Program	This program supports the wellbeing of students through the provision of pastoral care services in participating schools.	61.4	Impact	Schools are a state service and needs are assessed.
Schools Upgrade Funding – Round 1	Provision of \$265.8 million as part of the schools' upgrade fund, supporting capital projects to keep students and school staff safe after disruptions due to COVID-19.	49.1	Split	Government school infrastructure is a state function and needs are assessed. Non-government schools are not a state function and this funding will be treated as no impact.
Student Wellbeing Boost	Funding to schools to support mental health and wellbeing following the impacts of COVID-19.	192.0	Impact	Pastoral care in schools is a state function and needs are assessed.
Workload Reduction Fund	Funding to pilot new approaches to reduce teacher workloads and maximise the value of teachers' time.	4.0	Impact	School staffing is a state function and needs are assessed.
Skills and Workforce Development				
Fee-free TAFE – 12-Month Skills Agreement (including TAFE Technology Fund)	Provision of \$493.3 million for fee-free TAFE places to be matched by the states, \$6.8 million to improve critical data infrastructure, and \$50.0 million for a TAFE Technology Fund to improve workshops, laboratories and IT facilities across the country.	349.6	Impact	Vocational education and training is a state function and needs are assessed.

Commonwealth payment	Description	2022-23 \$m	Proposed treatment	Reason for treatment (including expense category where 'no impact' payments will be deducted)
Community				
Changing Places Implementation	Funding of up to one-third of the build cost per facility, to support the construction of Changing Places facilities.	0.4	Impact	Community facilities are a state service and needs are assessed.
Extra high visibility police and law enforcement operations	Funding to improve remote community safety.	5.1	Impact	Community policing is a state service and needs are assessed.
Family, Domestic and Sexual Violence Responses Agreement – 500 community sector and frontline workers	Funding for new frontline and community sector workers to provide support to women and children who are experiencing violence.	14.9	Impact	Welfare is a state service and needs are assessed.
Family, Domestic and Sexual Violence Responses Agreement – Innovative approaches to addressing perpetrator behaviour	Funding to develop innovative approaches to address family, domestic, and sexual violence perpetrator behaviour.	0.5	Impact	Frontline family services are a state service and needs are assessed.
Remote Community Store Licensing Scheme	Funding to transition the remote community store licensing scheme currently delivered by the Australian Government to the Northern Territory Government.	6.0	No impact	The Australian Government established a licensing regime for community stores in the Northern Territory as part of the Northern Territory National Emergency Response (NTNER). Because the NTNER was a quarantined payment, this follow-up part of the payment, that transfers responsibility for licensing from the Commonwealth to the Northern Territory government should also be no impact (Other industries regulation).
Affordable Housing				
Housing and essential services on Northern Territory Homelands	Funding to deliver critical housing and essential infrastructure on Northern Territory homelands.	25.0	No impact	This payment is part of the Commonwealth's closing the gap initiative that aims to address structural disadvantage for which needs are not assessed. (Housing, social housing component)
Social Impact Investments – People at risk of homelessness	Funding to state governments to trial social impact investments to help people at risk of homelessness.	0.3	No impact	Welfare services are a state function. However, the Commission has been unable to determine a driver of state expense needs for services such as this, which are classified in the Commission's 'other welfare' component.
Environment, energy and water				
Bolstering Australia's Biosecurity System – Protecting Australia	Funding to support targeted actions by developing an inter-jurisdictional plant biosecurity network that will enhance detection	0.4	Impact	Agriculture regulation is a state service and needs are assessed.

Commonwealth payment	Description	2022-23 \$m	Proposed treatment	Reason for treatment (including expense category where 'no impact' payments will be deducted)
	from escalating exotic animal disease risks and response capacity within northern Australia to combat new detections of diseases.			
CarbonNet	Funding to support CarbonNet's establishment of a commercial carbon capture and storage network in Victoria's Gippsland Basin.	10.0	Impact	Business development is a state service and needs are assessed.
Disaster Ready Fund – Coastal and Estuaries Risk Mitigation Program	\$50.0 million from the Disaster Ready Fund in 2022-23 to target high priority locally and nationally significant coastal and estuarine disaster risk mitigation projects.	50.0	No impact	Environmental protection is a state service, but needs are not assessed.
Food Waste for Healthy Soils Fund	Funding to support infrastructure that will divert organic waste from landfill towards improving Australian soils, as well as a \$10 million program aimed at avoiding food waste.	4.9	Impact	Business development is a state service and needs are assessed.
Horse traceability	Funding to increase horse traceability, targeting the spread of infectious diseases that have potentially significant market access and/or human health impacts.	0.6	Impact	Agriculture regulation is a state service and needs are assessed.
Investing in Australia's First Nations Culture and World Heritage	Funding to support the protection of First Nations cultural heritage, including support for the addition of First Nations heritage values to world and national heritage listings.	2.2	Impact	Cultural heritage is a state service and needs are assessed.
Marine Parks Management – Northern Territory Marine Parks	A partnership between the Director of National Parks and the Northern Territory Government to support Northern Territory marine parks.	0.2	No impact	Environmental protection is a state service, but needs are not assessed.
Raine Island Recovery Project	Funding to re-establish and maintain Raine Island as a viable island ecosystem.	0.7	No impact	Environmental protection is a state service, but needs are not assessed.
Strengthen Australia's frontline biosecurity capability and domestic preparedness	Funding to support on-farm and off-farm transition to a national livestock traceability system, including for the individual electronic identification of sheep and goats, to be delivered and co-funded by state governments and industry.	2.2	Impact	Agriculture regulation is a state service and needs are assessed.
Temporary cap on the price of coal	Funding to support the New South Wales and Queensland governments to implement a temporary cap of \$125 per tonne on the price of coal used for electricity generation.	165.4	No impact	Measures to reduce national energy prices are not a usual state service (services to communities, electricity subsidies component).

Commonwealth payment	Description	2022-23 \$m	Proposed treatment	Reason for treatment (including expense category where 'no impact' payments will be deducted)
Transforming Digital Environmental Assessments	Programs to harmonise and share biodiversity data among Commonwealth and state governments. Under this program, states will transform and share biodiversity data with the new National Biodiversity Data Repository.	1.2	No impact	Environmental protection is a state service, but needs are not assessed.
Other purposes				
National Legal Assistance Partnership - Support Criminal Justice Reform through Coronial Inquiries	Funding is for Aboriginal and Torres Strait Islander Legal Services (ATSILS) in each state. ATSILS are required to use this funding to provide culturally appropriate legal assistance in coronial inquiries for First Nations peoples.	2.7	No impact	Legal services for coronial court matters are a state function. However, the Commission has been unable to determine a driver of state expense needs for services such as this, which are classified in the Commission's 'other legal service' component. Therefore, needs are not assessed.
Additional funding for Legal Aid – Commissions to support court reform	Funding for legal aid commissions to improve their capacity to support the implementation of, and transition to, a new case management approach in the Federal Circuit and Family Court of Australia. The funding supports the delivery of timely and effective family law services by legal aid commissions in response to increased demand arising from the new approach to case management.	16.5	No impact	Payment is for a state service (other legal services). However, the funding is used specifically to deliver advice for use of a fully funded Commonwealth entity.
Countering violent extremism initiatives - High risk extremist de-radicalisation program	Program designed to rehabilitate high risk threats already within the Australian prison, detention, and corrective services system.	3.7	Impact	Prison services are a normal state function and needs are assessed.
-living safe together intervention program	Intervention program to support at-risk individuals radicalising to violent extremism.	8.0	Impact	Public safety is a normal state service and needs are assessed.
Scotdesco water security project	Funding to contribute towards the investigation and delivery of a permanent solution to drinking water for the remote community of Scotdesco in South Australia.	0.3	Impact	Subsidised water is a state service and needs are assessed.

Table A-2 Treatment of City and Regional Deals projects commenced in 2022–23

Commonwealth payment	Description	2022–23 \$m	Proposed treatment	Reason for treatment
Adelaide		10.0		
Digital Technologies Academy	Construction of an educational facility for digital technologies. The DTA will address the current skills gaps by developing specialised and highly adaptable education and training facility designed to support pathways linked to jobs and skills outcomes.		Impact	Payment supports an education facility. Investment in post-secondary education is a state function and needs are assessed.
Albury-Wodonga		3.6		
Albury Entertainment Centre Redevelopment	A major redevelopment of the Albury Entertainment Centre Convention Wing to create a regional events, conference and function centre.		Impact	Payments are for the development of a cultural centre. This is a state service and needs are assessed under services to communities.
Albury Airport Western Precinct Expansion	Infrastructure to enable the development of the Airports Western Precinct to support aerial firefighting, aeromedical services, general aviation, freight and emerging technology.		Impact	Payment supports emergency and industry services. General public services, including public safety, is a state responsibility and needs are assessed.
Delivery of Business case	Funding to support the delivery of development of proposals that could form part of the Albury Wodonga regional deal.		Impact	Supports state planning functions for the Albury-Wodonga regional councils and the regional deal, which included projects in health, education, and infrastructure. These are normal state functions and needs are assessed.
Wodonga TAFE Heavy Vehicle Technology Program – Stage 1	The Heavy Vehicle Training Program proposes increased scale and specialised facilities that will significantly improve heavy vehicle training capacity and capability. Wodonga TAFE Logic Innovation Precinct Stage 1 Heavy Vehicle Technology Program includes six projects and three construction phases: Heavy vehicle 4WD obstacle circuit; Cyber Range; Heavy vehicle workshop; Main Client Building; Carpark; and External infrastructure upgrades.		Impact	Payment supports investment in a TAFE facility. Investment in post-secondary education is a state function and needs are assessed.

Source: Department of Infrastructure