



**ACT**  
Government

**COMMONWEALTH GRANTS  
COMMISSION 2025  
METHODOLOGY REVIEW OF  
GST REVENUE SHARING  
RELATIVITIES**

***CONSULTATION PAPERS ON ASSESSMENT  
– TRANCHE TWO***

**ACT Government Submission**

ACT GOVERNMENT SUBMISSION  
MARCH 2024

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# ABBREVIATIONS

<b>Term</b>	<b>Definition</b>
ABS	Australian Bureau of Statistics
BITRE	Bureau of Infrastructure and Transport Research Economics
BLADE	Business Longitudinal Analysis Data Environment
CGC	Commonwealth Grants Commission or Commission
COFOG - A	Classification of the Functions of Government – Australia
EPC	Equal per capita
GFS	Government Finance Statistics
HAFF	Housing Australia Future Fund
HFE	Horizontal Fiscal Equalisation
NCP	National Capital Planning
NHIF	National Housing Infrastructure Facility
NTC	National Transport Commission
2025 Review	2025 Methodology Review

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# EXECUTIVE SUMMARY

In October 2023, the Commonwealth Grants Commission (CGC) released the second tranche of consultation papers on draft assessments for the 2025 Methodology Review (2025 Review) covering 15 assessment areas. The consultation papers set out the CGC's proposed assessment methodologies, seeks views from states and territories on the proposed assessments and asks specific consultation questions.

The ACT welcomes the opportunity to comment on the CGC's proposed assessments and consultation questions.

The ACT appreciates the ongoing availability and support from CGC staff to assist the ACT in understanding how CGC's has formed its initial positions as well as the flexibility provided to the ACT to respond to Tranche Two consultation papers.

The Submission encompasses the ACT's responses to Tranche 2 consultation papers and addresses each assessment individually with responses to the CGC's consultation questions.

Overall, the ACT broadly supports the CGC's proposals, except for the National Capital assessment, with suggestions for providing further information to assist states and territories in establishing their positions and exploring alternative data sources to renew the current methodologies. The ACT does not support the discontinuation of the national capital assessment and requests the CGC to include in the planning assessment the additional costs for capital works and the light rail projects incurred due to the National Capital Planning (NCP) requirements.

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# OVERALL ASSESSMENT FRAMEWORK

## ADJUSTED BUDGET

### Summary

The adjusted budget is a representation of state annual budgets, broken down into the CGC's assessment category and component structure. This is to allow a comparable and consistent representation of revenues, expenses, investments and net borrowings across the states under 'average policy' for the assessment of GST needs based on 'what states do'.

The ACT does not support the use of Australian Bureau of Statistics (ABS) preliminary Government Finance Statistics (GFS) data for year 3 but supports the use of the final GFS data for the first 4 assessment years (year minus 1 to year 2).

The ACT considers the proposed process for implementing adjustments in the 2025 Review for the adjusted budget assessment is appropriate.

## CONSULTATION QUESTIONS

### Question 1

Do states and territories agree with the Commission's preliminary view to use:

- Australian Bureau of Statistics (ABS) preliminary Government Finance Statistics (GFS) data for year 3?
- a state's year 3 data if the ABS preliminary data are not available?
- the final ABS Government Finance Statistics (GFS) data for the first 4 assessment years (year minus 1 to year 2)?

### **ACT Position**

The ACT does not support the use of ABS preliminary GFS data for year 3, and instead suggests the use of a state's year 3 data. This is because the ACT is unable to reconcile differences reflected in the preliminary GFS data and the adjustments made by the ABS at an aggregate level (at the two-digit level of COFOG-A<sup>1</sup>).

In addition, the ACT's year 3 data reflects the implementation of the Australian Accounting Standard Board (AASB16) Leases accounting standard. This means that ACT's year 3 data will not require an adjustment, while such an adjustment will be required if the ABS preliminary GFS data is used for year 3.

The ACT notes that not all jurisdictions would be able to provide their preliminary data in time for the annual updates. The ACT also notes that the CGC analysis of the variance between states' year 3 data, preliminary and final GFS data in 2021-22, shows significant revisions to the preliminary GFS data compared with the final data for both the ACT and total states. There was also a large downward revision to the total

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<sup>1</sup> Classification of the Functions of Government – Australia (COFOG-A)

investment expenditure in the ACT from the year 3 data to the preliminary GFS data, which was then revised upwardly in the final GFS data, closer to the year 3 data.

The ACT supports the continued use of the ABS final GFS data for the first 4 assessment years (year minus 1 to year 2).

## **Question 2**

Do states and territories consider the proposed process for implementing adjustments in the 2025 Review adjusted budget is appropriate?

### ***ACT Position***

The ACT considers the proposed process for implementing adjustments in the 2025 Review for the adjusted budget assessment is appropriate.

The ACT appreciates the CGC consulting with states and territories upon discovering discrepancies in GFS data during updates to discuss and explore options for adjustments.

# REVENUE ASSESSMENTS

## GAMBLING TAXATION

### Summary

The gambling taxation assessment covers state and territory revenues from gambling taxes. This is not a separate assessment, and gambling taxes are assessed in the other revenue assessment.

Gambling taxes are a mix of direct taxes on the main forms of gambling, licence fees and other levies and contributions. The main forms of gambling taxes are racing taxes, lottery taxes, gaming machine taxes, casino taxes and sports betting taxes.

The ACT supports the assessment of gambling taxes as equal per capita (EPC) in the other revenue category.

## CONSULTATION QUESTIONS

### Question 1

Do states and territories agree there is no reliable method of differentially assessing gambling taxes? If not, what do states and territories consider to be a reliable method of assessing state gambling taxes?

#### *ACT Position*

The ACT is unable to identify a reliable method of differentially assessing gambling tax.

### Question 2

Do states and territories agree that state gambling taxes should be assessed equal per capita (EPC) in the other revenue category?

#### *ACT Position*

The ACT agrees that the CGC should continue to assess gambling taxes on an equal per capita (EPC) basis in the other revenue category.

## OTHER REVENUE

### Summary

The other revenue assessment covers state and territory revenue that are not assessed in individual revenue categories. This includes gambling taxes, fee, fines and forfeits, interest income, dividend income, municipal rates for the ACT and user charges.

The ACT supports the CGC's proposal to continue the other revenue assessment in its current form.

## CONSULTATION QUESTIONS

### Question 1

Do states and territories agree with the revenues classified to the other revenue category?

#### **ACT Position**

The ACT has no significant concerns with the revenues classified in this category.

### Question 2

Do states and territories agree that other revenue should be assessed equal per capita (EPC)?

#### **ACT Position**

The ACT supports the EPC assessment (including the EPC assessment of revenue from gambling taxation) in this category.

## PAYROLL TAX

### Summary

The payroll tax assessment includes state and territory revenue from payroll tax imposed on wages and related benefits (remuneration) paid by employers. This assessment recognises that states and territories with above-average per capita taxable remuneration have above average capacity to raise payroll tax.

The ACT supports the CGC's proposal to retain the 2020 Review assessment method and investigate the use of BLADE and PLIDA data.

## CONSULTATION QUESTIONS

### Question 1

Do states and territories support assessing revenue from payroll tax surcharges on the same basis as payroll tax?

#### **ACT Position**

The ACT supports assessing revenue from payroll tax surcharges on the same basis as payroll tax. The ACT considers that this approach would be consistent with the CGC's treatment of surcharges in other revenue assessments, such as foreign owner surcharges in the Land Tax assessment.

### Question 2

Do states and territories support retaining the 2020 Review assessment method and data sources, noting that the Commission will continue to explore the feasibility of an assessment based on data from Business Longitudinal Analysis Data Environment (BLADE) and/or Person-Level Integrated Data Asset (PLIDA)?

### ***ACT Position***

The ACT supports retaining the 2020 Review assessment method and data sources, with the public sector employment and earnings data derived from Single Touch Payroll from 2022-23 assessment year as applied in the 2024 Update. The ACT also supports the CGC investigating the use of BLADE and PLIDA data.

### **Question 3**

Do states and territories support the assessment method including scope for the Commission to move to BLADE and/or PLIDA data in a future update, in consultation with states and territories, if those data would improve the assessment?

### ***ACT Position***

The ACT recommends the CGC to undertake and share the analysis using BLADE/PLIDA data for states and territories consideration in a future update.

The ACT also recommends the CGC to further explore the use of Single Touch Payroll data for payroll tax assessment.

The ACT requests the CGC shares the potential impacts of using these data sources on the GST distribution as a result of the analyses for states and territories' consideration prior to adopting or changing the method.

## **OTHER ISSUES**

### **Shift in Commonwealth Employment Practice<sup>2</sup>**

The ACT notes that the Commonwealth Government has shifted its employment practices from labour hire and contractors in favour of direct (non-payroll taxable) employment. This has the effect of lowering growth in the ACT's payroll taxbase relative to other jurisdictions.

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<sup>2</sup> [2023-24 ACT Budget Review](#)

# EXPENDITURE ASSESSMENTS

## HOUSING

### Summary

The housing assessment includes state and territory spending on social housing services provided by the public non-financial sector and subsidies to community housing providers, revenue received from public housing rents and state and territory spending on home purchase assistance for first home buyers.

The assessment excludes accommodation for state employees, residential institutions providing living quarters for people with special needs, tax expenditures on concessional rates of conveyance duty for first homeowners and homeless persons assistance. These are assessed in other categories.

The ACT agrees the housing assessment remains generally fit for purpose.

The ACT supports separate assessments for public and community housing if material, but this could be challenging as the ACT's current system was not setup to track expenses on public and community housing costs separately.

## CONSULTATION QUESTIONS

### Question 1

Do states and territories agree that the housing assessment remains fit for purpose notwithstanding recent developments in the housing market?

#### **ACT Position**

The ACT agrees that the housing assessment remains fit for purpose.

The ACT considers the amount of expenses on affordable housing to be likely significant following the progression of the implementation of programs to meet affordable housing targets, including under the National Housing Accord, the Housing Australia Future Fund (HAFF) and the National Housing Infrastructure Facility (NHIF). However, the ACT notes that the CGC still needs to undertake a significant amount of analysis and consultation prior to the introduction of a differential assessment for affordable housing.

### Question 2

Do states and territories agree that there should be separate assessments for public and community housing if it results in a material change in GST distribution?

**ACT Position**

The ACT in-principle supports separate assessments for public and community housing if material. While the provision of social housing services by community housing providers is to some extent driven by a policy decision, the ACT considers the driver of expenses on both measures are broadly the same.

The ACT notes that while dissecting social housing data according to public and community could be made, this would be a resource-intensive exercise as the ACT current system is not setup to separately tracking public and community housing costs.

**Question 3**

Is the ABS census data on households with members that have long-term health conditions<sup>3</sup> a suitable proxy for households that have high service needs?

**ACT Position**

The ACT notes that there is some correlation that tenants of social housing in the ACT, who have long term health conditions, with higher levels of service. However, there are also other tenants who require higher levels of service for reasons other than long-term health conditions such as due to domestic violence, disabilities, and tenants' involvement with the justice system.

**Question 4**

Do states and territories have data on the cost of servicing different household types that would enable the calculation of a cost gradient?

**ACT Position**

The ACT could extract data on the costs of servicing different type of households. However, like the answer to Question 2, this would be a resource-intensive exercise.

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<sup>3</sup> This includes mental health condition.

# INVESTMENT

## Summary

The investment assessment covers state and territory (state) gross investment, including investment in new assets and investment that replaces existing, depreciated assets.

State gross investment includes all capital investment by the general government sector as well as by housing and public transport public non-financial corporations.

The investment assessment does not cover the acquisition of financial assets.<sup>4</sup>

The ACT supports the proposed smoothing user population growth using 3-year moving average of growth rates. The ACT requires further information to establish its position on the freezing of component share of the value of assets for the life of the 2025 Review.

## CONSULTATION QUESTIONS

### Question 1

Do states and territories support smoothing user population growth to reduce volatility, with an associated reduction in contemporaneity?

#### **ACT Position**

The ACT supports smoothing user population growth to reduce volatility in the assessed investment needs, despite a reduction in contemporaneity.

The ACT notes that the assessed investment needs resulted from using both smoothing and non-smoothing approaches would catchup over time.

### Question 2

If user population growth were to be smoothed, do states and territories support a 3-year moving average of growth rates?

#### **ACT Position**

The ACT supports a 3-year moving average of growth rates for the smoothing user population growth.

### Question 3

Do states and territories support freezing the component shares of the value of assets for the life of the 2025 Review?

#### **ACT Position**

The ACT recommends the CGC analyse the potential impact of freezing all component shares of the value of assets approach on assessed investment needs and provide the results for consideration by states.

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<sup>4</sup> Examples include shares or equity injections into typically profit making public non-financial corporations, such as ports, or electricity generating or water supply corporations.



The ACT has a strong process in place to compile stock values and a good database of asset values by functional categories consistent with the ABS GFS reporting purposes and annual report under the Uniform Presentation Framework. Providing detailed data on asset stock annually will not be a burden for the ACT.

## NATURAL DISASTER RELIEF

### Summary

The natural disaster relief assessment covers net expenses that fall within the scope of the Commonwealth-State Disaster Recovery Funding Arrangements. The Disaster Recovery Funding Arrangements reimburse states and territories for expenses incurred in response to an eligible disaster by the Commonwealth.

The ACT supports the continuation of the natural disaster relief assessment in its current form.

## CONSULTATION QUESTIONS

### Question 1

Do states and territories support the continuation of the natural disaster relief assessment in its current form?

#### *ACT Position*

The ACT supports the continuation of the natural disaster relief assessment in its current form based on actual per capita, noting some risks resulted from some local governments approving the development of residential housing in natural disaster-prone areas.

## NET BORROWING

### Summary

Net borrowing is the amount of funding needed to pay for the excess in a state's total outlays on service delivery and investment in infrastructure above its total revenue from all sources.

The net borrowing assessment seeks to distribute GST to provide states with the capacity to maintain their per capita share of total net financial assets or liabilities.

The ACT agrees that the conceptual basis for the net borrowing assessment remains unchanged and supports smoothing population growth to reduce volatility in the assessed net borrowing, in line with the proposed smoothing user population growth in the investment assessment.

## CONSULTATION QUESTIONS

### Question 1

Do states and territories agree that the conceptual basis for the net borrowing assessment remains unchanged?

### **ACT Position**

The ACT agrees that the conceptual basis for the net borrowing assessment remains unchanged.

### **Question 2**

Do states and territories support smoothing population growth to reduce volatility in the net borrowing category if a change is made to smooth population growth in the investment assessment?

### **ACT Position**

The ACT supports smoothing population growth to reduce volatility in the net borrowing category if this change is made to the investment assessment given the alignment between the two categories.

## **OTHER EXPENSES**

### **Summary**

The other expenses assessment covers state and territory expenses that are not assessed in the other specific expense assessments. The assessment of this category includes expenses incurred from public safety, culture and recreation, communications services and the administration, operation, or support of executive and legislative bodies.

The ACT supports the CGC's proposal to continue the other expenses assessment in its current form.

## **CONSULTATION QUESTIONS**

### **Question 1**

Do states and territories agree with the expenses classified to the other expenses category?

### **ACT Position**

The ACT has no significant concerns with the expenses classified in this category.

### **Question 2**

Do states and territories agree that other expenses should be assessed equal per capita?

### **ACT Position**

The ACT agrees that other expenses should be assessed equal per capita (EPC).

## ROADS

### Summary

The roads assessment covers state and territory spending on the maintenance and rehabilitation of roads, bridges and tunnels, and other related services. Recurrent roads expenses and investment in roads infrastructure are assessed separately, with roads investment being assessed in the investment category.

The ACT supports 'retaining the 2020 Review method of assessing urban road length using population as the driver for large towns, if there is no alternative, and recommends the CGC to investigate road length per capita as a driver for urban road in major capital cities.

The ACT agrees to retain the current synthetic rural road network and the use of the Bureau of Infrastructure and Transport Research Economics (BITRE) and the National Transport Commission (NTC) data for the assessment of traffic volume at this stage. However, the ACT recommends the CGC to continue exploring potential alternative data sources for these two assessments.

## CONSULTATION QUESTIONS

### Question 1

Do states and territories support retaining the 2020 Review method of assessing urban road length, using population as the driver for large towns?

#### **ACT Position**

The ACT considers there is merit for the CGC to investigate the potential for using the road length per capita as a driver for urban road length for major capital cities. However, the ACT supports retaining the 2020 Review method of assessing urban road length, if further investigation by CGC results in no alternative method.

The ACT notes the evidence suggests this could warrant a separate urban road assessment for major cities. Figure 3 in the CGC's Roads Consultation Paper shows that road lengths per capita decline as population size for the capital cities increases. This could be due to the locality dispersion which varies across major capital cities but less dispersed in large towns. The variation in road length per capita for major capital cities could reflect the differential underlying needs driven by dispersed localities, and that smaller capital cities with more dispersed localities require longer road networks.

The ACT appreciates, upon this investigation, the CGC provide the result for states and territories' consideration prior to the release of Draft 2025 Review Report.

### Question 2

Do states and territories agree that the 2020 Review synthetic rural road network should not be updated?

#### **ACT Position**

The ACT agrees that an update of the synthetic rural road network should not be undertaken at this stage.

The ACT recommends the CGC to investigate the use of National Service Level Standards for Roads data to update the synthetic rural road network and provide the results to states and territories for consideration. Given this new dataset is expected to be available in late 2024, this may be considered as part of the method changes between reviews.

### **Question 3**

Do states and territories agree that traffic volume should continue to be assessed using data from the Bureau of Infrastructure and Transport Research Economics (BITRE) and the National Transport Commission (NTC)?

#### ***ACT Position***

The ACT supports the continued use of BITRE and NTC data for the assessment of traffic volume but recommends the CGC to continue exploring potential alternative data sources for this assessment.

## **SERVICES TO INDUSTRY**

### **Summary**

The services to industry assessment includes state and territory spending on the regulation and development of businesses, industries, and other economic affairs.

This assessment has four components: agriculture regulation (comprising of regulation for agriculture, fisheries and forestry regulation), mining regulation, other industries regulation and business development.

The ACT supports all CGC's proposals to improve business regulation assessment.

The ACT expects there will likely be significant net-zero transition spending on a range of programs and funds by states and territories to achieve the emission targets. This may warrant a separate assessment within the business development assessment, progressing to its own assessment category in the future.

## **CONSULTATION QUESTIONS**

### **Question 1**

Do states and territories support replacing total factor income as measure of industry size with the chain volume measure of industry value-add to assess the need for spending on industry regulation?

#### ***ACT Position***

The ACT supports replacing total factor income as measure of industry size with the chain volume measure of industry value-add to assess the need for spending on industry regulation.

The ACT considers the chain volume measure of industry value-add to be a better measure of economic environment as it reflects the volume of production with no price effects which can be volatile on a year-on-year basis. This would remove the volatility in regulation assessments driven by commodity prices.

## Question 2

Do states and territories support the development of an average or representative base year to index changes in the chain volume of production?

### **ACT Position**

The ACT notes a more stable base might be better for commodity-linked products, as relative changes can reflect volatility more than trends. The ACT considers there is merit for the CGC to hold discussions with the ABS on data availability and methodologies.

## Question 3

Do states and territories support the reintroduction of the number of businesses as a driver of need for regulatory spending if it is material?

### **ACT Position**

The ACT supports the reintroduction of the number of businesses as a driver of need for regulatory spending should it be material. The ACT notes that states' expenses on business regulation and enforcement are likely determined by the size of industries reflected by the number of businesses across industry sectors and the levels of their production volume.

## Question 4

Will states and territories be able to identify spending on the net-zero transition and provide it to the Commission to develop an assessment?

### **ACT Position**

The ACT is committed to net zero emission by 2045 and is implementing a Climate action initiative to transition ACT Government operations to net-zero under the *Electrification of government gas assets* program. The total net capital spending for this initiative is budgeted to be around \$69.7 million over four years from 2023-24 to 2026-27, with total net expenses of around \$17.1 million.<sup>5</sup>

Another initiative, the Big Battery project, is also progressing to deliver 250MW/500MWh of battery storage at Williamsdale. The construction of this project will start in late 2024 with completion expected in 2025 at a total cost between \$300 and \$400 million.<sup>6</sup>

As part of the 2023-24 Budget initiatives, the ACT provides an additional \$80 million to support local industries by extending the Sustainable Household Scheme for the provision of zero interest loans for households to invest in energy efficient home upgrades. The ACT also provides a \$1.5 million additional grants in 2023-24 to Charge Point Operators for industry development, to support the installation of charging infrastructure in the Territory through the Public Electric Vehicle Charging Infrastructure Fund.

The ACT also recently implemented a regulation to prevent new gas connections that took effect on 8 December 2023. It is envisaged that an increase in staffing expenses is expected from implementing this new regulation.<sup>7</sup>

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<sup>5</sup> [2023-24 ACT Budget](#)

<sup>6</sup> [Significant milestone for the Big Canberra Battery](#)

<sup>7</sup> [Regulation to prevent new gas connections starts in December](#)

The ACT will be able to provide the CGC with the spending on these projects, and other future projects, as they progress to assist with the development of an assessment.

### **Question 5**

Can states and territories identify and provide data on potential drivers of state and territory spending on the net-zero transition?

#### ***ACT Position***

The ACT is unable to identify an appropriate driver of spending on the net-zero transition.

The ACT considers this spending to be strongly influenced by government policies, noting that each state and territory is at different stages of the transitioning to net zero.

### **Question 6**

Do states and territories expect there to be a sufficient increase in state net-zero transition spending to warrant a separate assessment, within or outside of the business development assessment?

#### ***ACT Position***

The ACT expects there will likely be a significant increase in state net-zero transition spending on a range of programs and funds to achieve the emission targets, including through business regulation and development.

There have been substantial spending commitments announced by the Commonwealth and state and territory governments, including the ACT. The Commonwealth has also expanded the Capacity Investment Scheme<sup>8</sup> to target a total of 32 GW of new capacity nationally at a total cost of \$67 billion, through the National Energy Transformation Partnership (the Partnership). This Partnership is a framework for Commonwealth, state and territory governments to work together on reforms to help transform Australia's energy system to achieve net zero by 2050.

This will warrant a separate assessment within the business development assessment and potentially progress to its own assessment category. The ACT recommends the assessment method for net zero transition spending to account for impact of diseconomies of scale on smaller jurisdictions.

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<sup>8</sup> [About the Capacity Investment Scheme - DCCEEW](#)

## WELFARE

### Summary

The welfare assessment consists of five components: 1) state and territory expenditure on child protection and family services; 2) state funding contributions to the National Disability Insurance Scheme (NDIS); 3) non-NDIS disability service expenditure, state expenditure on aged care and the National Redress Scheme; 4) concessions (excluding transport concessions) for pensioner and health card holders on electricity and other energy, water and wastewater, rates, and other low-income concessions; and 5) other welfare services including homelessness assistance, women's shelters, and information funding and referral services.

The ACT supports all proposals for the Welfare assessment, with a recommendation for the CGC to provide more information on the development of homelessness services assessment for states consideration prior to the release of Draft 2025 Review Report.

## CONSULTATION QUESTIONS

### Question 1

Do states and territories agree that the state and territory NDIS contributions can be collected from the Commonwealth Budget papers rather than from the states and territories?

#### **ACT Position**

The ACT agrees that with the full implementation of the NDIS, the state and territory NDIS contributions going forward can be obtained from the Department of Social Services (DSS) Portfolio Budget Statements (Commonwealth Budget papers), which present the estimated outcome of contributions from state and territory governments to the NDIS funding.

### Question 2

Do states and territories agree that the current NDIS assessment is fit for purpose?

#### **ACT Position**

The ACT agrees that the current NDIS assessment based on each state's population share at the latest census, currently from the 2021 Census, is fit for purpose. This is consistent with the prevailing agreed obligation for states' contributions to NDIS funding. However, the ACT recommends the CGC to remain open to review the NDIS assessment in the in-between review changes, following the changes to the NDIS and non-NDIS support provision agreed at National Cabinet in December 2023 for the delivery of Foundational Supports<sup>9</sup>.

Foundational Supports will be delivered through the existing government service settings where appropriate (e.g., child care, schools), phased in over time, with funding to be agreed through new Federal Funding Agreements and additional costs split 50-50 between the Commonwealth and States and Territories.

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<sup>9</sup> [Meeting of National Cabinet – the Federation working for Australia | Prime Minister of Australia \(pm.gov.au\)](#)

### **Question 3**

Do states and territories support the development of a homelessness services assessment?

#### ***ACT Position***

The ACT supports the development of a homelessness services assessment given the significant increase in spending on the services and the availability of new data.

### **Question 4**

Will states and territories be able to identify spending on homelessness services and identify where that spending is reported in the Government Finance Statistics (GFS) classifications?

#### ***ACT Position***

The ACT notes that spending on homelessness services under the GFS reporting could be recorded across a number of government services, with identifying spending on homelessness services outside the housing category challenging.

### **Question 5**

Do states and territories support the proposed drivers to assess homelessness spending, noting further work is to be undertaken on mental health conditions as a potential driver?

#### ***ACT Position***

The ACT supports the proposed drivers for homelessness spending assessment, with adjustments to account for wage costs, regional costs and cross-border costs.

The ACT notes that the CGC will not undertake further work to investigate mental illness as a potential driver of state spending on homelessness services.

The ACT recommends the CGC provides more information on the development of this assessment for states consideration prior to the release of Draft 2025 Review Report.

### **Question 6**

Do states and territories support combining the other welfare, non-NDIS aged care and National Redress Scheme components and assessing spending using the 2020 Review method for other welfare (equal per capita assessment method with regional and wage cost factors)?

#### ***ACT Position***

The ACT supports both combining the non-NDIS aged care and National Redress Scheme components with the other welfare component.

The ACT also supports assessing the combined spending based on an equal per capita (EPC) basis, adjusted with regional and wage cost factors as per the 2020 Review method for other welfare assessment.

### **Question 7**

Do states and territories support the Commission ceasing to collect state spending on the National Redress Scheme?



***ACT Position***

The ACT supports the cessation of data collection on state spending on the National Redress Scheme as this would eliminate the need to separate this data from the other welfare component, hence reducing states' reporting requirement.

# DISABILITIES

## ADMINISTRATIVE SCALE

### Summary

The administrative scale assessment recognises the minimum fixed costs incurred by states and territories in delivering services. Administrative scale expenses are independent of the size of the service population and aim to measure unavoidable operating costs incurred by service delivery.

This assessment is restricted to the minimum fixed costs that do not vary with service population. Varying costs are assessed as part of the service delivery expenses in different expenditure categories. The assessment accounts for the higher per capita costs faced by smaller states and territories.

The ACT has no concerns to continue the administrative scale expense assessment in its current form.

## CONSULTATION QUESTIONS

### Question 1

Do states and territories support the continuation of the administrative scale expense assessment in its current form?

### *ACT Position*

The ACT does not have significant concerns with the current assessment method of administrative scale expenses. However, the ACT suggests the CGC should have a clear guideline for conducting future assessment reviews and re-estimations of the administrative scale expenses in the future.

## GEOGRAPHY

### Summary

Geography is recognised as a disability that influences the cost of delivering services in different regions. Different geographical classifications and approaches are used to measure different attributes affecting service delivery costs (i.e., regional costs and service delivery scale).

Regional costs and/or service delivery scale are drivers of costs in every expense assessment (but not in all components within each assessment) and the investment assessment.

The ACT support the continuation of the current methodology to estimate regional costs and service delivery scale effects, with service delivery scale measure to account for the impact of diseconomies of scale on smaller jurisdictions using the same approach applied in the 2015 Review to factor in interstate non-wage costs and other issues.

## CONSULTATION QUESTIONS

### Question 1

Do states and territories support continuing the current methodology for estimating regional costs and service delivery scale effects?

#### **ACT Position**

The ACT supports the continuation of the current methodology to estimate regional costs and service delivery scale effects. However, the service delivery scale measure should account for the impact of diseconomies of scale experienced by smaller jurisdictions, such as the ACT, which has led these jurisdictions facing higher costs in providing government services. This is apparent particularly in the provision of Health, Schools and Justice services in the ACT largely due to higher procurement costs and the needs for flying in and or engaging expertise from interstate.

### Question 2

Do states and territories identify any data to measure differences in non-wage costs between major cities?

#### **ACT Position**

The ACT is unable to identify any data to measure differences in non-wage costs between major cities.

The ACT recommends the CGC consider using the same approach applied in the 2015 Review, when recognising Perth as more isolated than the larger capital cities and Canberra as a much smaller city, to account for higher costs incurred due to diseconomies of scale. The current methods for measuring regional cost factor and service delivery scale effects have not factored in this impact. As such, the inclusion of diseconomies of scale impact in the geography disability assessment would improve the Horizontal Fiscal Equalisation (HFE) outcome for smaller jurisdictions.

## NATIONAL CAPITAL

### **Summary**

The national capital assessment covers the unavoidable extra costs incurred by the ACT because of Canberra's status as the national capital or because of legacies inherited from the Commonwealth at self-government.

The national capital allowances (i.e., planning allowance and police allowance) are assessed as part of the other expenses and justice categories.

The ACT does not support the discontinuation of the national capital assessment and requests the CGC to include in the planning assessment the additional costs for capital works and the light rail projects incurred due to the National Capital Planning (NCP) requirements. The inclusion of these costs is likely to be material.

## CONSULTATION QUESTIONS

### Question 1

Do states and territories support discontinuing the national capital assessment if the assessment is immaterial?

#### **ACT Position**

The ACT does not support the discontinuation of the national capital assessment.

The ACT requests the CGC to only suspend the assessment for the police component but to continue the assessment of the planning component.

The ACT considers that the ACT average actual police salary being lower than the assessed ACT police salary is temporary, and this is likely to revert in the future.

Further, the ACT requests the CGC to include the additional costs for capital works such as Canberra Theatre Redevelopment Project<sup>10</sup> and the light rail projects in the planning assessment as these costs are incurred due to the National Capital Planning (NCP) requirements imposed by the National Capital Authority (NCA). The costs of capital works and the light rail projects undertaken by the ACT Government would have been lower without these additional costs, and that the ACT should be compensated for these additional costs.

Additional costs imposed on the ACT capital works and light rail projects to meet the NCP requirements are, and will continue to be, significant and the inclusion of these costs is likely to be material given the ACT Government commitment to continue the light rail to Woden.

The ACT considers that the *Australian Capital Territory (Self-Government) Act 1988* Section 59(2) provides that the ACT is not liable for certain expenses such as those mentioned above. Aligned with this, the ACT will work with the CGC to determine these additional costs.

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<sup>10</sup> [Canberra Theatre Redevelopment - Major Projects Canberra \(act.gov.au\)](http://act.gov.au)