



**Australian Government**

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**Commonwealth Grants Commission**

## **2020 Review**

Commission response to State  
feedback on the review process

Commission Position Paper

June 2020

## Introduction

- 1 After each methodology review, the Commission seeks feedback from the states and territories (the States) on the conduct and processes of the review. This paper summarises the key themes of State feedback on the 2020 Review and sets out some preliminary Commission responses.
- 2 The Commission is currently upgrading its ICT systems and several aspects of State feedback related, directly or indirectly, to the mode of communication through which Commission and State staff interact. Commission staff intend to engage further with States on those issues at key points during the roll out of its ICT transformation project.

## Overall work program and planning

- 3 States said the [work program](#) was clear, comprehensive and sufficiently flexible to accommodate unanticipated developments. Most States said the work program allocated sufficient time for State responses to Commission papers, although several noted that events outside the Commission's control resulted in resourcing pressures at particular times during the 2020 Review.
- 4 States broadly agreed that the activities included in the review work program, and their sequencing, were appropriate, although two saw merit in Commission visits to States after the release of the draft review report. Most States considered it necessary to consult on the objective of horizontal fiscal equalisation (HFE) and supporting principles before beginning consultations on specific assessments. Two States, however, thought discussions on principles and individual assessments could have occurred concurrently.
- 5 Several States highlighted that an important consideration for the Commission's future work program is its interaction with the transition to the legislated new arrangements for distributing GST revenue and the 2026 Productivity Commission (PC) inquiry into the effectiveness of the new arrangements.
- 6 States provided initial reactions to the suggestion in Chapter 1 of Volume 2 of the 2020 Review report that one way to improve review work flows in future could be to nominate a sequence of assessment reviews — some starting as soon as a new review gets under way with others spaced over the available time. While this would depend on future terms of reference, the report proposed that, if governments agree and in consultation with them, the Commission could develop an early indicative work program for the next methodology review period that includes a sequential approach to the review of priority assessments.
- 7 While some States expressed concerns with a staggered implementation of new assessment methods, including the potential for complicating the transition to the new legislated arrangements, most were open to the idea of sequential work on assessment methods to assist in managing review workloads. Some States expressed support for the potential use of new, comprehensive data to measure existing disabilities in future updates.

## Consultation with States

### The iterative approach

- 8 All States supported the iterative approach, in which the Commission takes the lead in defining principles and assessment methods, followed by State feedback, leading to amended Commission views, and so on. One State said there should be more frequent, informal iterations.

### Staff level discussions and the Officer Working Party

- 9 Most States saw a role for both bilateral and multilateral staff level meetings. Bilateral meetings were seen as more effective for working through details of assessment methods, whereas multilateral meetings provided the opportunity to hear other States' views.
- 10 Most States found the Officer Working Party process valuable in its focus on specific assessment issues and facilitating States participation and would support its continuation in any future review.

### Commission discussions with States

- 11 Two States commented that the meetings between the Commission, Heads of Treasuries (HoTs) and Treasurers in August 2017 were very helpful in setting the context for the review and engaging senior Treasury staff on high level issues at an early stage.
- 12 States suggested several ways the Commission could enhance its engagement with HoTs. Several States said HoTs should be engaged in the early stages of planning and prioritisation of the work program for the next review and on high level principles. Another suggestion was that the Commission establish formal communication channels, for instance by writing to HoTs on the release of a draft report. One State said a future work program should incorporate HoTs involvement or decisions at key strategic points during a review period, rather than at the end when all the decisions are brought together. It said a form of annual reporting to the Council on Federal Financial Relations could be contemplated.
- 13 All States found the Commission visits to States in 2018 useful in providing an opportunity for the Commission to hear first-hand from service delivery and revenue raising agencies.

### Staff discussion papers, Commission position papers and State submissions

- 14 Most States said Commission papers were generally well structured and presented and provided sufficient detail to allow for preparation of submissions. Two States considered that the issues they had raised were not adequately addressed in the explanations of Commission decisions.
- 15 Commission staff will work with States on the issue of optimal access to other States' submissions as part of the roll out of its new ICT infrastructure.

### Draft and final reports

- 16 Most States would have preferred that the draft report contain indicative relativities to assist in their preparation of briefings for Treasurers and HoTs, although several acknowledged the Commission's reasons for not doing so, namely data availability constraints and a desire for a

focus on methodology rather than possible outcomes. Only one State took the view that the draft report did not include sufficient detail to allow it to calculate the effects of method changes on relativities and the GST distribution.

- 17 One State took the view that the draft report contained a number of 'surprises' in terms of assessment changes. It said that method changes could have been better communicated to States prior to the release of the draft report.
- 18 Several States expressed support for the final report structure, in particular the changes to the individual State pages and the table identifying State arguments that the Commission did not adopt and its reasons.

## Data requests

- 19 All States said data requests were generally clear on the data sought. Most States said due dates were realistic and achievable. Some States highlighted the importance of continuing to seek State feedback on drafts of new data requests.

## Use of consultants

- 20 Seven States were supportive of the use of consultants to provide independent, expert advice where necessary. States nominated a range of areas they thought could benefit from the advice of a consultant in future.

## Commission response

- 21 The Commission found State feedback on the 2020 eview processes helpful. The Commission sees value in enhancing its engagement with key stakeholders and, in particular, would welcome the opportunity to engage on any issues HoTs may wish to discuss.
- 22 In the absence of terms of reference for a future methodology review, the current Commission is not able to definitively respond to all the issues raised by States. However, while noting that there are variances in State positions, the Commission considers the following issues will affect the development of a work program for any future methodology review.
  - Noting that the form of the review will have resourcing consequences for both Commission and State/Commonwealth Treasury staff, early consultation would be desirable on the time to be devoted to considering the principle of HFE and its supporting principle, along with the most effective sequencing of consideration of assessments.
  - In considering this sequencing, it will be necessary to seek the right balance between up-to-datedness of assessments on the one hand, while ensuring equalisation system outcomes remain holistic. This would also encompass possible interactions with the transition to the new arrangements.
  - It will be important to ensure the most effective level of engagement with State Treasurers, HoTs and Treasury officials. This may take the form, for example, of identifying appropriate key points of engagement with HoTs as part of developing a work program for any future methodology review.