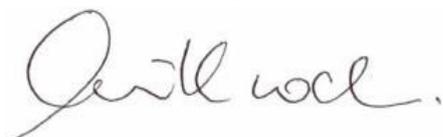


# COMMONWEALTH GRANTS COMMISSION

## Corporate Plan 2017-2021

### INTRODUCTION

I, as the Accountable Authority of the Commonwealth Grants Commission, present the 2017 Commonwealth Grants Commission corporate plan, which covers the period 2017-2021, as required under paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013*.



MT Willcock  
Secretary  
Commonwealth Grants Commission  
24 August 2017

### PURPOSES

The Commission operates under the *Commonwealth Grants Commission Act 1973*. It is a non-corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* and part of the Department of the Treasury portfolio under the Administrative Arrangement Orders.

Its sole function is to provide advice to the Australian Government in response to terms of reference from the Treasurer.

The main subject on which advice is sought is the allocation among the States of the revenue from the GST. However, from time to time, the Commission is also asked to report on the finances of Australia's external territories, local government matters and the financing of services for Indigenous people. Terms of reference for those inquiries are developed by relevant Australian Government agencies and sent to the Commission by the Treasurer, to whom the Commission provides any required reports.

The Commission has a single outcome — informed Government decisions on fiscal equalisation between the States and Territories through advice and recommendation on the distribution of GST revenue. State and Territory inquiries are conducted under the terms of the Intergovernmental Agreement on Federal Financial Relations 2008 (and updates).

## ROLE AND FUNCTIONS

The Commission's primary role is to provide government with advice, consistent with the principle of horizontal fiscal equalisation (HFE), on the distribution of the GST revenue to the States. This normally consists of a full review of the distribution methodology, conducted every five years, and annual updates.

Terms of reference usually require reports on the results of reviews and updates to be presented to government at the end of February each year.

The Commission can be tasked by the Treasurer to undertake other Inquiries (for example, into government funding of Norfolk Island, Christmas and Cocos-Keeling Islands or Local Government).

These other reports are presented as required by terms of reference.

For ease of understanding, the Commission can best be described as consisting of two parts – the Commission members and the Secretariat – which have different but mutually dependent roles.

- The Commission members consider the advice they receive from all parties including the Secretariat, decide policy issues and direct the work of the Secretariat.
- The Secretariat consults with stakeholders at officer level, collects and assesses data, and undertakes research to prepare recommendations and draft reports for the consideration of the Commission members.
- The Secretariat also deals with administrative, financial and human resource management issues.

The Commission is committed to maintaining strong working relationships with the Australian and State governments and to providing a flexible and fair working environment for its staff.

The Commission seeks to understand the differences in the fiscal capacity of the States and Territories and to recommend shares of the GST revenue that will result in these fiscal capacities being equalised, that is:

State governments should receive funding from the pool of goods and services tax such that, after allowing for material factors affecting revenues and expenditures, each would have the fiscal capacity to provide services and the associated infrastructure at the same standard, if each made the same effort to raise revenue from its own sources and operated at the same level of efficiency.

Staff develop methods under the guidance of the Commission to enable these fiscal differences to be quantified across all State government activities – revenue raising activities, such as through payroll tax and the imposition of mining royalties, and service

provision, such as health and education services. Considerable research and analysis is undertaken in each area of activity to identify the material factors which cause State fiscal capacities to differ. These are aggregated to derive the 'relativities' requested by the Commonwealth Treasurer to be used to determine State GST shares. The final report to the Treasurer includes those relativities, an explanation of the methods used by the Commission, including any changes, to derive them and an analysis of the drivers of differences in State fiscal capacities and any changes in them.

## Values

In common with the APS, the Commission is committed to being:

### Impartial

- the Commission is apolitical and provides the Government with advice that is frank, honest, timely and based on the best available evidence

### Committed to Service

- the Commission is professional, objective, innovative and efficient, and works collaboratively to achieve the best results for the Australian community and the Government

### Accountable

- the Commission is open and accountable to the Australian community under the law and within the framework of Ministerial responsibility

### Respectful

- the Commission respects all people, including their rights and their heritage

### Ethical

- the Commission demonstrates leadership, is trustworthy, and acts with integrity, in all that it does.

## THE OUTLOOK FOR 2017-21

The Commission expects to receive terms of reference for an update of GST revenue sharing relativities for each of the years 2018 to 2019. The methods used will be largely those set out in the 2015 Review report. Any changes in methods adopted will be determined by the requirements of the terms of reference or the agreed update principles, consistent with the principle of HFE. The Australian and State Treasuries will be consulted.

The Commission has commenced its consultation processes relating to the 2018 Update. This includes the collection of the latest data and the treatment of new developments relevant to State fiscal capacities. These processes assist the Commission in satisfying its

performance indicators relating to consultation, timeliness and quality of the work underlying its recommendations. This process will be repeated in each future inquiry.

In the 2015 Review report, the Commission identified a number of areas of State activity that will require monitoring, any observations being reflected as appropriate in any subsequent updates of relativities. These included developments in State mining policies, projects on the national road and rail networks and any changes in the Commonwealth's Natural Disasters Relief and Recovery Arrangements.

The Commission has received terms of reference asking it to conduct a review of the methodology used to share GST revenue among the States, to be delivered to Government in 2020 and used in subsequent updates.

## ENVIRONMENT

External factors which would significantly affect the Commission are the nature, contents and frequency of terms of reference. The Commission's work may also be affected by any changes relating to Australia's fiscal federalism arrangements, especially changes relating to the taxation powers or expenditure responsibilities of the States.

Providing impartial advice on the appropriate distribution of GST revenue requires the Commission to have good working relations with the States. The Commission deals with States in a transparent manner, consulting them bilaterally and multilaterally through the course of its work.

Internally, the Commission has robust processes and good management structures which ensure that staff provides well-argued analysis and accurate assessments. In a data rich environment, the Commission needs to maintain strong data and information management systems and quality assurance processes.

The Commission depends on reliable, timely data from many Federal and State bodies. Sources of data are always in flux and contribute significantly to changes in the Commission's work environment.

## PERFORMANCE MEASURES

### Outcomes

The Commission has a single outcome — informed Government decisions on fiscal equalisation between the States and Territories through advice and recommendations on the distribution of GST revenue. The Commission provides advice to the Commonwealth Treasurer to assist in the achievement of this outcome.

Outputs relating to the fiscal equalisation outcome are:

- completion of the Reports on GST revenue sharing relativities, including methodology reviews and annual update reports
- completion of other reports as required by terms of reference.

### Performance indicators

The effectiveness of the Commission's outputs is judged against the indicators set out in the Portfolio Budget Statements 2017-18. These are:

- the extent to which parties, and particularly State Governments, are given opportunities to place their views before the Commission
- the technical quality of the analytical work underlying and supporting the reports, backed up by robust quality assurance processes
- the extent to which the Commission meets the requirements of the terms of reference provided by the Treasurer
  - the timeliness of reports, and
  - appropriate responses to each requirement in terms of reference.

These indicators are expected to remain constant for the duration of this Corporate Plan.

### Delivery strategies, performance assessment and measurement

To meet the respective performance indicators:

- The Commission will coordinate business plans and processes and consultation mechanisms to meet the dates specified in terms of reference.
- The Commission will undertake, to the greatest extent possible, consultation with States and other stakeholders.
- The Commission will continue to pursue quality assurance and independent audit of its calculations.
- The Commission will continue to seek formal feedback from the Commonwealth and the States' Treasuries/governments

- The Commission will ensure that its financial position is monitored through monthly reports to the Executive and the Audit Committee. Annual financial statements are audited by the ANAO.

## CAPABILITY

### Workforce planning

The Commission work not only requires an economic or statistical capability but the ability to analyse and articulate results in the context of federal financial relations. It is highly specialised and the training strategy consists mainly of in-house and on-the job-training.

This specialised nature of work and workforce dictates:

- recruitment of a skilled workforce
- succession planning and
- nurturing of the home grown talent.

Of necessity, recruitment of staff with the appropriate qualifications and experience comes from a small pool.

The cyclical nature of the Commission's work permits workforce flexibility to be achieved through part time and/or seasonal employment.

Depending on the size, nature and timing, additional tasking for terms of reference other than GST matters can be met by additional funding from government, be undertaken on a cost recovery basis, or be absorbed partly or wholly by existing staff.

Generally, however, staff levels are managed within appropriations.

### Capital investment strategy

The Commission's operations are designed to provide intellectual rigour to a sensitive and complex subject. Research, analysis and the articulation of the results are required to inform Commission decisions. Given the amount of data, the need to manage and manipulate it, and the requirement to complete detailed mathematical assessments, it follows that the great majority of capital expenditure will be in the provision of IT infrastructure and services.

Changes to the Commission IT infrastructure architecture, particularly in the form of hardware and software, will be evolutionary. One major upgrade of standard software and one major upgrade of hardware are anticipated during the period 2016-2020.

The prospective move to a shared services environment will be factored into any capital investment decisions.

## IT capability

The purpose of the IT capability is to provide ICT support and services for administration and general office activities, but especially for data management and manipulation.

Strategies that will support this objective include:

- maintenance of an understanding of horizontal fiscal equalisation and the Commission's approach to its implementation
- responding rapidly to ICT issues especially with regard to core business applications such as the Assessment system
- standardisation of hardware and software wherever possible
- maintaining a high degree of self-sufficiency
- technical and user friendly documentation
- professional development and
- planning, particularly for staffing and for hardware and software requirements.

Individual Commission members may be located across Australia and its consultation processes necessarily involve all States and Territories. To reduce travel costs, both the Commission and the States are making greater use of video conferencing technology, such as the dedicated Commonwealth-State Telepresence network. The Commission also needs to retain a minimum video conferencing capability for when Commission members are not able to travel to Canberra for meetings, as well as to host officer level discussions on specific topics.

## RISK OVERSIGHT AND MANAGEMENT

An effective risk management framework is maintained by the Commission. Risks identified include:

- Financial/budgetary risk
- Business risk
- Reputational risk.

### **Financial/budgetary risk**

A Fraud Control Plan is maintained and reviewed annually. Residual risks for the financial management in the Commission are assessed as minimal.

### **Business risk**

The prime business risk is loss of corporate knowledge, which is countered by the workforce strategies of recruitment, succession planning and nurturing of current staff.

Risks for the Horizontal Fiscal Equalisation process and the Assessment system have been identified and mitigated through defined processes and a rigorous Quality Assurance system.

Risks for IT have been addressed in a separate IT risk assessment.

### **Reputational risk**

Given the sensitivity of the distribution of GST revenue, there is a reputational risk, which although partly out of the Commission’s control, will be mitigated by the continued achievement of the performance indicators described earlier and rigorous quality assurance processes.

## **FINANCIAL/BUDGETARY OUTLOOK**

### **Projected Appropriations - Departmental Appropriation Only (\$,000)**

2016-17 Actual	2017-18 Estimated	2018-19 Estimate	2019-20 Estimate	2020- 2021
<b>6,207</b>	<b>6,237</b>	<b>6,266</b>	<b>6,301</b>	<b>NK</b>

Note 1. Any efficiency dividend not included.

Note 2. For single outcome

For the next four years the Commission anticipates no significant increase in revenue. Small surpluses are forecast, but they will be contingent upon government requirements and detailed integration with the Commission work cycle.

In the event of any imposed additional resource requirements the Commission will tailor its staffing, as well as continuing to manage its operational expenses, to available funding.