



***UPDATE AND SUPPLEMENTARY ISSUES
FOR THE 2015 REVIEW***

***Commission staff discussion papers
CGC 2014-03-S***

***RESPONSE BY SOUTH AUSTRALIAN
DEPARTMENT OF TREASURY AND FINANCE***

SEPTEMBER 2014

SOUTH AUSTRALIAN RESPONSE TO THE UPDATE AND SUPPLEMENTARY ISSUES PAPER FOR THE 2015 REVIEW

This submission represents South Australia's views on issues raised in the Commonwealth Grants Commission (CGC) Staff Discussion Papers titled Update and Supplementary Issues for the 2015 Review (CGC 2014-03-S).

Changes to econometrics used in the schools education and regional cost

South Australia supports the revisions to the econometric model as proposed by Commission staff.

South Australia suggests that school fee revenue should be netted off school education expenses in this assessment, consistent with the treatment of TAFE and health fees in the relevant expense assessments.

Post-secondary education user charges

South Australia supports netting off all post-secondary education user charges from the post-secondary education expenses rather than assessing them in Other revenue.

Low socio-economic status disability for other general welfare services

South Australia does not support the Commission's proposal to base the non-concessions component of general welfare services on the proportion of one parent families with dependants.

South Australia believes that this measure is too narrow and would be less representative of the user population than the other measures considered by Commission staff.

It is understood that the Australian Bureau of Statistics (ABS) is not intending to update their socio-economic index for individuals (SEIFI) to reflect 2011 Census data and that the ABS has no plans to release a family level index. It is also recognised that the ABS's constructed household level index will probably not be available in time for the 2015 Review. However, the Commission must adopt a sufficiently broad measure that is reflective of the user population.

The Commission's proposed measure does not recognise users of welfare services who do not have a dependant child. This represents a significant change from using a broader-based socio-economic index that is inclusive of all actual and potential users of general welfare services.

South Australia believes that the Commission should continue to base this part of the assessment on the 2006 Census-based SEIFI numbers until the ABS has fully constructed its household level index. It is acknowledged that the 2006 SEIFI is dated but it would still be a better interim measure until the new data source is available.

Revised weights for the Justice assessment

South Australia supports the Commission's proposed assessment approach for the Justice assessment.

South Australia supports the proposal to continue to assess 50% of police expenses on the basis of State population (community policing) and 50% on the basis of population influences linked to the increased occurrence of crime (specialised policing) due to the lack of nationally consistent data on police activity resourcing.

South Australia supports continuation of the 25% discount to the specialised police socio-demographic composition use weights given the uncertainty in how well police custody incidents measure relative police workloads.

Adjustments to June disaggregated estimated resident population (ERP) data

South Australia supports the Commission recommendation to adjust disaggregated 30 June Estimated Resident Populations to match 31 December state population totals for each assessment year.

Backcasting of specific purpose payments and national agreements

South Australia supports the proposed approach for backcasting Commonwealth payments under the Students First program.

South Australia still has concerns about the reliability of data to backcast National Health Reform Funding. There is still considerable uncertainty about activity level projections as reflected in the Commonwealth forward estimates.

The Commonwealth's forward estimates, for the growth in public hospital activity in each jurisdiction, are still largely based on historical spending patterns. Therefore, the estimates still incorporate past policy decisions on funding levels made by jurisdictions. Although, Commonwealth estimates for the upcoming MYEFO may be able to refer to some actual hospitalisation information, this is unlikely to be fully representative of actual activity.

These factors suggest that there should be no backcasting of National Health Reform funding.

Treatment of new Commonwealth payments

Treatment of payments not made in the application year

South Australia supports the Commission recommendation to only consider backcasting payments not made in the application year when they are the result of major changes in Commonwealth-State financial relations. The recommendation to not backcast any of the payments made in the assessment years, but not made in 2015-16, is also supported.

Treatment of other Commonwealth payments

South Australia supports the Commission recommendation to only exercise its discretion in relation to the treatment of Commonwealth payments where doing so will make a material change at the proposed disability materiality threshold and the impacts can be assessed reliably.

Treatment of Commonwealth payments commencing in 2013-14

South Australia supports the treatments proposed in Attachment B-1 of Attachment B with the following exception.

Funding provided under the Murray-Darling Basin Regional Economic Diversification Programme should be non-impacting as this funding is being provided to relevant states to implement the Commonwealth's Murray-Darling Basin Plan.

Treatment of Commonwealth payments commencing in 2014-15 and 2015-16

South Australia supports the Commission recommendation not to backcast Commonwealth payments commencing in 2014-15 and 2015-16 as set out in Table B-2 as they are not the result of a major change in Commonwealth-State financial arrangements.

South Australia does not support funding from the Asset Recycling Fund being non-impacting. This funding is essentially infrastructure funding to the states that will impact on financial capacities.

Water for the Future

South Australia does not support the Commission's recommendation to retain the current approach. The Commission, via data requests, should attempt to capture the split between payments that are for agriculture/water supply and payments that are for protection of the environment.

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