

## **SOUTH AUSTRALIAN DEPARTMENT OF TREASURY AND FINANCE COMMENTS ON THE 2021 UPDATE: NEW ISSUES – COMMONWEALTH PAYMENTS PAPER (CGC 2020-02-S)**

South Australia welcomes the opportunity to comment on the 2021 Update New Issues – Commonwealth payments paper. Comments are provided below.

### **Treatment of Commonwealth payments that commenced in 2019-20**

South Australia generally supports the treatments proposed by Commission staff in Table A-1 with a few exceptions discussed further below.

South Australia **does not support** the proposed treatment for the following payments:

#### **Adelaide City Deal**

Commonwealth funding for the Adelaide City Deal includes funding that will be passed-on to local government and non-South Australian Government entities. There should not be a blanket determination that all funding under this program is impacting. The following components will be on- passed to non-South Australian Government entities:

- Smart technology – up to \$10m to the City of Adelaide for smart city technology and infrastructure.
- Heysen Gallery at Hahndorf – up to \$9m to the Hans Heysens Foundation.

In 2019-20, Commonwealth funding of \$3 million was received and this was all allocated to the Heysen Gallery at Hahndorf. Accordingly, this funding should be non-impacting.

South Australia notes that elements of the Western Sydney City Deal have been treated as impacting and elements have been treated as non-impacting depending on the ultimate recipient of the funding.

#### **COVID-19 public health response – Hospital Services and State Public Health payments**

In response to the proposed treatment of COVID-19 health related expenditure in the 2021 Update New Issues Paper, South Australia noted that at this stage, the appropriate assessment approach is to use the 2020 Review methods, not an Actual Per Capita (APC) approach. This position reflected that it was not clear that the data being reported by States was on a consistent basis and not impacted by policy differences. An assessment of the policy neutrality of this data is required before any consideration of its use as a basis for assessing COVID-19 expenditure can be determined. Consistent with this view, the appropriate treatment for Commonwealth COVID-19

Hospital Services and State Public Health payment is that they are treated as impacting.

Regardless of the position that the CGC takes in relation to this and other COVID related payments in 2019-20, where the payment is supporting State services, the treatment of a specific COVID payment in 2019-20 should not set the precedent for the treatment in future years. For example, the proposed non-impacting treatment for COVID-19 public health response funding for hospital services and public health in 2019-20 should be reviewed in 2020-21 when state circumstances, data consistency and specific state policy responses to COVID-19 can be further considered.

South Australia specifically **supports** the proposed treatment of the following payments:

#### Adult Mental Health Centres

Funding has been provided to establish an Adult Mental Health Centre in Adelaide to provide primary mental health services as part of a national Commonwealth trial. As noted in the discussion paper, funding for centres in other jurisdictions has been provided as a Commonwealth Own Purpose Expense and for consistency purposes the funding to South Australia should be non-impacting.

#### Water for Fodder program

Funding has been provided for the Adelaide Desalination Plant to produce additional water in order to allow the transfer of water allocation entitlements to irrigators in the South Murray Darling Basin. The payment is a Commonwealth purpose for drought assistance which is not differentially assessed. Funding under this arrangement was quarantined as part of the 2020 Review Terms of Reference.

#### **Treatment of Commonwealth payments that commence in 2020-21**

South Australia supports the recommendation of Commission staff that the Commonwealth payments commencing in 2020-21, as set out in Table A-2, should not be backcast. This reflects that they are not the result of a major change in Commonwealth-State financial arrangements.

South Australia has the following specific comments on the treatment of the funding agreements that commence in 2020-21 for the Commission's consideration in the lead up to the 2022 Update.

#### Proton Beam Facility

The Commonwealth Treasurer has formally advised the Government of South Australia that funding to establish a Proton Beam Therapy Facility in Adelaide will be "non-impacting" for HFE purposes and this was reflected in the 2019 Update terms of reference.

### Homebuilder

Homebuilder funding is similar in nature to first homeowner grants. Needs cannot be determined for programs of this nature so all funding should be treated as non-impacting.

### COVID-19 World and National Heritage

Funding under this program is to improve conservation and preserve areas that have been declared World and Natural Heritage sites. For South Australia, the funding is being passed on to non-government organisations with the aim of enhancing and protecting areas of environmental significance. Accordingly, it should be treated as non-impacting.

### Horticultural Netting Trial Scheme

The South Australian Government is administering the horticultural netting program on behalf of the Commonwealth (this view has been confirmed in writing by the Commonwealth Treasurer). The ultimate beneficiaries of this funding are horticultural producers, not the South Australian Government. Funding under this agreement should be treated as non-impacting.

### Recycling Infrastructure

The recycling infrastructure initiative is a Commonwealth program that states are administering on its behalf. Funding will ultimately flow through to non-state government entities. Funding should be treated as non-impacting.