

Commonwealth Grants Commission 2021 Update

Tasmanian Government Submission in response to Staff Discussion
Paper CGC 2020-02-S

(New Issues: Commonwealth Payments)

20 November 2020



Tasmania
Explore the possibilities

CONTENTS

Treatment of Commonwealth payments commenced in 2019-20	1
Treatment of Commonwealth payments commencing in 2020-21	3

Treatment of Commonwealth payments commenced in 2019-20

Based on the Commission's 2020 Methodology Review guidelines for the treatment of Commonwealth payments, Tasmania generally agrees with the Commission's proposed treatment of payments commenced in 2019-20 as listed in Table A-I of Attachment A of the New Issues Paper.

This agreement, however, is subject to the following considerations and exceptions.

COVID-19 public health response

In the August 2020 *Staff Discussion Paper CGC 2020-01-S*, Commission staff discussed the option of assessing states' COVID-19 related health expenses in 2019-20, if material, on either the current health category's differential assessment, or an actual per capita basis (APC). Commission staff discussed the option to use payments made under the National Partnership (NP) on COVID-19 Response as the basis for that assessment.

The COVID-19 public health response Commonwealth payment comprises an Australian Government financial contribution to public hospital services with regard to the diagnosis and treatment of COVID-19 cases and COVID-19 activity undertaken by state public health systems for the management of the outbreak, and private hospital financial viability payments through the States.

Tasmania supports the Commission staff proposal to treat the private hospital financial viability payment as not impacting State fiscal capacities. The Commonwealth payment, made through the States, supports private hospitals rather than funding the delivery of State responsibilities.

In the case of public hospital and state public health payments under the NP, the appropriate treatment is dependent on the health expense assessment methodology that is chosen by the Commission.

For example:

- If the Commission considers the existing health category disability factors capture the additional expenditure by the States due to COVID-19, then the NP should be treated as having an impact on fiscal capacity as it offsets those State expenses.
- If the Commission applies an APC assessment of States' full COVID-19 related health costs, then the NP should be treated as impacting State fiscal capacities, because it offsets States' expenses.
- If the Commission applies an APC assessment of States' net costs after deducting the Australian Government's contribution via the NP, then Tasmania considers that a no impact treatment would be appropriate. This is the same approach the Commission uses for natural disaster payments where States out of pocket natural disaster expenses are assessed, and the Commonwealth Natural Disaster Recovery Funding Arrangement payment (DFRA) payment is treated as no impact. (ie only gross expenditure less DFRA is assessed).

However, if the Commission considers that the existing health category disability factors do not capture the additional expenditure by the States due to COVID-19 and the Commission does not adopt an additional or alternative assessment, then Tasmania considers that the proposed no impact treatment is appropriate.

Other COVID-19 related payments

It is noted that there are a number of other COVID-19 related Commonwealth payments that support State services, and as such, would otherwise be assessed as having an impact on fiscal capacity. These payments include:

- National infection control training fund;
- COVID-19 domestic violence support; and
- COVID-19 legal assistance funding.

Commission staff are of the view that the drivers of Commonwealth funding for these programs may be influenced by factors not assessed by the Commission in the relevant expense categories. Tasmania agrees with Commission staff, as the payments are driven by specific needs that have arisen out of the pandemic and not by the same needs faced by States prior to the pandemic.

Adult mental health centres

It is noted that the Commonwealth is funding a trial of adult mental health centres in each State, and to date, they have been funded via a Commonwealth Own Purpose Expense (COPE). However, in the case of Adelaide's mental health centre, it is being funded through a Project Agreement (PA) payment. We understand the reason for this is that South Australia Health is responsible for the adult mental health centre in Adelaide, whereas equivalent centres in other States are being provided through the Primary Health Networks, which are independent healthcare organisations.

Tasmania supports the Commission staff's preference for consistent treatment of adult mental health centres, regardless of whether they have been funded via a Project Agreement or a COPE.

On that basis, Tasmania supports, in principle, the proposal to treat this NP as no impact.

However, as the Commission's guideline is to assess COPEs as having an impact where they support State services for which needs are assessed, Tasmania questions why the COPEs related to adult mental health centres in other States have not been assessed as having an impact, given that mental health services are assessed?

Local Schools Community Fund

The Local Schools Community Fund is an NP that provides funding to State Government, Catholic and independent schools. The description of the NP in the preview list of 2019-20 Commonwealth payments circulated by Commission staff on 22 October 2020 notes that \$21.8 million (out of the \$30.2 million total) was spent in government schools.

The New Issues paper proposes that all payments under this NP be treated as having no impact on fiscal capacities. It is not clear why Commission staff propose to treat payments to government schools as no impact as payments to Government schools support state services and would normally be treated as having an impact on fiscal capacities.

NDIS strategic investment in Queensland

Tasmania notes that the NDIS strategic investment in Queensland NP relates to specific projects to identify and assist potential participants to access the NDIS, support organisations and individuals to become NDIS providers, and study plan underutilisation by NDIS participants. Thus, the funding under the NP does not relate directly to providing NDIS services to participants.

If the projects funded by the NDIS strategic investment in Queensland NP deliver functions similar to those that are normally provided by States and those functions are captured by the Welfare assessment, then Tasmania considers that the NP should be treated as having an impact on State relativities.

Grace's Place - residential trauma recovery centre

The New Issues paper notes that funding under this Project Agreement is to be passed through the New South Wales Government to a non-government organisation (NGO) to assist with the construction of a residential trauma recovery centre for children and young people aged 3 to 18 that have been impacted by homicide.

Tasmania considers that expenses associated with such a service are likely to be reflected in the Commission's Health assessment - either as part of the Child protection and family services component or as part of the Community and other health services component.

The Commission's policy on the treatment of Commonwealth payments is that payments made through states to third parties, such as NGOs, can have indirect effects on state fiscal capacities (2020 Review Final Report - Volume 2 - Chapter 5, page 11). Under these circumstances, the Commission will apply the Commonwealth payments treatment guideline that "payments that support state services, and for which expenditure needs are assessed, will have an impact on state fiscal capacities" to decide on their treatment.

Therefore, Tasmania requests that Commission staff give further consideration to the treatment of this payment.

Treatment of Commonwealth payments commencing in 2020-21

Tasmania agrees with the proposal not to back cast the payments commencing in 2020-21 listed in Table A-2 of Attachment A, as they do not represent a major change in federal financial arrangements.