

Victorian response to new issues for the 2016 Update (CGC 2015-04-S)

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1. Issues Arising from the 2015 Review Report

1.1 State Mining Revenue Raising Activities

Victoria agrees with the Commission's conclusion that no change is required to the mining revenue assessment. While it may be prudent to examine impact on state activity over a longer time period, Victoria does not anticipate that the new assessment methodology would have a profound impact on state policy.

Victoria also notes that there has been little change in non-traditional forms of mining.

1.2 National Road and Rail Networks Projects

Victoria notes that there will be consideration of these projects once advice from the Department of Infrastructure and Regional Development is received.

1.3 Natural Disaster Relief and Recovery Arrangements

Victoria notes that there will be consideration of these arrangements after the Commonwealth has responded to the Productivity Commission's report.

1.4 Welfare Assessment

The Commission noted in the *2015 Review report*¹ that the ABS was not proposing to update SEIFI using 2011 Census data, but rather an experimental household level index was being developed. The proposed method to update SEIFI for the *2016 Update* is consistent with the updating method used for the *2015 Review*.

In regard to the assessment of disability services, the Commission stated in the *2015 Review report*² that it would commence the transition to NDIS from the *2016 Update*, with the assessment being based on state shares of the number of young people who meet the full coverage access requirements of the scheme.

The approach proposed in the New Issues paper appears consistent with that outlined in the *2015 Review*. Victoria notes that the assessment will be based on application year estimates of state expenditure and client numbers. This approach is considered reasonable given that there will be no relevant assessment year data and the Commission's principle of reflecting application year circumstances where possible.

1.5 Assessment of Commonwealth Payments for Student First (government students) and Related Expenses

In regard to the back-casting on the revenue side, Victoria interprets the Commission's proposal to apply the state distribution of the Commonwealth's forecast Students First funding to the National Schools SPP funding for government schools in 2012–13 and 2013–

1 Commonwealth Grants Commission, *Report on GST Revenue Sharing Relativities 2015 Review, Volume 2*, p. 233.

2 Commonwealth Grants Commission, *Report on GST Revenue Sharing Relativities 2015 Review, Volume 2*, p. 231.

14 and to Students First funding for government schools in 2013–14 and 2014–15. Other National Partnership payments for schools education would not be back-cast. Victoria would appreciate the Commission clarifying its proposals for back-casting on the revenue side.

On the expenditure side, Victoria understands the Commission’s proposal is to apply back-casting to that portion of state expenditure provided to states under Students First Funding, based on an SRS distribution. Victoria would appreciate confirmation that this interpretation is correct.

1.6 Back-casting of Health Reform Funding

Victoria notes the proposed approach and has no comment.

2. Other Issues

2.1 Roads Data

Victoria supports the updating the NTC trend data as the data used for the *2015 Review* will be around eight years prior to the application year for the *2016 Update*.

2.2 National Partnership Payment for Remote Indigenous Housing

Victoria has considered the separate paper provided by the Commission for the National Partnership Agreement on Remote Indigenous Housing (NPARIH). It is noted that the circumstances concerning NPARIH may be more complex than assumed by the Commission for the *2015 Review*.

Victoria considers that any change from the approach taken in the *2015 Review* needs to be based on reliable evidence to establish that the current approach is not recognising needs and that this non-recognition will have a material impact.

3. Commonwealth payments

3.1 Payments that commenced in 2014–15

Victoria supports the proposed treatment of Commonwealth payments that commenced in 2014–15 as they either appear to be consistent with the *2015 Review* guideline or are required by terms of reference.

3.2 Payments commencing in 2015–16 or 2016–17

Victoria supports the proposal not to back-cast the Commonwealth payments commencing in 2015–16 or 2016–17.

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