



Northern  
Territory  
Government

## **COMMONWEALTH GRANTS COMMISSION 2017 UPDATE**

Northern Territory Response to Staff  
Discussion Paper CGC 2016-05-S

September 2016

## Introduction

The Northern Territory welcomes the opportunity to respond to Staff Discussion Paper 2016-05-S on new issues for the 2017 Update. The issues identified in the Discussion Paper relate to the Health, Wages and Other Expenses categories, as well as data sharing issues and the treatment of Commonwealth payments in the 2017 Update.

The Territory is largely comfortable with the Commission staff's proposed approach to these issues but does not support the proposal to discontinue the Commonwealth Superannuation Scheme (CSS) adjustment if it is found to no longer be material. Payments to employees who are members of the CSS are a material additional cost to the Territory Government and contribute to the higher cost of providing government services relative to other states. As such, discontinuing the CSS adjustment while these costs continue to accrue to the Northern Territory and the ACT would not be in the interests of equalisation.

We note that Commission staff intend to provide states with estimates of assessed wage costs later this year, incorporating data from the Australian Bureau of Statistics' 2015 Characteristics of Employment Survey. The Territory looks forward to the opportunity to comment on these estimates.

While we have addressed the issues outlined in the Discussion Paper, the lack of Terms of Reference (ToR) for the 2017 Update at this late stage is concerning, given that the ToR may raise additional issues that the states may want to consider before the 2017 Update Report is finalised. We note that this is not the first time that the Commonwealth has delayed the issuing of ToR. If not addressed, these delays will have implications for the efficacy of the Commission's consultations with the states, as less time would be available for important issues to be adequately considered.

## New Issues for the 2017 Update

The Territory supports Commission staff's proposals to recommend that the Commission:

- use preliminary 2015-16 IHPA data in the 2017 Update, subject to availability and there being an immaterial difference between preliminary and final 2014-15 data;
- ensure only expenses on eligible measures in respect of eligible disasters under the NDRRA for 2015-16 are included if they have been assured by the Commonwealth as being recognised under the NDRRA framework;
- maintain the dispatch date but shift back by four weeks the return date for data, noting that there will still be some delays in state data returns;
- change the current practice of sharing data among states to 'sharing non-confidential data among states which have not designated their data as confidential', provided any data designated as confidential by states cannot be back solved from the assessment outcome;
- approve staff proposals on the treatment of each Commonwealth payment commenced in 2015-16; and
- not backcast the Commonwealth payments commencing in 2016-17 or 2017-18.

The Territory does not support Commission staff's proposal to recommend that the Commission:

- retest the materiality of the CSS adjustment when the 2015-16 wage cost estimates become available; and
- discontinue the CSS adjustment if it is no longer material.

### *Independent Hospital Pricing Authority (IHPA) Data*

- 1.1 The Territory supports Commission staff's proposal to use preliminary 2015-16 IHPA data in the 2017 Update, subject to the availability of this data and confirmation that the difference between preliminary and final 2014-15 data is immaterial.
- 1.2 The Territory notes that changes from the preliminary to the final 2013-14 IHPA data did not significantly affect assessed health expenses for any state. With regards to 2014-15 data, the Territory understands that IHPA has advised Commission staff that there are unlikely to be any major differences between the preliminary and final data. Commission staff have indicated that they will analyse the final 2014-15 data when it becomes available later this year to confirm this.

- 1.3 Should the analysis of the final 2014-15 data show immaterial differences from the preliminary data, as was the case with the 2013-14 data, it would be reasonable to expect no significant differences in the preliminary and final data for 2015-16, in which case it would be appropriate to use preliminary data in the 2017 Update.

#### *Delays in Natural Disaster Relief Payments*

- 1.4 The Territory supports Commission staff's proposal to only include eligible natural disaster relief expenses under the NDRRA for 2015-16 if the Commonwealth has provided assurances that they will be recognised under the NDRRA framework.
- 1.5 Given the delay in Commonwealth NDRRA payments to some states, including the Territory, it is appropriate to exclude the associated expenses from the Commission's assessments at this stage.

#### *Wages Assessment – Commonwealth Superannuation Scheme (CSS) adjustment*

- 1.6 The Territory does not support Commission staff's proposal to discontinue the CSS adjustment. The Territory has no policy control over the CSS, however it is a material component of the Territory's wage costs and contributes to the higher cost of providing government services in the Territory relative to other states.
- 1.7 Commission staff's proposal reflects an observation in the 2016 Update that the redistribution arising from the CSS adjustment had fallen below the \$30 materiality threshold established in the 2015 Review and was expected to continue to decline further as the number of employees who are members of the CSS decreases over time.
- 1.8 As stated in the 2015 Review, the Territory does not support the application of materiality thresholds to disabilities, as this does not enhance equalisation outcomes and is not consistent with the full equalisation of states' fiscal capacities. This is particularly pertinent to the Wage Costs assessment, given that wages account for around 60 per cent of the service delivery expenses assessed by the Commission.
- 1.9 Despite the Territory's objections, the Commission continued to apply materiality thresholds in the 2015 Review, including a threshold of \$30 per capita for disabilities. Consistent with the Commission's approach to materiality thresholds, the Territory is of the view that the materiality of states' wage cost disabilities should be considered as a whole, rather than on a disability component-by-component basis. CSS-related costs are intrinsic to the wage expenses of both the Northern Territory and the ACT and as such, it is not appropriate to consider their materiality separately.

#### *Timing of Data Requests*

- 1.10 The Territory is comfortable with the proposal to maintain the dispatch date and shift back by four weeks the return date for data. While this change will provide states with more time to complete and return data requests, the Territory notes that the

proposed period is likely to still coincide with work for other financial reporting commitments. As such, states' ability to respond to all data requests within the set timeframe may still be hampered.

### *Sharing of Confidential Data*

- 1.11 As advised in the Under Treasurer's response to the Commission Secretary's letter of 25 May 2016, the Territory supports the proposal to restrict the sharing of data to only those states that are willing to share their own data.
- 1.12 In the New Issues Paper, Commission staff propose an additional caveat, whereby this would only occur if any data designated as confidential by states cannot be back-solved from the assessment outcome. While this will limit the scope of the proposed data sharing arrangements, the Territory agrees that there is a need to balance the desire for a more open data sharing protocol and states' legitimate privacy concerns.

### *Commonwealth Payments*

- 1.13 The Territory supports Commission staff's proposed treatment of Commonwealth payments that commenced in 2015-16.
- 1.14 The Territory also supports Commission staff's proposal not to backcast any of the Commonwealth payments commencing in 2016-17 or 2017-18, as they do not reflect a fundamental change in federal financial relations.