



Australian Government


Commonwealth Grants Commission

2017 UPDATE

NEW ISSUES FOR THE 2017 UPDATE

**STAFF DISCUSSION PAPER
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Submissions sought by	<p>Submissions should be emailed in Word format to secretary@cgc.gov.au by 16 September 2016.</p> <p>Submissions of more than 10 pages in length should include a summary section.</p>
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CONTENTS

BACKGROUND	1
ISSUES FOR THE 2017 UPDATE	1
Independent Hospital Pricing Authority (IHPA) data	1
Delays in natural disaster relief payments	2
Wage assessment data update	3
Timing of data requests	4
Sharing of confidential data	4
Commonwealth payments commenced in 2015-16	6
Commonwealth payments commencing in 2016-17 or 2017-18	6

BACKGROUND

- 1 In expectation that terms of reference for a 2017 Update will be sent to the Commission, this paper sets out issues identified by Commission staff as relevant to a 2017 Update. Staff proposals on how they might be handled are included, as a basis for seeking the views of the State and Commonwealth treasuries.
- 2 Comments should be provided by 16 September 2016 to secretary@cgc.gov.au. States are encouraged to raise any other issues relevant to the update. The contact officer for queries is Priscilla Kan (Priscilla.kan@cgc.gov.au or 02 6229 8849).

ISSUES FOR THE 2017 UPDATE

- 3 The issues include:
 - Independent Hospital Pricing Authority (IHPA) data
 - delays in natural disaster relief payments
 - wage assessment data
 - timing of data requests
 - sharing of confidential data
 - treatment of new Commonwealth payments.

INDEPENDENT HOSPITAL PRICING AUTHORITY (IHPA) DATA

- 4 The Commission did not use the preliminary 2014-15 IHPA data in its health assessments in the 2016 Update, using 2013-14 final data in their place. This was because IHPA advised that the final 2013-14 data were more reliable for the assessments than the preliminary 2014-15 data. The Commission said it would continue to monitor developments in the IHPA data sets as they matured.
- 5 The final 2014-15 data will be available for the 2017 Update and preliminary 2015-16 data are expected to be available, albeit it late in the process. Staff have been in contact with IHPA in relation to changes in the methodology it has used to produce the data between years.
- 6 IHPA has advised that the methodologies used in each year are largely the same. However, it is to be expected that the national weighted activity units (NWAUs) between any two years could be different, reflecting different pricing weights derived from different cost data. IHPA has advised that consequently, changes in NWAUs

should not be used to calculate changes in activity levels. This is not an issue for the Commission, as it is mainly concerned with the distribution of NWAUs within a year.

- 7 IHPA has advised that there are unlikely to be major changes between the preliminary and final data for 2014-15. Staff have confirmed that changes from the preliminary 2013-14 data to the final 2013-14 data did not significantly affect the assessed health expenses for 2013-14 for any State. Staff will do the same analysis later in the year for the preliminary and final 2014-15 data once the latter are available.
- 8 The IHPA advice and staff findings on the assessment outcomes between preliminary and final data suggest that the preliminary 2015-16 data are likely to be sufficiently reliable for the Commission's purposes and, subject to any delays in availability, staff intend to advise the Commission that these data should be included in the 2017 Update assessments.

Recommendation

Staff propose to recommend that the Commission:

- use preliminary 2015-16 IHPA data in the 2017 Update (subject to availability).

DELAYS IN NATURAL DISASTER RELIEF PAYMENTS

- 9 Emergency Management Australia (EMA) has been in discussions with States regarding recommendations made in the April 2015 report by the Australian National Audit Office on the Administration of the Natural Disaster Relief and Recovery Arrangements (NDRRA) by EMA. The report recommended further reforms to improve oversight in the administration of the NDRRA. Due to improved assurance arrangements resulting from the recommendations, the Commonwealth Government has delayed the reimbursement of some NDRRA payments that were previously expected to be paid in 2015-16. A number of States have been affected by this delay.
- 10 Staff do not expect that the delay in reimbursements will alter the methodology used to assess natural disaster relief expenses. However, States should not report expenses for natural disasters in 2015-16 unless they have been assured by the Commonwealth as being recognised under the NDRRA framework. Any revisions to State data will continue to be processed to ensure that correct expense and revenue amounts are reflected over three assessment years, regardless of whether the revisions result from procedural changes made by EMA or for other reasons.
- 11 Staff will continue monitoring any changes to the eligibility requirements, claims and acquittal processes under the NDRRA.

Recommendation

Staff propose to recommend that the Commission:

- 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.

WAGE ASSESSMENT DATA UPDATE

Wage costs assessment

- 12 In the 2016 Update we moved to a new, annual survey as our source for estimates of wage cost differences between States. The Australian Bureau of Statistics (ABS) has advised us that the Characteristics of Employment Survey 2015 is scheduled for release in August this year and we intend to provide States with estimates for 2015-16 soon after data from that survey are available. Due to an ABS processing oversight, data from the 2014 survey did not include information on educational attainment. The ABS has advised that this information will be included in the 2015 survey data.
- 13 States will have the opportunity to comment on the 2015-16 results.

Wages – Commonwealth Superannuation Scheme adjustment

- 14 In previous inquiries, we made an adjustment to the wage factors for the ACT and the Northern Territory to allow for the more generous employee superannuation scheme that these States inherited from the Commonwealth at the time of self-government. In the 2016 Update, we noted that this adjustment was no longer material at the materiality threshold for disabilities (\$30 per capita), but that we had not had time to consult with States on the issue. The impact of the adjustment has been steadily declining as the number of members remaining in the Commonwealth Superannuation Scheme (CSS) declines. Our intention is to reconsider the materiality of the adjustment when the 2015-16 wage costs estimates are available, and discontinue the adjustment if it is not material.

Recommendation

Staff propose to recommend that the Commission:

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

TIMING OF DATA REQUESTS

Background

- 15 During the 2016 Update, many States' data returns did not arrive by the requested date (25 September 2015) due in part to the relatively short time between the end of financial year and the reporting date. In our Secretary's letter to the States dated 25 May 2016, we asked State views on whether there would be any benefit in shifting back by four weeks the dispatch and return dates of data requests.

State views

- 16 States supported the proposal. Queensland suggested maintaining the dispatch date while shifting back the return date of data requests. Some States said due to the timing of their financial reporting commitments or circumstances of agencies, some delays in data return would still be expected.
- 17 Victoria suggested we trial the process for the 2017 Update and seek the views of the States at the conclusion of the Update.

Recommendation

Staff propose to recommend that the Commission:

- maintain the dispatch date but shift back by four weeks the return date for data (The proposed dispatch date will be 22 July 2016 and the return date 21 October 2016.)
- note there will still be some delays in State data returns.

SHARING OF CONFIDENTIAL DATA

Background

- 18 Western Australia has raised concerns about the sharing of confidential data among the States. It said the current data sharing protocol, which prevents the sharing of any data set in which at least one State's data are confidential, is proving to be very inconvenient. It suggested relaxing the rule, by either:
- Option 1 — sharing non-confidential data among all States, or
 - Option 2 — sharing non-confidential data among States which have not designated their data as confidential.
- 19 Western Australia suggested the second option might provide an incentive for States to come to arrangements with their agencies for sharing the data.

- 20 In our Secretary's letter to the States dated 25 May 2016, we asked States to provide comments on the issue.

State views

- 21 Most States prefer the second option of sharing non-confidential data among States which have not designated their data as confidential. They consider that restricting the data sharing process to only those States that are willing to share their data may provide States with an indication of the benefits of an open approach and encourage States to reconsider the need to flag data as confidential.
- 22 New South Wales and Queensland were concerned that when only one State designates its data as confidential, other States might be able to back solve the confidential data from the assessment outcome. New South Wales said States that designate their data as confidential are obliged to ensure that data provision would not permit the commercial or tax affairs of individuals or companies to be identified. Queensland said increased sharing would be better encouraged by advocacy than by coercion. It suggested having bilateral discussions with Western Australia on sharing Queensland's confidential data on a case-by-case basis. While this might be less convenient for Western Australia than more relaxed data sharing arrangements, Queensland considered this would better protect the genuine confidentiality concerns with some State data.
- 23 Tasmania supported the proposal but was concerned about the way data will be shared. It suggested the Commission put a data sharing tool in place which can choose what data to share and who to share them with in regard to the sharing the non-confidential data.

Staff views

- 24 We agree with New South Wales and Queensland that when only one State marks its data as confidential, we need to ensure that that State's data cannot be constructed from the data of other States and the assessment outcome. In such cases, we will not release the data set.
- 25 We already have an online data sharing tool in place and we will continue using that tool for data sharing.

Recommendation

Staff propose to recommend that the Commission:

- 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.

COMMONWEALTH PAYMENTS COMMENCED IN 2015-16

26 Staff have examined the Commonwealth payments that commenced in 2015-16, as listed in *Australia's Federal Financial Relations, Budget Paper No. 3, 2016-17* and propose they be treated as set out in Attachment A, Table A-1. The proposals are based on the following guideline developed in the 2015 Review:

payments which support State services, and for which expenditure needs (including a deliberative equal per capita assessment) are assessed, will impact the relativities.

Recommendation

Staff propose to recommend that the Commission:

- approve staff proposals on the treatment of each Commonwealth payment commenced in 2015-16 listed in Table A-1 of Attachment A

COMMONWEALTH PAYMENTS COMMENCING IN 2016-17 OR 2017-18

27 Table A-2 of Attachment A provides a list of new payments that will commence in 2016-17 or 2017-18. Although the payments shown will affect the year in which the 2017 Update relativities will be applied, Commission staff do not propose to backcast any of them because they are not the result of major change in federal financial arrangements. The new payments will be reflected in the relativities when they appear in the data for the assessment period.

Recommendation

Staff propose to recommend that the Commission:

- not backcast the Commonwealth payments commencing in 2016-17 or 2017-18 listed in Table A-2 of Attachment A

Table A-1 Proposed treatment of Commonwealth payments commenced in 2015-16, *Federal Financial Relations, Budget Paper No. 3, 2016-17*

Commonwealth payment	Description	2015-16 \$m	Proposed treatment	Reason for No impact treatment
HEALTH				
Health infrastructure				
Albury-Wodonga Cardiac Catheterisation Laboratory	Funding for Victoria to support building the new Cardiac Catheterisation Laboratory, which will enable local residents suffering from heart conditions to access quality care, without the need to travel long distances to capital cities. The laboratory will be built on the Albury Hospital site by refurbishing existing space adjoining the current imaging department.	3.5	Impact	
Improving local access to health care on Phillip Island	Funding for Victoria for the construction of a new Health and Medical Hub on Phillip Island to improve local access to health care.	2.5	Impact	
Indigenous health				
NT remote Aboriginal investment – Health component (continuation of Stronger Futures in the Northern Territory)	Funding to improve health and wellbeing of Indigenous people by supplementing primary health care services in remote Northern Territory communities. This funding includes support for the provision of integrated oral and hearing health services to children in remote communities.	5.6	No impact	2016 Update Terms of reference requirement
Other health				
Response to Zika virus	Payment to Queensland to assist in enhancing the ability of the Dengue Action Response Team in Cairns and Townsville to increase surveillance and control in areas at high risk of the exotic mosquito, <i>Aedes aegypti</i> , spreading the Zika virus in Queensland.	1.0	No impact	Needs not assessed

Table A-1 Proposed treatment of Commonwealth payments commenced in 2015-16, *Federal Financial Relations, Budget Paper No. 3, 2016-17*

Commonwealth payment	Description	2015-16 \$m	Proposed treatment	Reason for No impact treatment
EDUCATION				
National School for Travelling Show Children	One-off payment to New South Wales to support the provision of on-site supervision services for students of the National School for Travelling Show Children, who receive educational instruction from the Dubbo School of Distance Education.	0.2	No impact	Commonwealth purchase — needs not assessed
NT remote Aboriginal investment – Children and schooling component (continuation of Stronger Futures in the Northern Territory)	Funding to improve school readiness and the literacy and numeracy of remote and very remote Indigenous students in the Northern Territory. The funding aims to improve the attendance, engagement and educational achievement of Indigenous students.	51.2	No impact	2016 Update Terms of reference requirement
Online safety programmes in schools	Funding to support the delivery of online safety programs in schools from providers that have been certified by the Children's e-Safety Commissioner.	1.3	Government – Impact; Non-government – No impact	Non-government schools, States act as an intermediary – needs are not assessed
COMMUNITY SERVICES				
National Outcome Standards for Perpetrator Intervention	Funding for effective interventions for perpetrators of domestic, family and sexual violence. The National Partnership will support the development and implementation of a national reporting and accountability framework including performance indicators.	2.8	Impact	
NT remote Aboriginal investment – Community safety and Municipal and essential services components (continuation of Stronger Futures in the Northern Territory)	Community safety component – funding to support services and initiatives to make communities safer, including those that improve child safety and combat alcohol abuse.	71.8	No impact	2016 Update Terms of reference requirement
	Municipal and essential services component – funding to assist the Northern Territory to take responsibility for the ongoing delivery of municipal and essential services in Indigenous communities.	154.8	No impact	

Table A-1 Proposed treatment of Commonwealth payments commenced in 2015-16, *Federal Financial Relations, Budget Paper No. 3, 2016-17*

Commonwealth payment	Description	2015-16 \$m	Proposed treatment	Reason for No impact treatment
Payments from the DisabilityCare Australia Fund	Funding through payments from the DisabilityCare Australia Fund to assist the States towards the goal of having full national roll out of the National Disability Insurance Scheme (NDIS) by 1 July 2019. The States are able to draw down from the Fund when they meet key conditions such as agreement to fully roll out the NDIS and milestones relating to the participation of people with significant and permanent disability in the scheme.	68.2	No impact	2015 Review Terms of reference requirement
INFRASTRUCTURE				
Bridges Renewal program	Funding to upgrade bridges across the nation. This program will renew and replace bridges to contribute to the productivity of bridges serving local communities, and facilitate higher productivity vehicle access.	60.0	No impact	Needs not assessed
Supporting drought-affected communities program (includes payments direct to local governments)	Funding to drought-declared local government areas for infrastructure projects that provide employment for people whose work opportunities have been impacted by drought. Projects include those that will stimulate local community spending, use local resources, business and suppliers, or provide long-lasting benefits to communities and the agricultural industries.	12.0	No impact	This payment is targeting drought affected regions – needs not assessed

Table A-1 Proposed treatment of Commonwealth payments commenced in 2015-16, Federal Financial Relations, Budget Paper No. 3, 2016-17

Commonwealth payment	Description	2015-16 \$m	Proposed treatment	Reason for No impact treatment
ENVIRONMENT				
Development of business cases for constraints measures	<p>Under the Intergovernmental Agreement on Implementing Water Reform in the Murray Darling Basin, the Commonwealth is making payments to the States to address physical, institutional and operational constraints that limit delivery of environmental water to the environmental assets of the Murray-Darling Basin. There are three phases: feasibility studies, business cases and confirmation of projects.</p> <p>This payment is for phase 2. It supports the development of business cases that will form the basis of advice for due diligence and executive decision making on investments.</p> <p>Payments for phase 1 do not impact the relativities.</p>	4.9	No impact	This payment is part of Intergovernmental Agreement on implementing Water Reform in the Murray-Darling Basin which relates to the protection of environment – needs not assessed
Established Pest and Weed Management	Funding to support delivery of projects to build the skills and capacity of landholders, the community and industry in managing common established pest animals and weeds.	7.5	Impact	
Mechanical fuel load reduction trials	Payment to New South Wales to undertake research that examines the effectiveness of mechanical fuel removal in forests where conservation values could be compromised by fuel reduction burning.	1.5	No impact	Needs not assessed
Water Infrastructure Development Fund — Feasibility studies component	<p>Funding to build or augment existing water infrastructure, including dams, pipelines or managed aquifer recharge. This will help secure the nation's water supplies and deliver regional economic development benefits. There are two components: feasibility studies (commenced in 2015-16) and capital (commences in 2017-18).</p> <ul style="list-style-type: none"> Feasibility studies – funding to support delivery of feasibility studies that inform investment decisions on water infrastructure. 	13.0	Impact	

Table A-1 Proposed treatment of Commonwealth payments commenced in 2015-16, *Federal Financial Relations, Budget Paper No. 3, 2016-17*

Commonwealth payment	Description	2015-16 \$m	Proposed treatment	Reason for No impact treatment
OTHER				
National Register of Foreign Ownership of Land Titles	Funding to support the delivery of the National Register of Foreign Ownership of Land Titles by helping the States develop systems that will enable data on sales and transfers of real property involving foreign owners to be provided to the Australian Taxation Office.	8.0	No impact	Commonwealth purchase — needs not assessed
Tasmanian horticulture market growth	Funding to support the engagement of a Tasmania-based horticulture market growth facilitator to collate information and identify opportunities for growth in exports of Tasmanian fruit and vegetable products.	0.1	Impact	
Tasmanian Regional Tourism Infrastructure and Innovation Fund	Funding projects that create and support tourism infrastructure across Tasmania, contributing to <i>Tasmania's Tourism 2020</i> outcomes. The funding will be directed towards Tasmanian business that rely on and contribute to tourism, which allow them to build or expand on existing attractions to increase the number of visitors to the area.	4.4	Impact	

Table A-2 Commonwealth payments commencing in 2016-17 or 2017-18, Federal *Financial Relations, Budget Paper No. 3, 2016-17*

Commonwealth payment	Description	New in 2016-17 \$m	New in 2017-18 \$m
HEALTH			
Indigenous health			
Addressing blood borne viruses and sexually transmitted infections in the Torres Strait	Funding for Queensland to increase the number of ongoing primary health care staff in the Torres Strait to reduce the risks and prevalence of blood borne viruses and sexually transmissible infections on Saibai Island, and to expand current disease prevention activities to the rest of the Torres Strait region.	1.1	
Other health			
Child and adult public dental scheme	Funding to support the delivery of services in the public dental system. Adult concession card holders and all children will be eligible for the Scheme. This will replace the National partnership on adult public dental services and the Commonwealth provided Child Dental Benefits Schedule.	415.6	
INFRASTRUCTURE			
Developing Northern Australia	<p>Funding to provide incentives for private sector investment to improve the road network and transport logistics in Northern Australia.</p> <ul style="list-style-type: none"> Improving cattle supply chains – funding over four years to improve cattle supply chains in the north, with a particular focus on road infrastructure. This funding will seek to improve the productivity and resilience of cattle supply chains in northern Australia, drawing on the Commonwealth Scientific and Industrial Research Organisation’s state of the art logistics modelling, as well as input from livestock transport and beef industry experts, to identify deregulation opportunities and investment priorities. Northern Australia Roads – funding for the infrastructure projects that are essential to the movement of people and freight, in order to support economic development in the region. Projects include inter-jurisdictional links and roads connecting communities and regional towns to ports and airports. 	35.0	100.0

Table A-2 Commonwealth payments commencing in 2016-17 or 2017-18, Federal *Financial Relations, Budget Paper No. 3, 2016-17*

Commonwealth payment	Description	New in 2016-17 \$m	New in 2017-18 \$m
ENVIRONMENT			
Water Infrastructure Development Fund – Capital component	Funding for Queensland to build or augment existing water infrastructure, including dams, pipelines or managed aquifer recharge. The Capital component will fund the capital construction costs of a small number of high priority water infrastructure projects to help secure the nation's water supplies and deliver strong and sustainable benefits for Australia.		20.0
OTHER			
Financial assistance to New South Wales Government for New South Wales Police	Transitional funding over four years for the equal sharing of the costs of reimbursing New South Wales police officers who incur an additional tax liability from making voluntary superannuation contributions that exceed the concessional contributions cap due to the impact of New South Wales' compulsory employer death and disability insurance premiums. It will also provide for the cost-sharing of any fringe benefits tax that results from reimbursing police officers in these situations.		0.1
Heffron Park Centre of Excellence	Funding for the Heffron Park Centre of Excellence, which will house a community and administration centre as well as a football development supported by elite facilities. The centre will include administration facilities and training centre for the South Sydney Rabbitohs. It will also support Rabbitohs' Souths Cares Program, a community program for young people. Randwick City Council will contribute \$3 million towards the construction, the NRL \$3 million and the Rabbitohs between \$2 to 7 million.	5.0	
North Queensland Strata Title Inspection Scheme	Funding to help improve the information available to owners of strata title properties on a property's susceptibility to weather damage and ways to make properties more resilient.	6.3	