



Australian Government
Commonwealth Grants Commission

2016/0100

Heads of Treasury

We are seeking your input into a work program for the 2020 Methodology Review. As you are aware, the Commission has received terms of reference for such a review. It has been asked to conduct a comprehensive review of methods used to calculate per capita relativities used to distribute the GST revenue among the States and Territories and to recommend per capita relativities for 2020-21. It has also been asked to consult with the Commonwealth and the States on the development of a work program.

The Commission is heavily engaged at present on the 2017 Update of relativities for 2017-18. While we concentrating on that task in the short term, we would appreciate your views on a range of 2020 Review work program matters covered in the attached set of questions. You should raise any other issues as well. I would appreciate receiving any response from you by the end of January so that the Commission can consider them in developing its Review work program. We would plan to circulate this in February for your further comment.

Please contact Catherine Hull on 02 6229 8813 if you have any questions.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Michael Willcock'.

Michael Willcock
Secretary

1 December 2016

ATTACHMENT

We seek your views on the following:

- Should the review begin with a reconsideration of ‘whether the supporting principles the Commission uses to guide its work remain appropriate, including whether new principles should be adopted and whether different weights should be given to different supporting principles’?
- What is meant by a ‘comprehensive review of methods’? Does this mean that once the supporting principles have been settled, the Commission should begin with a clean slate as it did in the 2010 Review and ask what functions and related transactions of State are relevant to their fiscal capacity, how they should be grouped for assessment purposes and how they should be assessed? Or should the Commission start with the present scope and structure of assessments and make adjustments consistent with the revised supporting principles?
- Reviews have generally been conducted using an iterative process, with the Commission taking the lead in defining HFE principles and assessment methods, followed by the States providing feedback on the proposed approaches, leading to amended Commission views and so on. Should this review adopt the same iterative process or do States consider alternative approaches, for example with States taking a lead role in some instances, for example the development of assessments, would result in an improved HFE outcome?
- Are there particular issues States would like to see the Commission explore?
- Most States have said they would encourage the Commission to visit their State for discussions on a range of matters. Would you want the Commission to visit your State during the review? When during the review would you want the Commission to visit and what is the rationale of this timing? How would the Commission expect to gain guidance in the development of its methods through a visit to your State?
- A draft report will be part of the process. In recent reviews the Commission has produced this in the June of the year before the final report. This gives the Commission sufficient time to develop well considered methods, the States time to comment on the proposed assessments and the Commission time to react to those comments, including advising States of any major changes since the draft report. Do you have any particular views on this process?
- What other types of meetings should be held between the Commission and State representatives, Commission staff and State representatives? For example, should there be a multilateral meeting between the Commission and Heads of Treasury to discuss the supporting principles and how they might interact? Could third parties, such as academics, play a role at such a gathering? Should there be meetings between State and Commission staff to help States understand the assessments set out in the draft report?