



Australian Government

Commonwealth Grants Commission

2015 REVIEW

**UPDATE AND SUPPLEMENTARY ISSUES FOR THE 2015
REVIEW**

**STAFF DISCUSSION PAPER
CGC 2014-03-S**

AUGUST 2014

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BACKGROUND

- 1 The paper sets out staff proposals for the treatment of update and supplementary issues that have arisen since the 2015 Review Draft Report. State and Commonwealth treasuries' view are sought. Comments should be provided by 26 September 2014 to secretary@cgc.gov.au. The contact officer for queries is Priscilla Kan (Priscilla.kan@cgc.gov.au or 02 6229 8849).

ISSUES

- 2 The issues include:
 - changes to econometrics used in Schools education and Regional costs assessments
 - Post-secondary education user charges
 - low socio-economic status disability for Other general welfare services
 - revised weights for the Justice assessment
 - adjustments to June disaggregated estimated resident population (ERP) data
 - backcasting of specific purpose payments and national agreements
 - treatment of new Commonwealth payments
 - treatment of Water for the future national partnership payment.

CHANGES TO ECONOMETRICS USED IN SCHOOLS EDUCATION AND REGIONAL COSTS

- 3 Since the release of the 2015 Review Draft Report, the Commission has received the report from the consultant engaged to examine the econometric modelling used to estimate differences in spending on students with different characteristics using Australian Curriculum and Reporting Authority (ACARA) data (available on the CGC website). We have also received 2012 ACARA data.
- 4 In response to concerns by the consultant, staff propose to make a number of changes to the models.¹
 - We have moved from models based on funding per school to ones based on funding per student. This makes the models easier to understand, but does not affect the reliability and robustness of the results.

¹ A description of the funding per school model was contained in the Technical Appendix to Chapter 8 — Schools education of Staff Discussion Paper CGC 2013-075.

- State dummies were removed so the model better reflects what States collectively do.
- In the schools based model, we had attempted to allocate each school to both an index of Indigenous Relative Socio-Economic Outcomes (IRSEO) and Non-Indigenous Socio-Economic Index for Areas (NISEIFA) area. This had produced co-linearity issues which prevented us using IRSEO in the Draft Report. In designing a student based model we can attribute each student to one of the ten Indigenous/socio-economic dummies without any co-linearity issues.
- For the Draft Report, our model forced the regression through the origin. We now have a variable which captures the fixed costs of schools. We have removed the dummy identifying schools in Service delivery scale (SDS) areas.
- The non-government schools model now includes remoteness.

- 5 The consultant considers our revised model to be appropriate for our purposes.
- 6 The changes to the model have resulted in changes to coefficients for some variables. There were largely offsetting changes to the loadings for Indigenous and remote students. For example, the loading for a most disadvantaged, very remote Indigenous government student was changed from 142% (91% for Indigenous + 51% for very remote) to 135% (44% for most disadvantaged Indigenous + 91% for very remote). We understand that whether the high costs for remote Indigenous students are allocated to Indigeneity or remoteness is sensitive to the exact specification of the model. We would be interested in any information on whether the way the current model allocates these costs is consistent with State experience.
- 7 Most of the changes to student loadings since the Draft Report are due to changes to the model rather than updating the ACARA data.
- 8 These changes affect:
- cost weights for different socio-demographic groups for use in the Schools education assessment
 - a regional cost gradient to measure regional cost differences in the expense assessments
 - a service delivery scale factor to recognise that States experience diseconomies of scale in the provision of certain services to small isolated communities.

Cost weights

- 9 The student loadings for government and non-government students used in the Schools education assessment are based on separate analyses of government and

non-government school data from ACARA. The relative costs of different socio-demographic groups derived from the two models are shown in Table 1.²

Table 1 Indicative student loadings based on 2012 ACARA data

Variable	Government student loadings	Non-Government student loadings
	%	%
Non-Indigenous		
Least disadvantaged	100	25
2nd least disadvantaged	101	26
Middle quintile	106	27
2nd most disadvantaged	109	29
Most disadvantaged	115	29
Indigenous		
Least disadvantaged	113	28
2nd least disadvantaged	118	29
Middle quintile	124	33
2nd most disadvantaged	125	33
Most disadvantaged	144	34
Remoteness		
Major cities	100	25
Inner regional	103	25
Outer regional	121	28
Remote	166	31
Very remote	191	32

Note: All loadings reflect additional costs relative to the benchmark (lowest cost) student — a non-Indigenous student, attending a major city school in a least disadvantaged Socio-economic status area.

All Students are allocated to one of the ten mutually exclusive categories of Indigeneity/socio-economic status, and one of the five mutually exclusive remoteness areas.

Source: Commission calculation using 2012 ACARA financial, staff and student data.

Regional costs

- 10 As discussed above, the new regression has produced higher relative costs in remote areas than the regression used in the Draft Report. This flows through to other categories in the regional costs assessment.

Service delivery scale

- 11 The approach to SDS has changed since the Draft Report. However, this change has very little GST impact.

² Student loadings based on 2010 ACARA financial data and 2011 ACARA student and staff data were included in Table 5 of the Schools education attachment to the Draft Report.

- 12 In the draft report, the Commission assumed that schools had no fixed costs, but allowed for higher costs in small isolated areas. Following advice from the econometric consultancy, staff intend to allow the data to determine the fixed cost per school.
- 13 The regression found that the fixed cost per school is \$187 000. Given that in SDS areas, the average school size is 122 students, while in non-SDS areas it is 398, the fixed cost is \$1 000 more per student in SDS areas than non-SDS areas.
- 14 This represents an SDS weight of 10%, approximately the same weight calculated when including SDS as a variable in the regression model.
- 15 This method allows for a more reliable regression model as fixed school costs are not incorporated in the results of other variables.
- 16 The ACARA regression based SDS weight is only applied in the Schools education assessment.

Recommendation

Staff intend to recommend the Commission:

- update the econometric model used in the schools regression to include changes specified above.

POST-SECONDARY EDUCATION USER CHARGES

- 17 Table 2 provides a breakdown on post-secondary education revenue reported by the National Centre for Vocational Education Research (NCVER). The GFS concept of user charges excludes 'other revenue', as well as a few other minor adjustments.
- 18 ***Fee-for-service revenue.*** There is a strong conceptual case for netting fee-for-service revenue off post-secondary education expenses.
 - It largely meets State spending on non-subsidised training hours which are provided on a commercial basis. Therefore State provision of commercial VET services has no impact on State fiscal capacities.
 - The socio-demographic pattern of hours used in the assessment does not include students enrolled in fee-for-service courses. Therefore netting off fee-for-service revenue means that our usage patterns and expenditure are comparable.
- 19 ***Non-Fee-for-service revenue.*** We consider assessing this revenue on the basis of assessed hours is the most reliable and simple approach. It is not materially different to an assessment of non-remote, non-Indigenous and high SES students: those most

likely to pay fees. It is more appropriate than the approach in the draft report, of assessing this revenue EPC in the Other revenue category.

- 20 We recommend giving effect to this by netting off the revenue from the expenses. This means that we would net off both the fee-for-service revenue, and the non-fee for service revenue.

Table 2 State VET revenue, 2012

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m								
Fee-for-service income									
Government agencies	10	208	3	35	33	4	12	0	305
Other	222	155	44	27	17	6	19	3	493
Overseas students fees	35	110	23	35	8	4	7	1	224
Contracted overseas training	5	66	45	0	0	0	0	0	117
Adult and community education	0	5	0	0	0	0	1	0	7
Total fee-for-service income	273	545	115	98	59	14	38	5	1 146
Ancillary trading	18	34	14	5	6	1	0	0	78
Student fees and charges	79	107	82	48	24	5	9	4	357
Other revenue	31	59	26	30	11	3	1	12	175
Total revenue	401	745	237	181	100	23	48	21	1 757

Source: NCVET financial data, 2012

Recommendation

Staff propose to recommend the Commission:

- net all post-secondary education user charges off the post-secondary education expenses rather than assessing them in Other revenue.

LOW SOCIO-ECONOMIC STATUS DISABILITY FOR OTHER GENERAL WELFARE SERVICES

- 21 In the 2015 Review Draft Report, the Commission indicated its intention to assess other general welfare services using the relative proportion of people in the bottom quintile of the ABS's Socio-Economic Index for Individuals (SEIFI) based on 2011 Census data. Because of the different range of services included in this component (homeless person's assistance, care of refugees, women's shelters and referral services), the Commission selected a broad indicator of disadvantage to capture State populations which might access these services. As a placeholder in the Draft Report, the Commission used 2006 Census-based SEIFI numbers in deriving the illustrated assessed expenses. (Estimated average spending for this component in 2012-13 was about \$24 per capita.)

- 22 Staff have now learned that the ABS is not intending to update the SEIFI using the 2011 Census data. The ABS has also advised there is no plan to release a family level index (SEIFF). However, it has constructed an experimental household level index but this is unlikely to be available in time for the 2015 Review. The Commission could consider its use if it becomes available in a future update.
- 23 Therefore, the Commission needs to explore alternative measures of low socio-economic status for at least the 2015 Review.
- 24 Staff do not consider the IRSEO/NISEIFA a good indicator. While it is an appropriate way to link user characteristics with service use, it is not a good measure of general relative disadvantage. To do so would ignore the fact that some disadvantaged people live in non-disadvantaged areas.
- 25 Table 3 shows the relative proportions of State populations represented by possible broad indicators of disadvantage relevant to potential users of these services.

Table 3 Relative State proportions of populations

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Average
	%	%	%	%	%	%	%	%	%
SEIFI (2006)	96	91	99	88	116	137	63	156	100
Household equivalised income (2011)(a)	104	100	96	85	116	130	50	75	100
Homelessness, excl. 'severely' crowded dwellings	90	106	106	82	90	95	142	367	100
One parent families with children under 15	99	91	112	94	107	123	88	117	100

(a) Includes income less than \$20 000. Zero and negative income are excluded.

Source: Commission calculation, derived from ABS, 2006 Census data.

- 26 2006 SEIFI is dated and we are aware from other 2011 Census data that the socio-economic status of State populations has changed.
- 27 While household equivalised income data based on 2011 Census is a commonly used measure of disadvantage, it focusses on only one aspect of disadvantage (income). Staff judge this to be too narrow to reflect likely users for this service. It has a very different pattern across States to other broader indicators of disadvantage.
- 28 Measures of homelessness, even excluding persons living in 'severely' crowded dwellings which account for over 40% of total numbers, do not provide a good indicator of disadvantage. The numbers of people counted as homeless are subject to State policy influences. Persons in State-provided supported accommodation for the homeless are included in the measure and the amount of such accommodation available differs considerably across States.
- 29 Staff think the proportion of one-parent families with dependents in State populations might provide a reasonable broad indicator of disadvantage and of the

need for spending on Other general welfare. These families tend to be higher users of welfare services such as temporary accommodation and other support services. Staff intend to recommend the Commission use this indicator.

Recommendations

Staff propose to recommend the Commission:

- use an up-to-date broad indicator of disadvantage such as the proportion of one parent families with dependants for the assessment of other general welfare services.

REVISED WEIGHTS FOR THE JUSTICE ASSESSMENT

30 In the 2015 Review Draft Report, the Commission indicated that it would use State provided data for the years 2010-11 to 2012-13 to review the Indigenous and socio-economic status (SES) use weights applied in the Justice assessment.

2010 approach

31 SES was based upon the Socio-economic Index for Areas (SEIFA).

Specialised police

32 In the 2010 Review, Indigenous use weights were calculated using Australian Institute of Criminology (AIC) National Police Custody Survey 2007 data on custody incidents by Indigineity by sex by age, while SES weights were derived from 2005-06 offenders by location data provided by the States.

33 The AIC data indicated that Indigenous people accounted for around 33% of offenders nationally.

Criminal courts

34 Indigenous use weights were calculated using State provided data on defendants by age, sex and Indigineity for 2008-09. These data indicated that Indigenous people accounted for around 15% of defendants nationally.

35 The SES weights derived from the police offenders data were also applied to courts.

Prisons

36 ABS data provides a split between Indigenous and non-Indigenous prisoners. These data indicate that around 25% of prisoners are Indigenous.

37 The SES weights derived from the police offenders data were also applied to prisons.

Proposed 2015 approach

Specialised police

- 38 The most recent AIC data remain the 2007 data.
- 39 As foreshadowed in the Draft Report, the AIC’s new police custody survey may provide data with the potential to derive cost-weights for Indigenous offenders. However, the most recent advice from AIC is that negotiations for data collection are still underway, with no release date for the survey confirmed.
- 40 For the 2015 Review, States (with the exception of Tasmania) have supplied data on offenders by Indigineity and location for the years 2010-11 to 2012-13. These data enable us to calculate new SES weights by Indigineity, using IRSEO and NISEIFA classifications, as well as to update the proportions of offences attributed to Indigenous and non-Indigenous offenders. These data indicate that Indigenous people accounted for around 19% of all offenders, substantially lower than that indicated by the 2007 AIC data. ABS data on offenders for the same time period suggests the proportion is around 18% for States where data were available³.
- 41 Table 4 shows that the Indigenous offender rate (ratio of Indigenous share of offenders divided by Indigenous share of population) averages six across all States. The rate varies from three in the Northern Territory to 10 in South Australia.

Table 4 Indigenous proportion of offenders, State provided data, 2010-11 to 2012-13

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	%	%	%	%	%	%	%	%	%
Indigenous population	3	1	4	4	2	5	2	30	3
Indigenous offenders	16	7	22	31	23	n/a	10	74	19
Offender rate (ratio)	6	8	5	8	10	n/a	6	3	6

Source: Commission calculation using State provided data, ABS data request.

Note: Population and offender percentages are 3-year averages for 2010-11 to 2012-13.

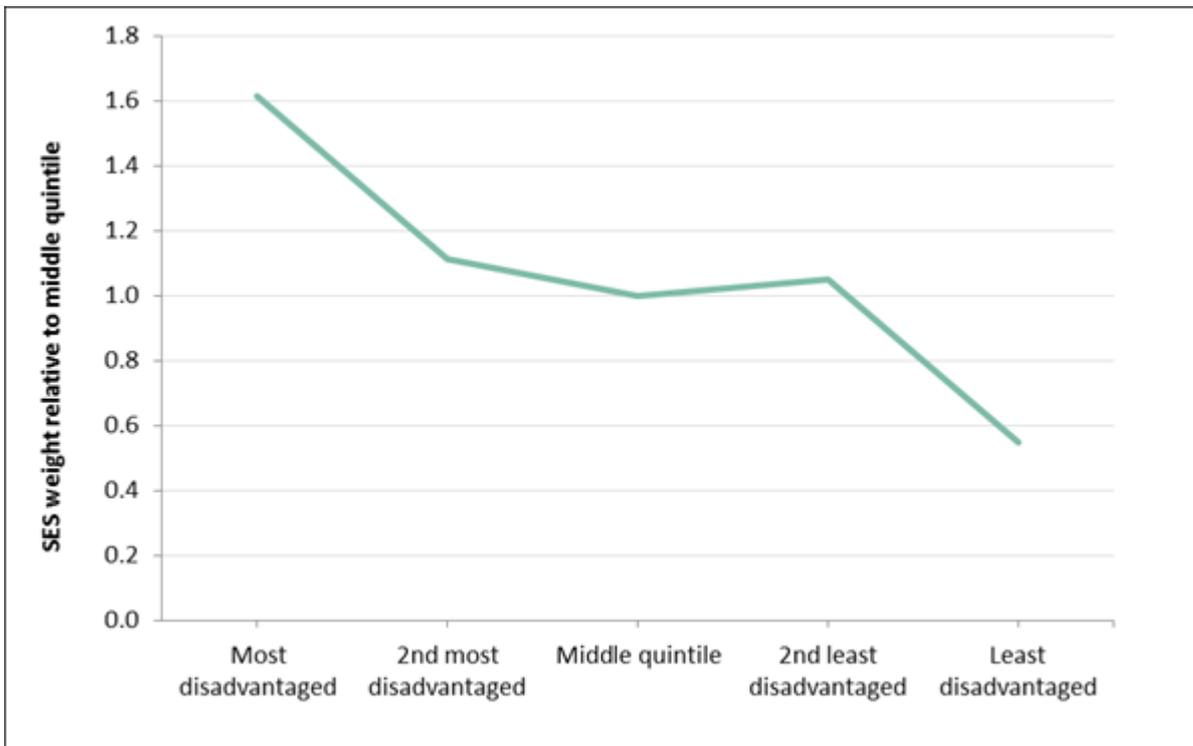
- 42 The State provided data do not provide detail on age and sex, so staff propose adjusting the AIC 2007 data to reflect the revised Indigenous offender rate, while maintaining the AIC distribution of offenders by age and sex.
- 43 **Socio-economic status.** The Draft Report indicated that the Commission considers that differentially identifying relative non-Indigenous and Indigenous disadvantage using NISEIFA and IRSEO better meets the terms of reference requiring it to:

³ From ABS 45190DO002_201213 Recorded Crime – Offenders, 2012–13, Table 17. ABS Data are for selected offences and for New South Wales, Queensland, South Australia and the Northern Territory only.

... develop methods to appropriately capture the changing characteristics of the Indigenous population.

- 44 The State provided data enable us to consider relative offender rates by SES for non-Indigenous and Indigenous people separately.
- 45 In the 2010 Review, SES groupings were based on State provided data on offenders by location for 2005-06. The SES quintiles were based upon SEIFA scores. The grouping decided on was the most disadvantaged quintile, the three middle quintiles, and the least disadvantaged quintile. Figure 1 shows the gradient across all quintiles.

Figure 1 SES offender rates relative to middle quintile, 2010 Review data

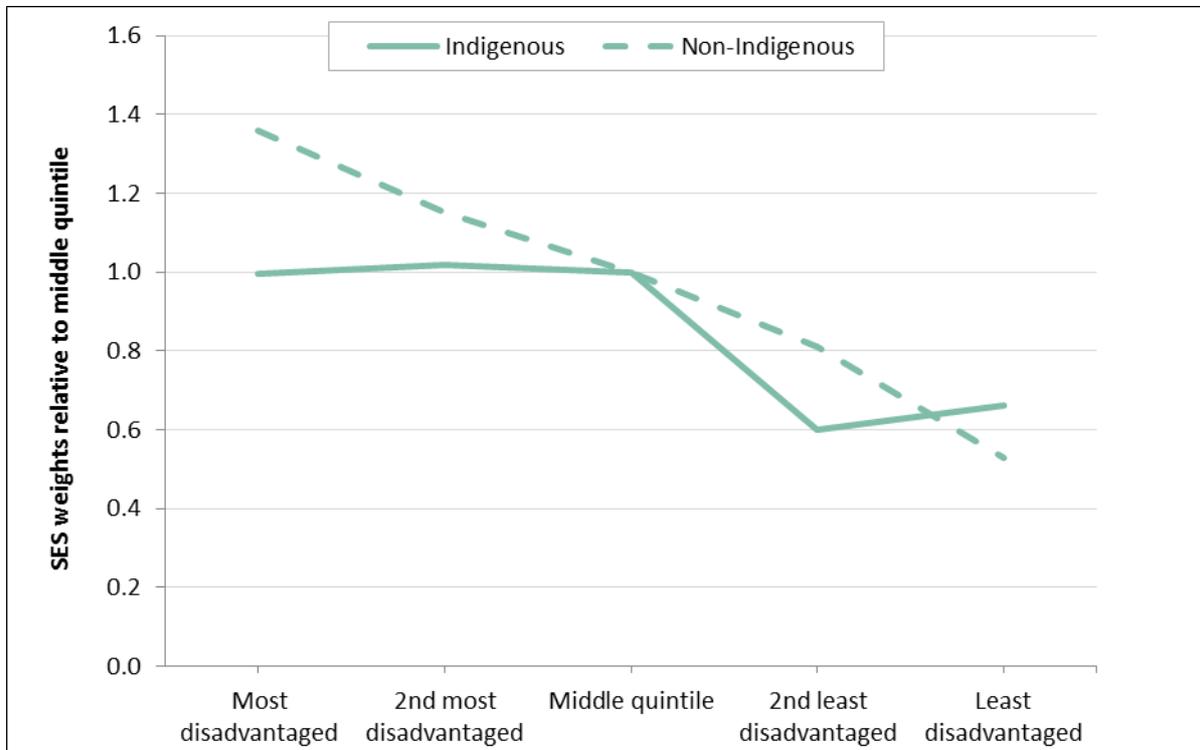


Source: Commission calculation using State provided data.

- 46 The corresponding SES gradients based upon State provided offenders data for the years 2010-11 to 2012-13, for both Indigenous and non-Indigenous people, are shown in Figure 2 below.
- 47 Figure 2 shows that there has been a change in the relative weights for the most and least disadvantaged quintiles, compared with the previous data. In addition, it indicates that the middle three quintiles are not as similar as was previously the case, suggesting that a change to the 2010 Review grouping would be appropriate. The variation in the most and least disadvantaged Indigenous quintiles may be due to the large proportion of unknown Indigenous status reported by some States, possibly due

to the inclusion of traffic offenders in State provided data.⁴ This suggests that some groupings of quintiles should be applied.

Figure 2 SES offender rates relative to middle quintile, 2015 Review data



Source: Commission calculation using State provided data.

- 48 Staff consider that a common SES grouping should be applied within the Justice assessment, for both Indigenous and non-Indigenous people, and across the police, courts and prisons category components. This avoids overcomplicating the assessment and makes analysis of results simpler. On balance, staff propose recommending that the Commission change to a grouping comprising the two most disadvantaged quintiles, the middle quintile, and the two least disadvantaged quintiles.
- 49 Table 5 shows the weights applied in the 2010 Review (using SEIFA) along with the proposed weights to be applied in the 2015 Review (using IRSEO and NISEIFA).
- 50 **Discounts.** While the State provided data are more timely, and arguably more comprehensive, than the AIC 2007 data used in the 2010 Review, staff propose continuing to apply a 25% discount to the SDC use weights in specialised policing. This is because the State data do not provide any further clarity as to how well offender incidents measure relative police workloads.

⁴ Unknown Indigeneity proportions in the State provided offender data varied from nil in some States up to 46% in one State.

Table 5 SES weights for police, 2010 and 2015 Review data

Indigeneity	SES	2010	2015
Indigenous	Most disadvantaged	1.5	1.0
Indigenous	2nd most disadvantaged	1.0	1.0
Indigenous	Middle quintile	1.0	1.0
Indigenous	2nd least disadvantaged	1.0	0.6
Indigenous	Least disadvantaged	0.7	0.6
Non-Indigenous	Most disadvantaged	1.5	1.3
Non-Indigenous	2nd most disadvantaged	1.0	1.3
Non-Indigenous	Middle quintile	1.0	1.0
Non-Indigenous	2nd least disadvantaged	1.0	0.7
Non-Indigenous	Least disadvantaged	0.7	0.7

Source: Commission calculation.

Criminal courts

- 51 New South Wales, Queensland, South Australia and the Northern Territory have provided data on criminal court defendants by age, sex, Indigenous status and location for the years 2010-11 to 2012-13.
- 52 Table 6 shows the distribution of Indigenous defendants indicated by the more recent data compared with the data used in the 2010 Review. The distribution is broadly similar for the two periods. The data suggests that the proportion of Indigenous defendants has increased slightly.
- 53 We intend to use the more recent data to inform the Indigenous use weights for the criminal courts assessment.
- 54 **Socio-economic status.** States also provided data on the location of defendants. These data enable us to determine if the use of court services by SES differs to the use of police services. This was not possible in the 2010 Review, and the same SES groupings and weights were applied to courts and prisons, as were applied to police.
- 55 The SES gradients based upon State provided defendants data for the years 2010-11 to 2012-13, for both Indigenous and non-Indigenous people, are shown in Figure 3 below.

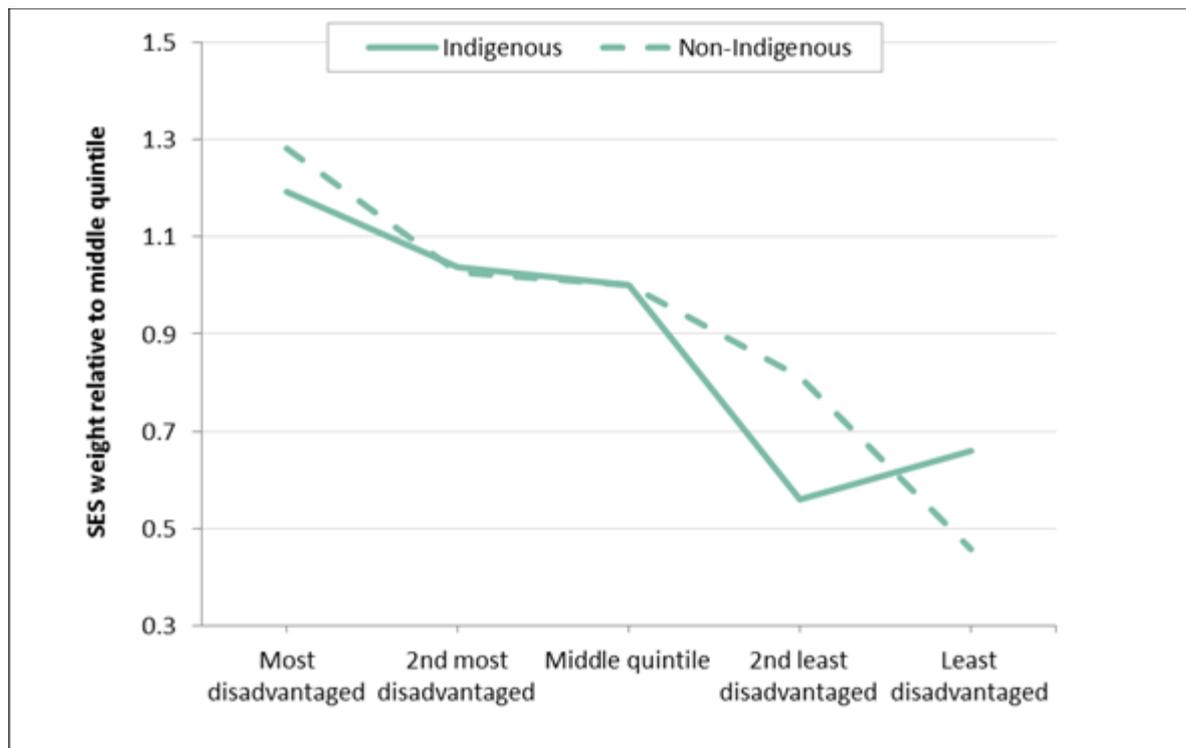
Table 6 Proportions of Indigenous defendants by age and sex, 2010 and 2015 Review data

Indigeneity	Sex	Age	2010	2015
			%	%
Indigenous	Females	0-14	0.1	0.1
Indigenous	Females	15-34	2.7	3.1
Indigenous	Females	35+	1.3	1.6
Indigenous	Males	0-14	0.4	0.4
Indigenous	Males	15-34	7.4	8.4
Indigenous	Males	35+	3.2	3.9
Non-Indigenous	Females	0-14	0.1	0.1
Non-Indigenous	Females	15-34	10.2	9.5
Non-Indigenous	Females	35+	6.3	6.7
Non-Indigenous	Males	0-14	0.5	0.4
Non-Indigenous	Males	15-34	44.6	40.5
Non-Indigenous	Males	35+	23.1	25.2

Source: Commission calculation, using State provided data.

- 56 Figure 3 shows that the 2nd most disadvantaged quintile is closer to the middle quintile than the most disadvantaged quintile. However, as only four States provided Indigenous defendant data, compared with seven providing Indigenous offender data, staff do not consider this compelling evidence to change the SES groupings applied in police.
- 57 Table 7 shows the weights applied in the 2010 Review with the proposed weights to be applied in the 2015 Review. The weights are slightly different to those proposed for specialised policing, but use the same grouping of SES quintiles.

Figure 3 SES defendant rates relative to middle quintile, 2015 Review data



Source: Commission calculation using State provided data.

Table 7 SES weights for courts and prisons, 2010 and 2015 Review data

Indigeneity	SES	2010	2015
Indigenous	Most disadvantaged	1.5	1.1
Indigenous	2nd most disadvantaged	1.0	1.1
Indigenous	Middle quintile	1.0	1.0
Indigenous	2nd least disadvantaged	1.0	0.6
Indigenous	Least disadvantaged	0.7	0.6
Non-Indigenous	Most disadvantaged	1.5	1.2
Non-Indigenous	2nd most disadvantaged	1.0	1.2
Non-Indigenous	Middle quintile	1.0	1.0
Non-Indigenous	2nd least disadvantaged	1.0	0.6
Non-Indigenous	Least disadvantaged	0.7	0.6

Source: Commission calculation.

Prisons

58 ABS data can continue to be used to identify Indigenous and non-Indigenous prisoners, as per the 2010 Review methodology.

- 59 Staff consider that there are closer links between defendants and prisoners than offenders and prisoners, so propose recommending the Commission apply the courts SES weights in prisons.
- 60 Table 7 shows the weights used in the 2010 Review and the proposed weights for the 2015 Review.

GST impacts

- 61 Table 8 shows a one year GST impact for Justice, using the 2010 Review method, along with the effect if the proposed new Indigenous and SES use weights (based upon the State provided data as described above) were applied.
- 62 The proposed changes result in GST being distributed to Victoria, Western Australia and South Australia, and away from New South Wales, Queensland, Tasmania, the ACT and the Northern Territory. The change in GST share would be material for Tasmania and, in particular, the Northern Territory. Tasmania's result is largely due to the changes in SES weights, while the Northern Territory's result is overwhelmingly due to the reduction in the Indigenous use rate in specialised policing.

Table 8 GST impacts, 2012-13

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Redist
	\$m	\$m							
2010 Method	-143	-607	182	151	-34	49	-31	432	815
Proposed 2015	-149	-538	156	184	-12	28	-35	366	734
Difference	-6	70	-26	33	21	-22	-5	-66	-81
	\$pc	\$pc							
2010 Method	-19	-107	39	61	-20	96	-81	1 813	36
Proposed 2015	-20	-95	34	74	-7	54	-93	1 536	32
Difference	-1	12	-6	13	13	-43	-12	-277	-4

Source: Commission calculation.

Recommendations

Staff propose to recommend the Commission:

- derive Indigenous use rates for police by adjusting the Australian Institute of Criminology (AIC) 2007 data based upon State provided data for 2010-11 to 2012-13 on offenders
- continue to apply a 25% discount to the specialised police socio-demographic composition (SDC) factor
- derive Indigenous use rates for courts based upon State provided data for 2010-11 to 2012-12 on defendants
- fix the Indigenous use rates for the duration of the Review, unless a more current data source (such as updated AIC data) becomes available

- recognise socio-economic status (SES) in the Justice assessment based upon the index of Indigenous Relative Socio-economic Outcomes (IRSEO) for Indigenous people and the non-Indigenous Socio-economic Index for Areas (NISEIFA) for non-Indigenous people
- derive SES use rates for police and courts separately based upon State provided data for 2010-11 to 2012-13 for offenders and defendants respectively
- apply SES groupings based on the two most disadvantaged quintiles, the middle quintile and the two least disadvantaged quintiles
- apply the same SES groupings for police, courts and prisons
- apply the courts SES use rates in prisons
- fix the SES groupings and weights for the duration of the Review.

ADJUSTMENTS TO JUNE DISAGGREGATED ESTIMATED RESIDENT POPULATION (ERP) DATA

- 63 Population data are required so that national costs for different population groups can be distributed across States on the basis of their share of that population group. In the 2015 Draft Report the Commission said that for disaggregating these population data, conceptually we require populations as at 31 December (as used for total State populations). It said however, that as these populations are not available, 30 June population data are used instead.
- 64 Staff propose recommending the Commission adjust June ERPs to match State December population totals. For example, the 30 June 2013 disaggregated ERP will be proportionately scaled so that the total population for each State matches the 31 December 2013 State totals. This approach will result in conceptually more appropriate State populations being applied. It will also avoid situations where EPC assessments, for example civil courts, can have an effect on the GST distribution because June population shares differ to December population shares.

Recommendations

Staff propose to recommend the Commission:

- adjust disaggregated 30 June ERPs in proportion to match 31 December State population totals for each assessment year.

BACKCASTING OF NATIONAL SPECIFIC PURPOSE PAYMENTS AND AGREEMENTS (SPPS)

Background

- 65 If there are major changes in Commonwealth-State financial relations between the historical years used in the Commission’s assessments and in the year the recommended relativities would be applied (application year), the new arrangements are generally ‘backcast’ so as to give effect to the Commission’s principle of delivering relativities most appropriate to the application year. Backcasting is only done when the application year changes are reliably known and data needed for calculating the backcast amounts are reliable.
- 66 The 2011 Intergovernmental Agreement on Federal Financial Arrangements (IGA 2011) noted that the distribution of the Schools, Skilled workforce development and Affordable housing SPPs would be equal per capita (EPC) (student enrolments for schools) in 2014-15. The National Health Reform base funding and the Disability SPP moved to an EPC distribution in 2013-14.
- 67 Since then, there have been further changes in funding arrangements for health and education that result in the distribution of these payments moving away from EPC.

Skilled workforce development, Affordable housing, Disability services

- 68 In the 2014 Update, we backcast the distribution of these payments EPC as this reflected their distribution in the application year. We propose to continue this in the 2015 Review.

Students First

- 69 In the 2014 Update we used an interim method that was consistent with the intent of the 2015 Review terms of reference. The 2015 Review Draft Report outlined how the Commission proposes to treat these payments in the 2015 Review. It said that the impact on State fiscal capacities of:
- Commonwealth payments for government schools under the Students First program would be the difference between:
 - what States receive in each of the assessment years (backcast using the distribution in 2015-16) and
 - what they would have received had the Commonwealth funds been distributed among States only on the basis of the Schooling Resource Stand (SRS) amounts for different students and the numbers of such students in each State in 2015-16.

- Commonwealth funding for non-government schools would be nil.

National health reform funding

Background

- 70 The 2015 Review terms of reference tells the Commission that the National Health Reform (NHR) funding should affect the relativities and that:
- NHR funding and corresponding expenditure relating to the provision of cross-border services to the residents of other States should be allocated to States on the basis of residence.
- 71 The 2014 Update terms of reference had the same requirement: assessments of the payment and the expenses should be made on the basis of residence, not treatment. However, the payments reported in Commonwealth budget papers since 2013-14 have included cross-border payments to States where the treatment occurs. The Commission needed to remove the net amounts included in the Commonwealth payments in the 2014 Update and also in this review.
- 72 In addition, in the 2014 Update, the Commission considered whether to backcast the NHR funding based on the 2014-15 distribution (the year in which the relativities were to be applied). Most States argued that backcasting the NHR funding would be based on unreliable data, given that the estimates included adjustments for cross-border activity and were based on historical public hospital data, reflecting past policy decisions by jurisdictions.
- 73 As such, the Commission concluded the 2014-15 NHR funding distribution should not be backcast as it could not be done reliably. Instead, it backcast an EPC distribution of hospital services funding because the payments predominantly comprised the NHR base funding, which was distributed on an EPC basis. This also dealt with the removal of payments for non-residents.

Issues

- 74 There are two issues that the Commission needs to decide in this review:
- How do we give effect to the Terms of Reference requirement to allocate NHR funding on the basis of residence?
 - Whether, and how, the payments should be backcast in this review?
- 75 Table 9 shows the basis on which NHR or equivalent funding has been provided in each of the assessment, middle and application years for this review.

Table 9 National health reform funding — actual funding basis

	Actual funding basis	Year
2011-12	40% EPC, 60% historic	Assessment
2012-13	60% EPC, 40% historic	Assessment
2013-14	EPC with cross border	Assessment
2014-15	EPC + actual growth + cross border	Middle
2015-16	EPC + actual growth + cross border	Application

Source: *Federal Financial Relations Budget Paper No. 3, 2014-15.*

- 76 **Removing cross-border payments.** The Commonwealth has published the net cross-border adjustments it made to NHR funding for 2013-14 in *Federal Financial Relations Budget Paper No. 3, 2014-15* (BP3). Therefore, we can derive a reliable estimate of NHR funding by place of residence for that year.
- 77 We are seeking the advice of the Commonwealth Treasury on whether similar information will be provided in relation to the net cross-border adjustments for current and budget out-years in future budget papers (including MYEFO).
- 78 **Backcasting.** The payment in 2013-14, after adjusting for cross-border flows, is very similar to EPC (Treasury use slightly different population estimates to us), as shown in Table 10. For 2015-16, the budgeted payments (in BP3) are materially different to an EPC distribution.

Table 10 National health reform funding, 2013-14

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$pc								
2013-14									
NHR funding	583	598	598	595	600	582	708	557	594
Net cross border adjustment	-11	4	3	0	6	-12	114	-38	0
State of residence based funding(a)	593	594	594	595	593	594	594	594	594
2015-16 NHR Funding	682	684	723	728	689	708	754	659	698

(a) Derived by subtracting the amounts shown as cross-border adjustments.

Source: *Federal Financial Relations Budget Paper No. 3, 2014-15.*

- 79 The 2015-16 estimates reflect each State's projections of their level of activity.
- 80 We consider this a major change in Commonwealth-State financial relations, and would seek to reflect the circumstances prevailing in 2015-16.
- 81 Ideally, we would use the out-year estimates for 2015-16 from BP3, and we would make an adjustment for cross-border use. We could derive the cross-border estimate by indexing the 2013-14 estimate or using Treasury's estimates if they were available.
- 82 If this approach were not deemed sufficiently reliable, we could use a similar approach for 2014-15, from estimates published in MYEFO. This has the advantage of potentially using some actual hospitalisation information from 2014-15, and

therefore, should be a more reliable indicator of which States have faster than average growth in health expenditure.

- 83 The third option, which is reliable but not reflective of the distribution in the application year, is to use the 2013-14 distribution as published in the Final Budget Outcome later this year, with an adjustment for cross-border. This is not materially different from an EPC distribution, but is conceptually more valid.
- 84 Staff consider that the 2nd option represents the best balance between reflecting State circumstances and using reliable information.

Recommendations

Staff propose to recommend the Commission:

- backcast the National Health Reform funding using the 2014-15 National health reform distribution in MYEFO, adjusted for cross-border payments.

TREATMENT OF PAYMENTS NOT MADE IN THE APPLICATION YEAR

Background

- 85 In the 2015 Review Draft Report, the Commission said it would consider whether the payments made in the assessment years for this review but not in the 2015-16 application year (ceased payments) should be removed from the assessment years' data. This might better reflect the Commonwealth funding States would receive in the application year. The Commission noted that individually they do not constitute a major change in Commonwealth-State financial relations, but in aggregate, they may have a material impact on GST distribution.
- 86 Based on the information in the *Federal Financial Relations Budget Paper No. 3, 2014-15*, there are a total of 227 payments⁵ and 99 of them will not be paid in 2015-16. A list of payments made in the assessment years and not made in 2015-16 is shown in Attachment A. While most of the terminated payments are less than \$1 million, in aggregate they are around \$3 billion (obtained by adding the payments made in the year before they were terminated). The amount is big because it includes some one-off payments for infrastructure investment. It also includes Commonwealth payments for Certain concessions for pensioners and senior card holders⁶, which was around \$300m (\$12 per capita) each year during the period 2011-12 to 2013-14.

⁵ We have counted payments made under the same national partnership agreement as one payment.

⁶ Includes funding for pensioners for land and water rates, energy, motor vehicle registration and public transport and for reciprocal transport concessions for senior card holders when travel inter-State.

Issue

- 87 Following the contemporaneity principle, the Commission backcasts major changes in Commonwealth-State financial arrangements, and only if the change is reliably known. This is done on a case-by-case basis. Staff consider the Commission should use the same approach when deciding how to treat ceased payments.
- 88 None of the ceased payments were backcast into the assessment years when they commenced in the application year. This means the Commission did not consider their individual introduction represented a major change in Commonwealth-State financial arrangements. Similarly their cessation cannot be regarded as a major change, including the cessation of payments for Certain concessions for pensioners and senior card holders.
- 89 It is also unclear that in aggregate the cessation would have a material impact on the GST distribution because:
- some payments have been replaced by others, such as new infrastructure payments
 - some payments have reached the end of negotiated timeframes and State expenditures might adjust accordingly and
 - overall Commonwealth funding has increased.
- 90 Staff therefore consider that the cessation of these payments should not be backcast into the assessment years⁷.

Recommendations

Staff propose to recommend the Commission:

- only consider backcasting payments not made in the application year when they are the result of major change in Commonwealth-State financial arrangements
- not backcast any of the payments made in the assessment years but not made in the 2015-16 application year because their cessation is not the result of major change in Commonwealth-State funding arrangements.

⁷ If payments are terminated as part of a larger change in Commonwealth-State financial arrangements, such as with the introduction of the Students First program, associated terminated program should be (and have been) backcast.

TREATMENT OF OTHER COMMONWEALTH PAYMENTS

- 91 The Commission is directed to treat some payments in particular ways; for example, reward payments or other particular payments which must be treated so that they have no impact on relativities. In these cases, the Commission has no discretion.
- 92 For other payments, the Commission is provided with advice. For example, facilitation payments should not affect relativities, but it is also given discretion to change that treatment.
- 93 Staff propose to recommend to the Commission that it only exercise that discretion where doing so will make a material change at the proposed disability materiality threshold and the impact can be assessed reliably. In other cases, the treatment would be as advised. For example, a small facilitation payment would have no impact on the relativities.
- 94 It is often difficult to distinguish between project and facilitation payments. We propose to treat all payments as project payments, which appear to be the majority, unless informed otherwise.
- 95 Where changing the treatment would be material and the impact can be assessed reliably, the proposed guideline governing the treatment of Commonwealth payments in the Draft report would be used.
- 96 Because we seek State views on this proposal, in the sections below we have used the approach set out in the draft report.

Recommendations

Staff propose to recommend the Commission:

- only exercise its discretion in relation to the treatment of Commonwealth payments where doing so will make a material change at the proposed disability materiality threshold and the impact can be assessed reliably.

TREATMENT OF COMMONWEALTH PAYMENTS COMMENCING IN 2013-14

- 97 This section discusses staff proposals on the treatment of Commonwealth payments that commenced in 2013-14, as listed in *Federal Financial Relations, Budget Paper No. 3, 2014-15*. The proposals are made using the following guideline developed in the 2015 Review:

payments which support State services, and for which expenditure needs⁸ are assessed, will impact on relativities.

- 98 A summary of staff proposals on the treatment of each payment is in Attachment B, Table B-1.

Recommendations

Staff propose to recommend the Commission:

- adopt the treatment of each Commonwealth payments commenced in 2013-14 as sets out in Table B-1 of Attachment B.

TREATMENT OF COMMONWEALTH PAYMENTS COMMENCING IN 2014-15 AND 2015-16

- 99 Table B-2 in Attachment B provides a list of new national partnership payments that will commence in 2014-15 and 2015-16. Although the payments shown will affect the year in which the 2015 Review relativities will be applied, Commission staff do not propose to backcast any of them because they are not the result of major change in Commonwealth-State financial arrangements and/or the information is not reliable. The new payments will be reflected in the relativities when they appear in the data for the assessment period. However, two new payments are worth noting:
- 100 ***Payments from DisabilityCare Australia Fund.*** The Commonwealth will assist the States with their contribution to DisabilityCare Australia for 10 years, by allowing them to draw on payments going into the DisabilityCare Australia Fund.
- 101 We understand that all States that have committed to fully implement DisabilityCare Australia will be eligible to draw down from the Fund once at least 50 per cent of their eligible population is covered by the scheme. In addition, once those States and Territories have people participating in DisabilityCare Australia, they will be able to access 10 per cent of their allocation in 2015-16 and 20 per cent of their allocation in 2016-17 and 2017-18 to support early establishment costs related to DisabilityCare Australia.
- 102 The 2014-15 BP3 shows total draw-downs in 2015-16 of \$79.3 million and \$188.5 million and \$298 million in subsequent years.
- 103 In the Draft Report, the Commission said it would backcast the introduction of the NDIS because it considers it a major change in Commonwealth-State relations and it

⁸ Expenditure needs that are assessed equal per capital (EPC) do not affect State fiscal capacities. EPC expenditure assessment is used because 1) we conclude there are no differences in per capita service delivery costs (a deliberative EPC assessment) or 2) the needs are not material. Related payments for 1) would affect the GST distribution and payments for 2) would not.

would improve the contemporaneity of the assessment. It expected this to happen in 2016-17 when all States have agreed to enter the transition phase of the program. It also said, in the absence of contrary direction in the terms of reference, it would treat drawdowns as it would other Commonwealth payments. The interstate pattern of draw-downs would then influence State GST shares in that year.

- 104 Because the Commission does not intend to backcast any changed arrangements relating to DisabilityCare Australia in 2015-16, the payments made in 2015-16 will have no impact on the assessment years for the 2015 Review and therefore the relativities.
- 105 ***Infrastructure Growth Package, payments from the Asset Recycling Fund.*** The Commonwealth will establish an Asset Recycling Fund to provide funding for additional investment in high quality economic infrastructure. It comprises:
- incentive payments to States to sell assets and reinvest the sale proceeds into new productive infrastructure
 - funding for high quality projects that support economic growth and employment
 - payments for Western Sydney Infrastructure Plan.
- 106 Around \$640 million will be paid to the States in 2014-15 (\$2.5 billion in 2015-16). Although the payments will be large in 2015-16 and could be said to be the result of a major change in Commonwealth-State relations requiring backcasting, staff understand that an amendment to the terms of reference for the 2015 Review will require the Commission to ensure the payments have no impact on the relativities.

Recommendations

Staff propose to recommend the Commission:

- not backcast Commonwealth payments commencing in 2014-15 and 2015-16 as set out in Table B-2 of Attachment B because they are not the result of major change in Commonwealth-State financial arrangements.

We expect terms of reference for the 2015 Review will require the Commission to ensure the Infrastructure Growth Package, payments from the Asset Recycling Fund have no impact on the relativities. The Commission will act accordingly.

WATER FOR THE FUTURE

Background

- 107 In the 2014 Update, South Australia argued that a number of significant projects under the Water for the Future National Partnership (NP) agreement were for protection of the environment purposes and asked the Commission to review the

treatment of the payment. The Commission decided to review its treatment in the 2015 Review after seeking information from States on the projects covered by the NP payment.

- 108 In the 2014 Update, the Commission treated the Water for the Future NPP as impacting on the relativities because the majority of the payments were for projects relating to agriculture (irrigation) and urban water supply, for which needs are assessed. Some payments were for protection of the environment purposes. The Commission usually treats payments for this purpose as no impact on the relativities because protection of the environment expenses are assessed equal per capita as needs cannot be assessed.
- 109 The *Federal Financial Relations, Budget Paper No. 3, 2013-14* refers to the Water for the Future NPP as having three components. The 2014-15 BP3 no longer places the three components under the Water for the Future umbrella. Each component is viewed as a separate NPP.

Issues

- 110 The three components that were covered by Water for the Future national partnership are:
- National urban water and desalination plan
 - National water security plan for cities and towns
 - Sustainable rural water use and infrastructure.

111 Table 11 shows the Commonwealth payments for each component in 2013-14.

Table 11 Water for the Future funding, 2013-14

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
National urban water and desalination plan	0.0	5.6	0.0	0.0	1.0	0.0	0.0	0.0	6.5
National water security plan for cities and towns	14.2	0.0	1.3	7.4	0.3	0.0	0.0	0.0	23.1
Sustainable rural water use and infrastructure	77.6	187.6	19	1.9	46.8	28	2.3	0.6	363.8

Source: *Federal Financial Relations Budget Paper No. 3, 2014-15.*

- 112 The first two components are clearly related to urban water services. Staff consider needs are assessed and the payments should impact on the relativities.
- 113 Evidence from South Australia and the Commonwealth Department of the Environment suggest that the third component contains projects relating to urban water, agriculture (irrigation) and protection of the environment. Needs are assessed

for urban water and agriculture (irrigation) and not assessed for protection of the environment.

- 114 A data request seeking information on the projects covered by the Sustainable rural water use and infrastructure program, their purposes and the funding has been sent to the States.
- 115 Going forward, the Commission has two options.
- Retain the current approach of having all the expenses impact on the relativities, if the majority of the payments are for agriculture and urban water supply.
 - Split the expenses into environmental spending and other, using data collected from States, and ensure that the environmental spending has no impact on the GST distribution.
- 116 Experience has suggested that States find it difficult to split their spending for environmental purposes from other purposes. In addition, if the data are made available, the Commission will need to consider whether the split between environmental and other purposes is the result of State policy. Information on how decisions on how this funding is used would be helpful.

Recommendations

Staff propose to recommend the Commission:

- retain the current approach to all three components of the program unless data and other information from the States can establish that environmental spending is now the main purpose of the third component of the program and that the interstate pattern is not overly influenced by State policy.

Table A-12 List of payments not paid in 2015-16

Payment
Health services
BreastScreen Australia radiography workforce initiatives
COAG long stay older patients initiative
Early intervention pilot program
Healthy kids health checks
National antimicrobial utilisation surveillance program
National public health – human quarantine services
NT medical school – funding contribution
Indigenous health
Health services – Sexual assault counselling in remote NT areas
Health infrastructure – Indigenous mobile dental program
Indigenous early childhood development – Antenatal and reproductive health
Renal dialysis services in Central Australia
Satellite renal dialysis facilities in remote NT communities
Torres Strait health protection strategy – Saibai Island Health Clinic
Preventive health
Enabling infrastructure
Healthy children
Healthy communities
Healthy workers
Social marketing
Other health
East Kimberley development package - health related project
Hospital and health workforce reform – activity based funding
National coronial information system
Treating more public dental patients
Education
Digital education revolution
East Kimberley development package – education related payments
Fort Street High School - noise insulation
Improving literacy and numeracy
Indigenous early childhood development – children and family centres
Investing in focus schools
More support for students with disabilities
Nation Building and Jobs Plan – Building the education revolution
National solar schools program
School pathways program
National Skills and Workforce Development
Training places for single and teen parents
Commonwealth/State and Territory joint group training
Education Investment Fund
Industry and Indigenous skills centre
National Disaster Queensland–Community Work Placements
Productivity places program
TAFE fee waivers for childhood qualifications
Maximising engagement, attainment and successful transitions
Year 12 attainment and transitions

Table A-1 List of payments not paid in 2015-16 (cont'd)

Payment
Community Services
Aged care assessment
Certain concessions for pensioners
National reciprocal transport concessions
Home and community care – services for veterans
Social and community services - Queensland pay equity regulation - back pay
Affordable Housing
Building better regional cities
East Kimberley development package – social and transitional housing projects
First home owners boost
Homelessness
Nation building and jobs plan – social housing
Infrastructure
ABT Railway
Adelaide oval redevelopment and precinct work
Centenary of Canberra 2013 – A gift to the national capital
Cloncurry community precinct
Community infrastructure grants – Glenbrook precinct upgrade
East Kimberley development package
Infrastructure Investment programme (Nation building program) – Improving local roads
Infrastructure Investment programme (Nation building program) – Off-network projects (supplementary)
King George V sports and community precinct
Local Government and Regional Development — Infrastructure employment projects
Macquarie Point Railyards precinct remediation
Managed motorways
Manuka oval lighting upgrade
Mission beach safe anchorage
National transport regulator reforms - Transitional assistance
National transport regulator reforms - National heavy vehicle regulator
National transport regulator reforms - National rail safety regulator
North Penrith Thornton Park Car Park
Regional and Local Community Infrastructure Program
Regional Infrastructure Fund Streams 1 and 2
Sydney Cricket Ground redevelopment
Townsville Convention and Entertainment Centre
Upgrade of Parramatta Stadium
Environment
Assistance for water infrastructure and pest management in drought-affected areas
Assistance to farm businesses for water-related infrastructure
Caring for our Country
Coal seam gas and large coal mining development
Natural disaster recovery and rebuilding – donation to Queensland flood appeal
Northern Australia sustainable futures
Exotic disease preparedness
Sustainable Australia – sustainable regional development
Contingent payments
Exceptional circumstances assistance

Table A-1 List of payments not paid in 2015-16 (cont'd)

Payment
Other State services
2014 G20 leaders' summit security
2018 Gold Coast Commonwealth Games
Australian Capital Territory emergency services
Centenary of Canberra 2013 – joint national program
Commonwealth Heads of Government Meeting 2011
Digital regions initiative
Supplementary road funding to South Australia for local roads
Local Government and Regional Development – Local government reform fund
Location-based mobile telephone emergency warning capability
Pilot of drought reform measures in Western Australia
Protection and promotion of the Melbourne Royal Exhibition Building world heritage property
Seamless national economy
Standard business reporting program
Temporary assistance for Tasmania exporters
Victorian local hospital networks
World Sailing Championships

Source: *Federal Financial Relations Budget Paper No. 3, 2014-15.*

Table B-1 Proposed treatment of Commonwealth payments commenced in 2013-14, *Federal Financial Relations, Budget Paper No. 3, 2014-15*

Commonwealth payment	Description	2013-14 \$m	Proposed treatment	Reason for No impact treatment
Health				
Supporting National Health Reform Arrangements – <ul style="list-style-type: none"> Public hospital system – additional funding 	Funding to offset downward adjustments in National Health Reform funding during 2013-14. This funding will increase certainty to Local Hospital Networks from these within-year adjustments.	170.5	Impact	
Health Services – <ul style="list-style-type: none"> Expansion of the BreastScreen Australia Program 	Funding to improve the early detection of breast cancer by expanding the target age range of the BreastScreen Australia program from women 50 to 69 years of age to women 50 to 74 years of age. This builds on the existing BreastScreen Australia program.	5.5	Impact	
Education				
Students First funding	Students First funding replaced the National Schools SPP and various schools-related NP payments (Rewards for great teachers, Smarter schools – low socio-economic status school communities, Empowering local schools) from January 2014. It includes recurrent funding for government and non-government schools, capital funding and special circumstances funding for non-government schools and funding for non-government representative bodies.	6 872.0	Impact for govt schools (backcast 2015-16 distribution into assessment years); no impact for non-govt schools	
Independent public schools	Funding to support increased autonomy in around 1 500 government schools, including through greater engagement of parents and local communities in school decision making and the provision of professional development for principals, school leaders and school communities.	10.0	Impact	

Table B-1 Proposed treatment of Commonwealth payments commenced in 2013-14, *Federal Financial Relations, Budget Paper No. 3, 2014-15 (cont'd)*

Commonwealth payment	Description	2013-14 \$m	Proposed treatment	Reason for No impact treatment
Community services				
Pay equity for social and community service sector	Commonwealth's share of the wage increases arising from Fair Work Australia's decision on 1 February 2012 to grant an Equal Remuneration Order in the social and community services sector. This includes funding for its share of the wage increases for in-scope programs funded through existing SPPs (National Affordable Housing and National Disability Services) and NPPs (Homelessness, HACC/ Transitioning responsibilities for aged care and Disability services, and National mental and health reform).	82.4	Impact	
Infrastructure				
La Trobe Valley economic diversification (some made direct to local government)	Up to \$10.9m funding for infrastructure projects to support economic diversification in the La Trobe Valley: <ul style="list-style-type: none"> Warragul Station precinct upgrade project – new rail underpass, a new car park and bus interchange at Warragul railway station Moe rail precinct revitalisation project – new civic building to house community library, council service centre and call centre, and other community facilities. 	2.4	Impact for Warragul; No impact for Moe	Moe – needs for local government assets are not assessed
Murray – Darling Basin regional economic diversification program	Funding to support regional communities in adjusting to the changes brought about by the implementation of the Murray – Darling Basin Plan for water reform.	10.0	Impact	
Townsville Convention and Entertainment Centre (all made direct to local government)	Funding for the construction of the Townsville Convention and Entertainment Centre to deliver on a commitment made as part of the 2010 election.	5.0	No impact	Needs for local government assets are not assessed

Table B-1 Proposed treatment of Commonwealth payments commenced in 2013-14, *Federal Financial Relations, Budget Paper No. 3, 2014-15 (cont'd)*

Commonwealth payment	Description	2013-14 \$m	Proposed treatment	Reason for No impact treatment
Environment				
Assistance for water infrastructure and pest management in drought-affected areas	To assist drought-affected farm business with installing water-related infrastructure and with managing the impacts of pest animals in drought-affected areas, with the pest management component contingent upon equal contribution from the States.	5.0	No impact	Needs for supporting drought-affected areas are not assessed
Assistance to farm business for water-related infrastructure	Funding to New South Wales and Queensland to supplement these States' existing Emergency water infrastructure rebate programs.	10.1	No impact	Needs for supporting drought-affected areas are not assessed
Implementation of National Insurance Affordability Initiative	Funding to reduce flood risk and bring about reductions in insurance premiums. Payments to Queensland are for the construction of a flood levee in Roma and improving the flood defences in Ipswich.	7.0	No impact	Needs for the protection of environment ⁹ are not assessed
South Australian River Murray Sustainability program –	Funding to South Australia to support the Murray-Darling Basin water reforms by contributing to a healthy working river system, strong communities and sustainable food and fibre production.			Terms of reference requirement
<ul style="list-style-type: none"> • Irrigation efficiency and water purchase 	This program supports more efficient delivery and use of water by irrigation water providers and irrigators.	14.0	No impact	
<ul style="list-style-type: none"> • Irrigation industry assistance 	This program helps improve productivity of the South Australian River Murray industry.	9.0	No impact	
<ul style="list-style-type: none"> • Regional economic development 	This program provides funding for the redevelopment of the Loxton Research Centre, a program of industry-led research, and a regional development and innovation program.	7.0	No impact	

⁹ In GFS, expenses for flood mitigation works in urban areas are classified to GPC 073 Sanitation and protection of the environment.

Table B-1 Proposed treatment of Commonwealth payments commenced in 2013-14, *Federal Financial Relations, Budget Paper No. 3, 2014-15 (cont'd)*

Commonwealth payment	Description	2013-14 \$m	Proposed treatment	Reason for No impact treatment
Payments to support other State services				
2104 G20 leaders' summit security	Funding to upgrade Queensland's policing capacity to support the G20 leaders' summit in Brisbane and the finance ministers' and central bank governors' meeting in Cairns.	83.5	No impact	Needs are not assessed for this purpose
2018 Gold Coast Commonwealth Games	Funding to support the delivery of critical sports infrastructure for the 2018 Commonwealth Games that will boost economic activity in Southeast Queensland and leave a lasting legacy for Queensland and Australia.	156.0	No impact	Needs for special sporting infrastructure are not assessed
Assistance to Tasmania to implement national policy reforms	Funding to assist Tasmania with budget flexibility in the case of expected challenges arising from the implementation of national policy reforms. This payment was to allow Tasmania to implement Schools reforms.	30.0	No impact	Terms of reference requirement

Table B-2 Commonwealth payments commenced in 2014-15 and 2015-16, *Federal Financial Relations, Budget Paper No. 3, 2014-15*

Commonwealth payment	Description	New in 2014-15 \$m	New in 2015-16 \$m
Health infrastructure			
Albury-Wodonga Cardiac Catheterisation Laboratory	One-off payment to Victoria for the new laboratory which will enable local residents suffering from heart conditions to access quality care without the need to travel long distances to capital cities.	5.0	
Bright Hospital - feasibility study	Payment to Victoria for the study which will examine the feasibility of redeveloping the Bright Hospitals	0.1	
Cancer Support Clinic in Katherine	One-off payment to the Northern Territory to support the purchase and installation of a chemotherapy chair and associated minor building modification to improve delivery of cancer support services in Katherine Hospital.	0.5	
Construction of Palmerston Hospital	Funding to the Northern Territory for the construction of the Palmerston Hospital which will provide a full emergency department, a paediatric ward, and medical and surgical services.	20.0	
Improving local access to health care on Phillip Island	One-off payment to Victoria for the upgrade of healthcare infrastructure on Phillip Island.	2.5	
Oncology Day Treatment Centre at Frankston Hospital	Payment to Victoria for the expansion and enhancement of the Oncology Day Treatment Centre at Frankston Hospital.	0.4	
Redevelopment of the Royal Victorian Eye and Ear Hospital	Payment to Victoria for the completion of the development of the Royal Victorian Eye and Ear Hospital.	50.0	
Upgrade of Ballina Hospital	Payment to New South Wales for the construction of a second operating theatre and upgrade of the medical imaging department at Ballina Hospital.	1.9	
Upgrade of Casino and District Memorial Hospital	One-off payment to New South Wales for the upgrade of the emergency department at the Casino and District Memorial Hospital.	3.0	
Warrnambool Integrated Cancer Care Centre	One-off payment to Victoria for the construction of the Regional Cancer Centre in Warrnambool to provide cancer services to people in southwest Victoria.	10.0	

Table B-2 Commonwealth payments commenced in 2014-15 and 2015-16, *Federal Financial Relations, Budget Paper No. 3, 2014-15* (cont'd)

Commonwealth payment	Description	New in 2014-15 \$m	New in 2015-16 \$m
Health services			
Canberra Hospital - dedicated paediatric emergency care	One-off payment to the ACT for the development of a dedicated service for children within the emergency department of the Canberra Hospital.	5.0	
Other Health payments			
Adult public dental services	Funding to support the provision of dental services to adults who rely on the public dental system. This initiative will contribute to long-term improvement in dental health by assisting low income adults to receive treatment.		200.0
Community Services			
National Occasional Care program	Funding to support non-Child Care Benefit approved child care service providers, particularly in rural, regional and remote areas.	3.1	
Payments from the DisabilityCare Australia Fund	Funding to assist the States with their contribution to the National Disability Insurance Scheme (NDIS) for 10 years by allocating some of the payments going into the DisabilityCare Australia Fund, which comes into effect on 1 July 2014. The States will be 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.		73.9
Trial of My Way sites	<p>This Agreement builds on the Agreement between the Commonwealth and Western Australia for disability reform in the State signed on 5 August 2013, which provides for a two-year trial of two service delivery models.</p> <p>It supports the trial of the My Way model implemented by the WA Disability Services Commission (DSC) under State legislation in two sites: the Lower South West region from July 2014 and the Cockburn/Kwinana DSC region from July 2015. It will run in parallel with the NDIS trial site in the Perth Hills region.</p> <p>The trial will allow for the assessment and comparison of the merits of the My Way model with the NDIS model and allow the lessons learned to inform the national roll-out of disability reform.</p>	11.8	

Table B-2 Commonwealth payments commenced in 2014-15 and 2015-16, , *Federal Financial Relations, Budget Paper No. 3, 2014-15 (cont'd)*

Commonwealth payment	Description	New in 2014-15 \$m	New in 2015-16 \$m
Infrastructure			
Infrastructure Investment program (former Nation Building program) — Bridges renewal component	Payments direct to local governments for the upgrade of bridges across the nation to deliver on a commitment made as part of the 2013 election. The program will renew and replace bridges to improve productivity and community access.	60.0	
Infrastructure Growth Package — Asset Recycling Fund Asset Recycling Initiative New investments Western Sydney Infrastructure Plan (State allocations have not been determined for Asset Recycling Initiative and New investments)	The Commonwealth will establish an Asset Recycling Fund to provide funding for additional investment in high quality economic infrastructure. Asset Recycling Initiative — financial incentive to States that sell assets and reinvest the sale proceeds into new productive infrastructure. Funding will be allocated to specific projects as agreed between the Commonwealth and States. New investment — funding for high quality, high priority infrastructure projects and upgrades that support economic growth and employment. Western Sydney Infrastructure Plan — funding to enhance capacity and improve transport infrastructure, including the development of an airport at Badgerys Creek.	335.0 201.7 103.0	
Environment			
Bushfire mitigation	Funding to implement long-term bushfire mitigation strategies and improved fuel reduction activities.	5.0	
Whale and dolphin entanglements	Funding to support the purchase of equipment and training aimed at improving responses to whale and dolphin entanglements. The funding forms part of the Commonwealth's broader Whale and Dolphin Protection Plan.	0.3	
Payments to support other state services			
Addressing insurance costs in North Queensland	Funding for a grants program for engineering inspections of North Queensland strata title properties. The assessments will provide better information to insurers which will enable them to set premiums that more accurately reflect individual property risks, and help residents of strata title properties to be fully aware of the risks to their properties from natural disasters.	3.1	
Developing demand-driver infrastructure for the tourism industry	Funding for projects that create and encourage tourism, and assist the tourism industry to meet the national tourism strategy, <i>Tourism 2020</i> .	11.0	
Port Arthur penitentiary restoration	Funding to support conservation works on the Port Arthur Historic Site's Penitentiary ruin in Tasmania.	1.5	

