



**Australian Government**  

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**Commonwealth Grants Commission**

**2015 UPDATE / 2015 REVIEW**

**MAIN METHOD CHANGES SINCE THE DRAFT REPORT**

**STAFF INFORMATION PAPER**  
**CGC 2015-01-S**

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## INTRODUCTION

Since the Draft Report, there have been three types of changes:

- changes in method
- changes in data sources
- changes in State circumstances in the 2015 assessment period (the replacement of 2010-11 data with 2013-14 data).

The table below summarises the main method changes.

**Table 1 Summary of main method changes since the Draft Report**

Category	Method changes
Payroll tax	<ul style="list-style-type: none"><li>• No change.</li></ul>
Land tax	<ul style="list-style-type: none"><li>• Metropolitan improvement levies, the property part of fire and emergency services levies and conveyance duty replacement by ACT general rates have been combined and are assessed equal per capita (EPC) instead of using the value of properties. No other change.</li></ul>
Stamp duty	<ul style="list-style-type: none"><li>• No change.</li></ul>
Insurance tax	<ul style="list-style-type: none"><li>• Revenue from workers' compensation insurance has been moved to the Other revenue category. No other change.</li></ul>
Motor taxes	<ul style="list-style-type: none"><li>• No change.</li></ul>
Mining revenue	<ul style="list-style-type: none"><li>• The placeholder relating to previous restrictions in terms of reference on the assessment of revenues from iron ore fines has been removed.</li></ul>
Other revenue	<ul style="list-style-type: none"><li>• Revenue from workers' compensation insurance was moved from the Insurance category to this category. No other change.</li></ul>
Schools education	<ul style="list-style-type: none"><li>• Urban student transport expenses have been assessed using the proportion of urban students instead of applying the rural student transport disability to these expenses.</li></ul>
Post-secondary education	<ul style="list-style-type: none"><li>• Expenses have been assessed net of user charges.</li><li>• The general regional costs gradient has been used to assess remoteness costs instead of State provided data.</li></ul>
Health	<ul style="list-style-type: none"><li>• A non-State sector adjustment has been included in the admitted patients component.</li><li>• The substitutability proportions in the other components have been finalised.</li><li>• The calculation of the non-State sector adjustments has been changed to more accurately reflect the impact of the private sector.</li><li>• Non-State sector adjustments have been standardised for SES and age.</li><li>• A 25% discount has been applied to the non-State sector adjustment in community health.</li><li>• The assessment of IRHD grants has been changed to be based on the difference between each State's Indigenous SDC assessed expenses (as calculated in the community health SDC assessment) and the actual level of IRHD grants provided in each State.</li></ul>
Welfare	<ul style="list-style-type: none"><li>• Non-concessions general welfare services have been assessed using the relative State proportions of people in the bottom quintile of the ABS's 2006 Census SEIFI adjusted for changes in the relative proportions of State populations with a health care card or pensioner concession card (excluding age pension numbers) between the 2006 and 2011 Censuses.</li></ul>
Housing	<ul style="list-style-type: none"><li>• No change.</li></ul>
Services to communities	<ul style="list-style-type: none"><li>• Regional costs and SDS have been assessed in the utilities component.</li></ul>
Justice	<ul style="list-style-type: none"><li>• The impact of sex on expenses is no longer assessed and age groups have changed.</li></ul>
Roads	<ul style="list-style-type: none"><li>• No change.</li></ul>
Transport	<ul style="list-style-type: none"><li>• No change.</li></ul>
Services to industry	<ul style="list-style-type: none"><li>• A separate assessment of regulatory expenses for the mining industry has not been undertaken.</li><li>• A regional costs assessment has been applied to all regulatory expenses (or about 40% of category expenses). In the draft report the regional costs assessment was applied to 20% of category expenses.</li><li>• Regulation of investment projects has been assessed using the level of private non-dwelling construction activity.</li></ul>

**Table 1 Summary of main method changes since the Draft Report (cont)**

Category	Method changes
Other expenses	<ul style="list-style-type: none"><li>• State spending on capital grants to local governments have been assessed using population growth, not population shares.</li></ul>
Infrastructure (investment and Depreciation)	<ul style="list-style-type: none"><li>• A population squared model has been used to assess urban transport infrastructure requirements instead of a regression model of the relationship between asset requirements and city size.</li><li>• The capital stock factor in the Other services component has included an Indigenous cost weight for schools where over 25% of enrolments were Indigenous.</li><li>• Roads gross capital spending has been dissected into urban and rural spending using a blended dissection based two-thirds on State provided data and one-third on NTC data.</li><li>• Capital cost disabilities have been measured as the average of capital cost indices derived from Rawlinsons construction indices and the recurrent wage and location cost factors, which are themselves affected by some method changes.</li><li>• 50% of Commonwealth payments for projects the Department of Infrastructure and Regional Development advised affected the national rail network have been treated so that they had no effect on the GST distribution.</li></ul>
Net borrowing	<ul style="list-style-type: none"><li>• The 25% discount on this assessment has been reduced to 12.5% instead of being removed entirely.</li></ul>
Regional costs	<ul style="list-style-type: none"><li>• For categories other than Justice, where a regional cost disability is assessed, the general gradient has been applied. This is the average of the police and schools gradient, discounted by 25%.</li></ul>
Wage costs	<ul style="list-style-type: none"><li>• No change.</li></ul>
Location adjustment	<ul style="list-style-type: none"><li>• A location adjustment has been included to recognise needs for Western Australia, Tasmania, the ACT and the Northern Territory not previously recognised.</li></ul>
Service delivery scale	<ul style="list-style-type: none"><li>• Now applied in services to Communities – Small communities utilities subsidies.</li></ul>
Indigenous status	<ul style="list-style-type: none"><li>• No change.</li></ul>
Cultural and linguistic diversity	<ul style="list-style-type: none"><li>• No change.</li></ul>

Note: Acronyms used in this table are spelt out in the relevant chapters of the Final Report.

Source: Commission decisions.