



Response to questions in Commission Position Paper 2008/30

The Adjusted Budget

Department of Treasury and Finance

March 2009

Summary

- Tasmania does provide some specific purpose funding to local government but any data on this funding would be laborious to compile, of questionable quality, and difficult to identify in the GFS.
- Tasmania does not practise direct cross-subsidisation between GBEs. Any subsidies between the general government sector and GBEs are transparent in Tasmania, and we can provide reliable data on these transactions if need be.
- Tasmania does not plan to make any changes to the way it classifies its transport subsidies in GFS. We can continue to provide some passenger ticketing information, if the Commission would find this information useful to estimate expenses.

Do states provide general revenue assistance to their local governments, and if so, for what purposes and where are they classified in GFS?

1. Tasmania does provide some funding to local government, but this is usually for specific purposes rather than as general revenue assistance. The majority of these payments tend to be of a one-off nature.
2. Building a complete picture of the nature and extent of funding to local government is difficult because we generally do not collect any state data for this purpose. Usually the funding is wrapped up in agency output groups and cannot easily be separately identified as being a grant to local government.
3. The only comprehensive data available on state SPP funding to local government is based on information that councils report as part of an annual 'Key Performance Indicators' collection. Each year the State collects information on the financial operations of each council, including their receipts of SPP funding from both the Commonwealth and Tasmanian Governments.
4. While these data are comprehensive, they have limitations. Because the data are self-reported, their quality depends on the accuracy of council reporting. There is no independent verification of these data. It is known that several councils misreport State provided SPPs as Commonwealth SPPs, and vice versa.
5. Also, councils do not always identify the State agency responsible for a given payment, which would make it very difficult to track the payment down to the originating agency. Working out where these payments are classified in GFS would be especially difficult.

6. At this stage, Tasmania does not intend to compile any data on revenue assistance to local government as this would be a laborious process and the data would not necessarily be accurate. However, if the Commission considers this information to be necessary, we can revisit the issue.

Does your state have cross-subsidies between GBEs or 'reduced dividend' requirements for GBEs provided in a transparent way? If yes, could your state provide reliable data for the past five years and advise whether, and if so how, they affect your GFS data?

7. All of Tasmania's CSO payments and other subsidies paid to GBEs are transparent and easily identifiable. They are reflected as general government expenses in the operating statement and are included in GFS. Tasmania does not practice direct cross-subsidisation between GBEs. This is consistent with national competition policy, which requires any state funding to GBEs to be transparent.
8. We agree that there is a case for including the cross-subsidisation in Western Australia's Tariff Equalisation Scheme in the adjusted budget. We agree that different accounting treatments should not be able to influence what is included or excluded in the adjusted budget, as this could introduce grant design effects.
9. In theory, because states should be transparently identifying any subsidies to GBEs under national competition policy, it should be possible for the Commission to monitor and adjust for any accounting differences. We support the Commission's proposal to do this on a case-by-case basis.
10. However, any subsidies paid through 'reduced dividend' requirements would be very difficult to identify. Again, under national competition policy, states should not, in principle, be paying a subsidy to a GBE through a reduced dividend unless this is transparently identified (for example, in legislation or governance arrangements).
11. Because there is no cross-subsidisation between GBEs in Tasmania, we have no data on it. If needed, we would be able to provide reliable data on subsidies from the general government sector to GBEs, and we could also identify these payments in the GFS.

If your state has classified expenses on transport of school students to the transport GPCs, what is your progress on improving the quality of these data and classifying them to the education GPCs?

12. Tasmania is generally comfortable with the quality of its rural student transport data. The main classification issues relate to subsidies for urban student transport, and in particular the Community Service Obligation payment to Metro Tasmania.

13. Tasmania provides a CSO payment to Metro, a transport GBE, to subsidise concessions for students, the unemployed, pensioners and health care card holders and so on. The payment also subsidises the provision of services to less economically viable bus routes. The CSO payment, worth around \$27 million per annum, is classified to the transport group of GPCs.
14. Because part of this CSO payment subsidises student concessions, it could be argued that a portion of the payment should be classified to the education group of GPCs. We understand that it is the classification of this payment that the CGC considers could be improved.
15. The problem is that this CSO is a lump sum payment and cannot be disaggregated into different purposes (it is not calculated this way). It would also be inappropriate to reclassify the whole payment to an education GPC, because it also subsidises non-student concessions.
16. Tasmania has been able to collect passenger ticketing information from Metro in past years. Because ticket numbers can be split into student and other concession types, this information can be, and has been, used to notionally split the CSO payment into different purposes. However, it is important to note that this split is not a real one.
17. In the past, Tasmania has provided this ticketing information to the Commission but we have not made any adjustments to the classification of the CSO in GFS. Although it would be technically possible to split the CSO in GFS using a notional allocation, we would be reluctant to do so. Because the CSO is used for multiple purposes, any notional allocation would be artificial and we do not think that splitting the CSO would be appropriate under GFS guidelines.
18. If the Commission considers that we should continue to notionally split the CSO using passenger numbers, then we can provide the information on this basis, but we would prefer to do this through annual data requests rather than by adjusting the expenditure in the GFS.

Other issues

19. In paragraph 52 of the position paper, the Commission says that it intends to discontinue central agency adjustments in the 2010 Review. However, there is no mention of the materiality of this change. If the adjustment of central agency expenses results in a materially different outcome (in this case a \$3 per capita 'data adjustment' threshold should apply) compared to no adjustment, then Tasmania considers that the adjustment should be continued.