



# **AUSTRALIAN CAPITAL TERRITORY**

## **SUBMISSION TO THE COMMONWEALTH GRANTS COMMISSION'S POSITION PAPER 2008/30: *ADJUSTED BUDGET***

**February 2009**



# **VIEWS ON THE COMMISSION'S ASSESSMENT PROPOSALS**

## **INTRODUCTION**

The 2010 Review has been run as an iterative process between the Commonwealth Grants Commission (the Commission) and the States and Territories (the States) over the course of the past five years. As part of this process, the ACT has provided a number of submissions in response to Staff and Commission Discussion Papers and refined based on multilateral and bilateral discussions with Commission staff and other States. These submissions outlined the ACT's position regarding the validity of the conceptual case underpinning the assessments and the proposed assessment methods.

It is noted that in some instances the position adopted by the Commissioners, as detailed in the latest Commission Position Papers, is at odds to those of the ACT. In the interests of brevity, the ACT has not sought to reiterate the entirety of its previously stated position unless new data or new thinking has been applied. In this context, a lack of objection (silence) does not imply support where such support has not been previously stated, and instances where comment has been made on refining a methodology does not necessarily imply support for the broader method itself unless otherwise stated.

As such, this submission encompasses views on only major issues of importance to the ACT.

## **SCOPE OF THE ADJUSTED BUDGET**

The proposal that the scope of equalisation for the 2010 Review should be similar to that adopted in the 2004 Review is supported.

### **GFS capital transactions**

It is noted that the Commission intends to make some changes to the scope of equalisation for the 2010 Review given the intention to assess State capital needs using the 'direct method'. That is, the need to extend the equalisation framework from transactions that contribute to the net operating balance to transactions that contribute to net lending.

Notwithstanding that the capital assessment is of concern to the majority of States, if the outcome is that a 'direct method' along the lines proposed by the Commission is put in place, the ACT supports 'capital revenues nec' and 'revenues from assets acquired below fair value' being classified to miscellaneous revenues and assessed EPC. Similarly, it makes sense to functionalise expenses on assets donated to the relevant category assessments.

The ACT supports excluding land from physical asset holdings and from non-replacement capital expenditure used in the capital assessment given the land data are policy influenced and not comparable.

### **Reconciling to GFS net lending**

The intention of the Commission to create a 'budget balancing' category (that will contain net transactions that contribute to GFS net lending but which are excluded from or added to the adjusted budget) to ensure the adjusted budget can be reconciled with GFS is supported. It is noted that this is akin to the reconciliation item used now, that is, the budget result term.

### **What specific purpose payments should be included**

The Commission's intention to continue including recurrent and capital SPPs, which have a direct impact on State budgets in the adjusted budget for the 2010 Review is supported.

The ACT will provide its response to the newly released paper *Treatment of Commonwealth Payments to the States Staff Discussion Paper CGC 2009/01-s* in due course. See comments on COPEs below.

### **To what extent should Commonwealth own purpose expenses (COPEs) be included?**

The ACT is amenable to COPEs paid to States being included in the adjusted budget where the average policy is to pay them to States, in the same way as occurred in the 2004 Review. Including COPE revenue is important where they have an impact on State fiscal capacities.

Assessing disability factors to recognise the indirect impact that non-government organisations have on reducing the call on State budgets for State-type services is supported. It is noted that this particular approach has been adopted for the Community and Other Health Services category.

The treatment of COPEs will also need to reflect agreement reached between the States and the Commonwealth for National Agreements under the auspices of the Intergovernmental Agreement on Federal Financial Relations.

### **To what extent should local government activities be excluded?**

The Commission sought information from the Northern Territory and other States on providing ongoing financial assistance to regional shires of local government, and if so where they are classified in GFS.

The question is not applicable to the ACT.

### **To what extent should differences between the administrative and accounting arrangements of the States be taken into account when making interstate comparisons?**

The ACT notes the proposals. While the Commission's decision to include ACT municipal expenses in the adjusted budget is accepted, it is not supported.

The Commission sought information on whether the ACT has cross-subsidies within GBEs or 'reduced dividend' requirements for GBEs provided in a transparent way? If yes, could reliable data be provided for the past five years and please advise whether and if so how they affect your GFS data?

The ACT has no cross-subsidies within its GBEs.

## **STRUCTURE OF THE ADJUSTED BUDGET**

In the context of the introductory comments made by the ACT, the adoption of the more aggregated category structure for the 2010 Review is accepted.

### **Superannuation and Depreciation**

The proposal to distribute accrued superannuation expenses, as well as depreciation expenses, across the expenditure categories is supported.

### **User charges and Miscellaneous revenue**

The proposals to subtract GBE-type function user charges from their expenses for housing, electricity, water and sanitation and transport services, and patient fees & charges, as well as user charges from the admitted patients assessment is supported.

The ACT supports the inclusion of the listed expense items in the 'miscellaneous revenue' category, and the assessment of these on an EPC basis, other than 'public safety user charges' given that it is material (average revenue of approximately \$62 pc in the 2007 Update is greater than the required \$50 pc) and it redistributes more than \$30 pc for any State (the NT is approximately +\$38.15 pc).

## **TRANSPORT EXPENSES**

The Commission has asked whether the ACT classified expenses on transport of school students to the transport GPCs, and what is the progress on improving the quality of these data and classifying them to the education GPCs?

The ACT's bus expenses are classified under GPC 1219/3219 (Road Transport nec) and student bus expenses are classified under GPC 0449/2449 (Transportation of Other Students) in the schools education category.

On annual basis, the ACT collects financial data (GPC allocation) from agencies and provides them with a guidelines and instructions manual which is titled '*Australian Accounting Standards Board and Australian Bureau of Statistics Reporting Requirements, Guidelines and Instructions*'. In the guidelines, Treasury has specifically mentioned the GPC codes against which general bus expenses and student transport should be classified.

This is consistent with the preferred ABS and CGC GPC Allocation. The ABS has previously advised the ACT that bus expenses should be included as part of GPC

1219 'Road Transport nec', with student bus expenses allocated to an education purpose category.

Federal Financial Relations Unit  
Department of Treasury  
Australian Capital Territory Government