



Australian Government

Commonwealth Grants Commission

**COMMONWEALTH
GRANTS COMMISSION**

Annual Report

2006-07

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A copy of this annual report can be obtained by visiting the Commission's web site at http://www.cgc.gov.au/state_finances_inquiries/annual_report.

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Australian Government

Commonwealth Grants Commission

Chairman Alan G Morris

File ref: 2007/0128

Senator the Hon Richard Colbeck
Parliamentary Secretary to the
Minister for Finance and Administration
Parliament House
CANBERRA ACT 2600

Dear Parliamentary Secretary

As Chairman of the Commonwealth Grants Commission appointed under the Commonwealth Grants Commission Act 1973, I present you with the Commission's Annual Report for 2006-07. The report covers inquiries and other activities undertaken by the Commission during the year ended 30 June 2007.

Section 63 of the Public Service Act 1999 requires you to cause a copy of the report to be laid before each House of the Parliament.

Yours sincerely

A handwritten signature in black ink, appearing to read "Alan Morris".

Alan Morris

18 September 2007

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OVERVIEW

MAJOR OUTCOMES AND COMMISSION PERFORMANCE — 2006-07

- 1 Under the outcome reporting framework for the 2006-07 Budget, the Commission had only one outcome — fiscal equalisation.
- 2 Major achievements during the year were the:
 - presentation to the Minister of the *Report on State Revenue Sharing Relativities 2007 Update*. Its recommendations were considered at the Ministerial Council for Commonwealth-State Financial Relations (Minco) in March 2007 and adopted for use in distributing GST revenue and health care grants between the States and Territories¹ in 2007-08;
 - presentation of the *Progress Report to Ministerial Council for Commonwealth-State Financial Relations, 2007*, on the 2010 Review of methods used to derive State shares of the GST revenue and health care grants; and
 - presentation to the Minister of a *Review of the financial capacity of Norfolk Island 2006* and its public release on 20 December 2006.

THE FINANCIAL RESULTS FOR 2006-07

The Commission's financial results for 2006-07 are summarised below.

Outcome	2006-07 Allocation	2006-07 Expenses	Variance
	\$m	\$m	\$m
Fiscal equalisation	7.9	6.7	1.3
Total	7.9	6.7	1.3

¹ In this report, the word State(s) includes the Australian Capital Territory and the Northern Territory, unless the context indicates otherwise.

The outlook for 2007-08

2008 Update

- 3 The Commission expects to receive terms of reference for an update of the State shares of GST revenue and health care grants in the latter part of 2007. Precedent indicates the report on that update will be required in February 2008. Work on the update has begun, with employees focusing on data collection to facilitate the inclusion of data relating to the latest available year and identifying new developments in Commonwealth-State financial relations.

2010 Review

- 4 Terms of reference for this review require a final report to the Minister in February 2010. Work is proceeding in accordance with a work plan developed in conjunction with the Australian Government Treasury and the States. A meeting between the Commission and the Heads of Treasuries will be held in November 2007. In the first part of 2008, the Commission will commence a program of work place visits in each State to consider their special circumstances.

Inquiry into funding for the Indian Ocean Territories (IOTs) 2007

- 5 Terms of reference for this inquiry request a report to the Minister by 31 October 2007. As part of the inquiry, the Commission will visit the IOTs in August 2007 for discussions with interested parties.

CHAPTER 1

THE COMMISSION AND ITS WORK

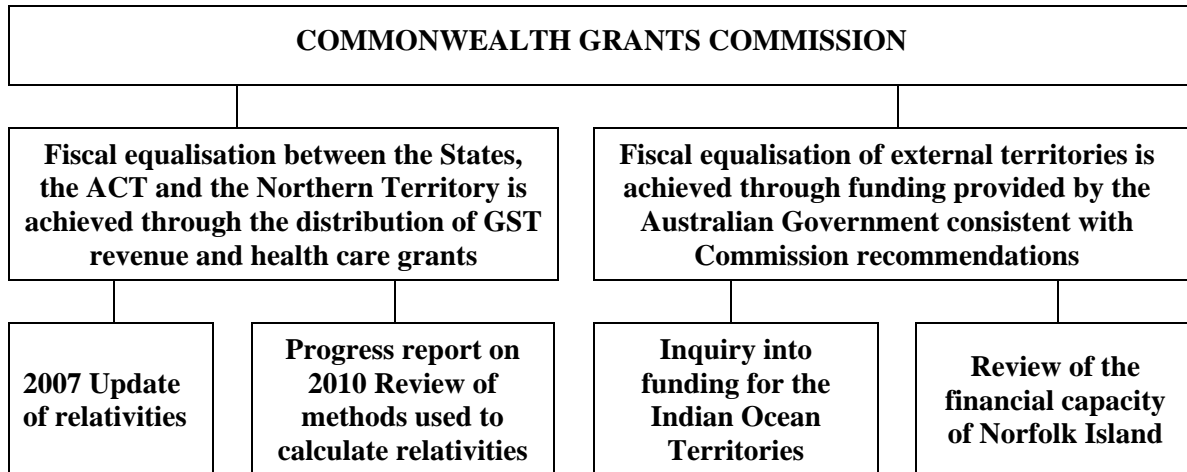
- 1 The Commission operates under the *Commonwealth Grants Commission Act 1973*. It is a statutory authority whose role is to provide advice to the Australian Government in response to terms of reference from the Minister for Finance and Administration.
- 2 The main subject on which advice is sought is the allocation among the States of the goods and services tax (GST) revenue and health care grants. Terms of reference for these inquiries are decided by the Australian Government in consultation with the States. The reports are considered at the annual meeting of Minco.
- 3 From time to time, the Commission is also asked to report on the finances of Australia's external territories, local government matters and the financing of services for Indigenous people. Terms of reference for those inquiries are developed by relevant Australian Government agencies and the reports are considered by their Ministers.

Outcome groups

- 4 In 2006-07, the Commission had a single outcome — fiscal equalisation.
- 5 Five-yearly reviews of the methods used to calculate the recommended State shares of GST revenue and health care grants are the major activity associated with this outcome. Between those reviews, the shares are updated annually using the most recent data. Such an update was completed in February 2007. That update (called the 2007 Update) proceeded on the basis of terms of reference from the Minister for Finance and Administration. States were consulted about the treatment of new issues relevant to their fiscal capacities that arose during the year.
- 6 Under the *Commonwealth Grants Commission Act 1973*, the Minister may also seek advice on matters relating to the financing of local government and Australia's territories. During 2006-07, the Minister sought advice on the financial capacity of Norfolk Island and of the Indian Ocean Territories. That advice is provided consistent with equalisation principles.

7 Figure 1-1 provides a diagrammatic representation of the work of the Commission in 2006-07.

Figure 1-1 Outcomes and outputs structure 2006-07



CHAPTER 2

PERFORMANCE OF THE COMMISSION IN 2006-07

- 1 The Commission's outcome in 2006-07 was fiscal equalisation. The outputs relating to this outcome are reports, or progress towards the completion of reports, containing advice for the Government.
- 2 This chapter provides information on the Commission's effectiveness in meeting Government requirements. It also provides an evaluation against the effectiveness indicators set out in the Portfolio Budget Statements 2006-07. These are:
 - the timeliness of reports;
 - the extent to which parties and the public generally are given opportunities to place their views before the Commission;
 - the technical quality of the analytical work underlying and supporting the reports;
 - the degree of acceptance of the reports by the Australian and State Governments; and
 - the extent to which the Commission operates within its budget.

Outcome — fiscal equalisation

- 3 In 2006-07, the outputs relating to the fiscal equalisation outcome were:
 - a progress report on the review of methods used to derive State shares of the GST revenue and health care grants, to be completed by February 2010; and
 - completion of the Report on State Revenue Sharing Relativities, 2007 Update and an accompanying document on the relative fiscal capacities of the States.
- 4 The Commission also completed a *Review of the financial capacity of Norfolk Island 2006* and commenced a review of funding for the Indian Ocean Territories. These are outputs consistent with the fiscal equalisation outcome. The Government response to the *Report on the review of the interstate distribution of local roads grants 2006* was announced in May 2007.

5 Terms of reference for those inquiries are in Attachments A to E.

2010 Review of methods used to derive State revenue sharing relativities

- 6 The methods used in deriving the recommended distribution of GST revenue and health care grants among the States are reviewed every five years. This ensures the methods remain relevant to the circumstances of the States.
- 7 Terms of reference asking the Commission to conduct the next review of its methods were received on 26 May 2005. They require the Commission to simplify its methods, develop a program of continuous improvement, and consider improving quality assurance processes. They also require progress reports to Minco in 2006 and 2007 and a final report on the inquiry by 26 February 2010.
- 8 During 2006-07, work proceeded on the work program developed in consultation with the Australian Government Treasury and the States. The Commission released a major paper on how it would interpret the equalisation principle in the 2010 Review. The 2007 progress report to Minco outlined how the Commission had used a 'clean-slate, top down' approach and assessment guidelines to develop an appropriate structure for the assessment of States' fiscal capacities. It also reported on progress the Commission had made in examining the reliability of major data sets used in its calculations and on the implementation of the Commission's quality assurance plan. Minco noted this progress.
- 9 In reaching its conclusions on these matters, the Commission circulated issues papers to the States and discussed the issues raised with the Heads of Treasuries and State Treasury officials.

2007 Update of State Revenue Sharing Relativities

- 10 Between reviews of methods, State shares of GST revenue and health care grants are updated annually by applying the latest data to the methods decided in the last review.
- 11 On 19 January 2007, the Commission received terms of reference asking it to provide advice on State shares of the GST revenue and health care grants for 2007-08. As required by the terms of reference, the Commission reported to the Minister for Finance and Administration on 16 February 2007.
- 12 States were consulted on Commission proposals for dealing with new developments in State finances and Commonwealth-State relations. A list of the papers issued is in Attachment F.
- 13 The Australian Government Treasury used the relativities to prepare estimates of expected revenue payments for the States in 2007-08. Those relativities were considered and adopted at the meeting of Minco in March 2007. Commonwealth Budget Paper No 3, Federal Financial Relations 2007-08, outlines how the relativities were used.

2006 Review of the interstate distribution of local roads grants

- 14 Terms of reference were received on 26 October 2005 seeking advice on an interstate distribution of the local road grants. This advice was to be based on the relative needs of local government in each State for expenditure on maintenance and preservation of local roads and, if practicable, bridges. The States and local government were involved extensively in this review. As required by the terms of reference, the Commission provided a completed report to the Minister for Finance and Administration on 30 June 2006.
- 15 After Government consideration, this report was accepted and made public by the Minister for Local Government on 8 May 2007. The Commission made an interim recommendation, pending improved data. The Government decided not make any changes to financial arrangements.

2006 Review of the fiscal capacity of Norfolk Island

- 16 Terms of reference were received on 1 May 2006 seeking advice on the financial capacity of Norfolk Island to provide State and local government services comparable to the services available in comparable communities in the States and Territories. The Commission was to have regard to the circumstances of the Island. It was also to assume that the Island makes the Australian average revenue raising effort from its State and local government equivalent revenue bases and operates at the average level of efficiency.
- 17 The Commission held a conference on the Island on 17 and 18 August 2006. A preliminary report and supporting information was discussed with representatives of the Norfolk Island Government, its Administration, service providers, other interested parties and relevant Australian Government agencies.
- 18 The Commission submitted its final report on 29 September 2006.
- 19 The Commission's inquiry was part of a wider inquiry conducted by the Australian Government into the governance arrangements for Norfolk Island. At the conclusion of this wider inquiry the Government decided not to proceed with changes to governance arrangements. The report was made public on 20 December 2006.

Inquiry into funding for the Indian Ocean Territories

- 20 On 10 April 2007, the Commission received terms of reference asking it to report on an appropriate level of funding for the Indian Ocean Territories (IOTs) of Christmas Island and the Cocos (Keeling) Islands in 2005-06. This funding should allow the provision of State and local government services at levels comparable to remote communities in Western Australia that have similar service requirements. The Commission was to assume that services are provided at comparable levels of efficiency and that comparable efforts are made to raise State and local revenues from the Territories' revenue bases.
- 21 The Commission will visit the IOTs in August 2007 to discuss preliminary conclusions it has reached with representatives of the Department of Transport and Regional Services, the Shire

Councils and the Island communities. The Commission will have discussions with service providers on the IOTs and in comparable communities in Western Australia and Western Australian Government agencies responsible for service delivery.

- 22 The Commission plans to report to the Government by 31 October 2007.

Information dissemination

- 23 Details of reports and discussion papers issued, papers presented to conferences by Commission representatives, and international visitors to the Commission during 2006-07 are in Attachment F. Commission reports and discussion papers can be found on the Commission's web site — <http://www.cgc.gov.au>.

Resources

- 24 Tables 2-1 and 2-2 show the financial and human resources used in producing the Commission's outputs. They show an operating surplus of \$1 313 000 for the 2006-07 financial year. There was a surplus in 2005-06 but funding shortfalls in the three previous years. The surpluses in 2005-06 and 2006-07 occurred because the Commission's budget was supplemented in 2005-06 to reflect the increased workload and broader requirements of the terms of reference for the 2010 Review of methods. The Commission plans for surpluses in the first three years of a review period, followed by the use of those surpluses in the last two years.
- 25 The Commission's revenue from other sources increased in 2006-07 because costs of the review the financial capacity of Norfolk Island were recovered from the Department of Transport and Regional Services.

Table 2-1 Financial resources for outcome — fiscal equalisation

Price of Departmental outputs	Budget ^(a) 2006-07	Actual expenses 2006-07	Variation	Budget 2007-08
	\$'000	\$'000	\$'000	\$'000
Output 1.1 - Reports on fiscal equalisation	7 769	6 660	1 109	8 025
Revenue from Government (Appropriations) for departmental outputs	7 769	6 660	1 109	8 025
Revenue from other sources	204		204	8
Total price of outputs	7 973	6 660	1 313	8 033
TOTAL FOR OUTCOME 1	7 973	6 660	1 313	8 033

(a) Budget allocation to the Commission.

Table 2-2 Staffing resources

	2006-07	2007-08 ^(a)
Average staffing level	44.00	50.00

(a) Estimated as at June 2007.

Financial results

- 26 The Commission's audited financial statements for the year ended 30 June 2007 are in Attachment L.

The Commission's performance and social justice

- 27 The Commission's fiscal equalisation outcome contributes towards the Australian Government's objectives of social justice, access, and equity. It provides State governments with the financial capacity to provide the same range and quality of services to their residents, without having to impose above average revenue raising demands on them. As part of its assessments, the Commission allows for the effects on State expenses of differences in the socio-demographic characteristics of their populations — including where people live, their income levels, ability to speak English and Indigenous status.
- 28 The Commission ensures that the processes for the conduct of its inquiries are equitable and accessible to all interested parties. Its reports and discussion papers are freely available.

CHAPTER 3

MANAGEMENT AND ACCOUNTABILITY

CORPORATE GOVERNANCE

The Commission and its employees

- 1 The Commission is led by a Chairperson. Section 15(1) of the *Commonwealth Grants Commission Act 1973* states the Chairperson's role is to 'ensure the efficient and orderly conduct of the business of the Commission; determine the form of the record of meetings; decide which Members shall take part in a particular inquiry; and direct and control the travel by Members'.
- 2 During 2006-07, the members of the Commission were:

Chairperson (part-time):	Mr Alan Morris, until 30 June 2009.
Members (part-time):	Prof Ross Williams, until 31 March 2011.
	Mr Glenn Appleyard, until 23 June 2009.
	Ms Jennifer Westacott, until 27 July 2012.
	Mr Greg Smith, until 7 August 2012.
- 3 The employees who support the Commission are engaged under the *Public Service Act 1999*. The *Commonwealth Grants Commission Act 1973* gives the Chairperson the responsibility for controlling the use of the APS employees made available to the Commission. In practice, the direction of their work is determined through meetings of the Commission. Twenty-two Commission meetings were held during the year.
- 4 The employees of the Commission are headed by a Secretary who, as the chief executive, is responsible for their day-to-day activities.
- 5 During 2006-07, the average staffing level was 44 people compared with 41 in 2005-06. They were organised in two branches, each headed by an Assistant Secretary. A separate corporate services section reported direct to the Secretary. For some projects, employees worked in small teams with representatives from several sections and, where appropriate, across branches. Figure 3-1 shows the organisation structure at 30 June 2007

- 6 In March 2007, Mr Malcolm Nicholas, Assistant Secretary retired after a career with the Commission of more than thirty years. The Commission records its appreciation to Malcolm for his professionalism and significant contribution to the work of the Commission.

Relationship with the Department of Finance and Administration

- 7 The Commission is part of the Finance and Administration Portfolio and reports direct to the Minister. It is a Prescribed Agency under the *Financial Management and Accountability Act 1997*. This imposes accountability requirements similar to those of a department but gives the Commission independence from the policies of the Department of Finance. The Secretary of the Commission has been appointed Chief Executive Officer by the portfolio Agency Head for the purposes of that Act.
- 8 During the year the Parliamentary Secretary to the Minister for Finance and Administration forwarded his Statement of Expectations for the Commission. The Commission responded with its Statement of Intent, which was accepted by the Parliamentary Secretary. Both documents are available at http://www.cgc.gov.au/about_cgc/statements_of_expectation_and_intent.
- 9 The powers and functions of an Agency Head under the *Public Service Act 1999* are delegated to the Chairperson of the Commission. The Chairperson has delegated these powers to the Secretary. Other senior executives and some employees also have delegated powers for financial and employee management purposes.

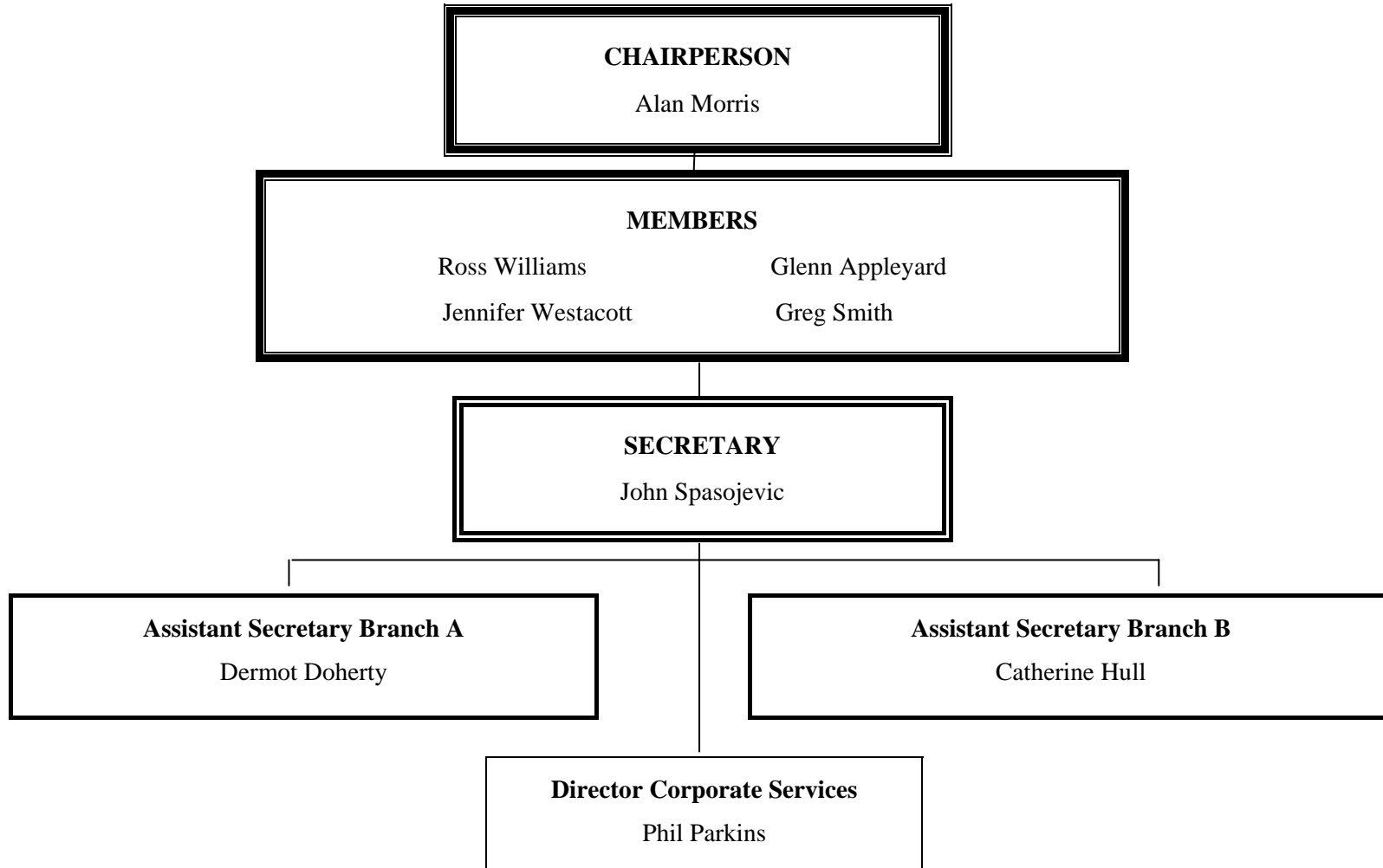
Corporate plan

- 10 A copy of the current corporate plan is in Attachment G.
- 11 Operational plans for the branches and sections are established for each inquiry and reviewed each year. The strategic planning program also calls for the periodic review of the Commission's human resources management plan, information management plan, and IT contingency and work plans.

Committees

- 12 There are several standing committees to assist in the management of the organisation. Other committees or working groups are established as tasks arise.
- 13 *Senior executive group*. This group consists of the members of the senior executive with support provided by the Director, Corporate Services. The role of the senior executive group, which generally meets as required, is to:
- advise the Secretary on matters of corporate management, governance and resource allocation;
 - monitor and control the use of resources;
 - provide strategic advice to the Commission on the conduct of inquiries and methods to be adopted; and
 - provide strategic direction to Commission employees.

Figure 3-1 Commonwealth Grants Commission — organisation structure as at 30 June 2007



- 14 *Management group.* The group consists of the members of the senior executive and the section heads. The role of the group, which usually meets monthly, is to:
- advise the Secretary and senior executive on matters of operational management, including the implementation of corporate management, governance, information management, training and development, and resource allocation matters referred to it;
 - provide advice to the executive on principles and methods related to the subject matter of Commission inquiries;
 - decide on common approaches to matters of inter-branch and inter-section responsibility;
 - provide a forum for the discussion of general management issues, communication within the Commission, the management of employees and planning; and
 - provide operational direction to Commission employees.
- 15 *Assessment system steering committee.* This committee consists of the two branch heads, the Director of IT and the business assessment manager. It provides broad policy directives on the development of the IT assessment system used in the Commission's assessment work.
- 16 *Finance committee.* This committee meets quarterly or as required, comprises members of Executive and Corporate Services. Its main task is to provide monthly reports on finances and to analyse progress of the Commission's budgetary systems.
- 17 *Fraud control committee.* This committee, which meets as required, includes the Director, Corporate Services, and an employee from an inquiry branch, and reports to the Secretary. Its main task has been to develop and implement a fraud control policy and monitor purchasing and other procedures where risk of fraud is highest. During the financial year, the Commission carried out a fraud risk assessment and reviewed its fraud control plan.
- 18 *Internal audit committee.* The internal audit committee, which is headed by a senior executive, monitors the Commission's financial and administrative activities. It reviews the monthly financial report and ensures that any discrepancies are investigated. A quality assurance audit is regularly completed for accounts payable. It also monitors and considers the Commission's risk management processes and important risk management issues.
- 19 *Remuneration committee.* The remuneration committee provides advice to the Secretary on issues such as the strategic direction of its Remuneration Strategy, and a coordinated approach to certified agreements and Australian workplace agreements (AWAs), including advising on individual requests for an AWA.
- 20 *Learning and development committee.* The committee is responsible for the management of the training budget. It makes decisions about training for individuals and groups of Commission employees, ensuring that training is provided in cost effective ways, and approves applications for training.

Internal and external scrutiny and compliance

- 21 The operations of the Commission are subject to scrutiny at several levels.
- *Stakeholders.* Advice provided by the Commission influences the budgets of the States. The advice is considered by the Ministerial Council for Commonwealth-State Financial Relations, following detailed scrutiny by Australian Government and State Treasury officials.
 - *External administrative bodies.* The Commission is subject to external scrutiny by bodies such as Parliamentary Committees, the Ombudsman, and the Administrative Appeals Tribunal.
 - *Audit.* An internal audit committee monitors the Commission's administrative activities. The annual financial statements of the Commission are examined and approved by the Australian National Audit Office (ANAO). A copy of the Statements for 2006-07 is at Attachment L.
 - *Performance audits.* During 2006-07, ANAO performance audit reports did not comment on the Commission.
- 22 Information on freedom of information is provided at Attachment H.

Risk management and fraud control

- 23 The risk management framework is an important part of the Commission's corporate governance responsibilities and risk management is overseen by the internal audit committee. The Director, Corporate Services, is responsible to the Executive for ensuring that risk management is aligned with overall business strategy.
- 24 As part of its risk management plan, the Commission has prepared fraud risk assessments and a fraud control plan. The Commission is satisfied that it has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes to meet its specific needs. These processes fully comply with the 2002 Commonwealth Fraud Control Guidelines.
- 25 During the year, the Commission, with input from the States and external experts, undertook a comprehensive assessment of risks associated with the preparation and presentation of advice to Government, and developed a comprehensive plan to formalise its quality assurance processes. That plan will be implemented during the 2010 Review of methods used to derive State revenue sharing relativities and evaluated at the end of the review.

Australian Government protective security

- 26 All Australian Government agencies subject to the *Financial Management and Accountability Act 1997* (FMA Act) were required to participate in the Australian Government protective security survey. The purpose of the survey was to collect information on the compliance of agencies with the Commonwealth Protective Security Manual as at 31 December 2003, and

provide basic identification and contact details for each responding agency. The Commission participated in the survey as required.

- 27 There are no personnel in the Commission who are required to hold a top secret, secret, or highly protected level security clearance. The Commission does not store or process National Security classified information on its networked electronic information system(s) or hold paper files classified above the in-confidence level.

MANAGING AND DEVELOPING HUMAN RESOURCES

- 28 Table 3-1 contains details of members and employees at 30 June 2007.

Table 3-1 The Commission and its employees, by classification and gender, 30 June 2007

Classification	Persons	Full time	Part time	Full-time equivalents		
				Male	Female	Total
Commission						
Chairperson (part-time)	1		1	0.7		0.7
Members (part-time)	4		4	1.2	0.4	1.6
Total — Commission	5		5	1.9	0.4	2.3
Persons employed under Public Service Act, 1999						
Senior Executive Service Band 3	1	1	-	1	-	1
Senior Executive Service Band 1	2	2	-	1	1	2
Executive Level 2	13	12	1	12	1	13
Executive Level 1	19	10	9	11	5.2	16.2
APS 6	2	2	-	1	1	2
APS 5	3	2	1	1	1.8	2.8
APS 4	8	7	1	3	4.9	7.9
APS 2	1	1	-	-	1	1
Total — employees	49	37	12	30	15.9	45.9
Total — Commission and employees	54	37	17	31.9	16.3	48.2

- 29 At 30 June 2007, the Commission consisted of a chairperson and four members who were statutory appointees. They were all appointed on a part-time basis. It employed 49 people under the *Public Service Act, 1999*¹, 38 of whom were full-time, and 18 employees were female.
- 30 Table 3-2 summarises Commission and employee movements during 2006-07. Eleven of the people who commenced during the year were female. Overall, there was no change in the female employee proportion — 37 per cent at 30 June 2007.

¹ Excludes the Chairperson and four members of the Commission who are statutory appointees.

- 31 In the executive level classifications, 25 per cent of employees were female (25 per cent at June 2006) and in the APS 5 and 6 group, 60 per cent were female (50 per cent at June 2006).

Table 3-2 Commission and employee movements during 2006-07^(a)

	In	Out	Total
1 July 2006			44
Appointments	22		22
Promotions/transfers	2	12	-10
Non on-going employees	7	-	7
Resignations/Retirements		3	-3
Appointment ended		4	-4
Deaths		1	-1
Dismissals		1	-1
30 June 2007	31	21	54

(a) Including members of the Commission.
Source: CGC establishment records.

Certified Agreement

- 32 Conditions of employment for non-senior executive employees at the Commission in 2005-06 were specified in the Commonwealth Grants Commission Certified Agreement 2004-2005. This was certified on 12 January 2005 and has a nominal expiry date of 12 January 2006. No negotiations for a replacement agreement were held during 2006-07.

Australian workplace agreements

- 33 During 2006-07, conditions of employment for senior executive service employees at the Commission and 45 non-SES employees were specified in AWAs.

Salary ranges

- 34 Table 3-3 shows the salary ranges payable at 30 June 2007 under the *Commonwealth Grants Commission Certified Agreement 2004-2005* and AWAs. The lower amounts are those shown in the *Commonwealth Grants Commission Certified Agreement 2004-2005* and the higher amounts are generally from AWAs.

Table 3-3 Salary ranges payable

Classification	As at 30 June 2007
	\$
APS 1	31 515 – 34 751
APS 2	35 566 – 39 359
APS 3	40 406 – 43 549
APS 4	44 946 – 56 150
APS 5	50 046 – 56 450
APS 6	56 148 – 67 780
Executive Level 1	68 360 – 89 000
Executive Level 2	83 238 – 110 000

Performance pay

- 35 Under the terms of the *Commonwealth Grants Commission Certified Agreement 2004-2005*, AWAs and the Performance Feedback Scheme (PFS), employees who were assessed as 'meets requirements' or better may be eligible for lump sum performance bonuses.
- 36 Table 3-4 shows lump sum bonus payments to eligible employees during 2006-07. The total amount of lump sum payments was \$90 398.

Table 3-4 Lump sum bonus payments to employees, 2006-07

Classification	Number of employees	Average bonus paid	Range of bonuses paid
		\$	\$
APS 4/5/6 ^(a)	9	871	500-2 000
Executive Level 1	12	2 040	566-6 000
Executive Level 2	12	4 840	2 000-7 000

(a) Combined for confidentiality.

- 37 All senior executives were assessed under the Commission's performance feedback scheme. Lump sum bonus payments, including payments to a retiring senior executive officer, totalling \$54 125 were paid during 2006-07.

Remuneration of senior executives

- 38 The aggregate remuneration paid to all senior executives during 2006-07 was \$672 623. Full details of the components of executive remuneration are in Attachment L — Financial statements.

Training and development strategies

- 39 During 2006-07, a number of training activities were conducted for Commission employees and notices were circulated to keep employees aware of training and development

opportunities. The performance feedback scheme is used to identify employees' training needs and this information forms the basis of the annual training and development program. The program is discussed and endorsed through the management and senior executive group meetings.

- 40 The main categories of training undertaken during the year were:
- professional/technical training;
 - report writing;
 - management development;
 - financial accounting/resource management; and
 - induction.
- 41 Managers attended in-house training sessions and external courses and conferences on human resource management, public administration and financial arrangements in Commonwealth Government systems.
- 42 *Studies assistance.* The Commission encourages and assists employees undertaking tertiary studies relevant to their employment at the Commission. Two employees received study assistance during 2006-07.
- 43 *Induction.* Employees new to the Commission undergo an induction program. The program introduces new employees to the APS, the Commission, and their task. It has several layers of information and training, including information on: the structure, history, culture and work program of the Commission; the general APS environment; and the necessary operational skills and tools, for example Word and Excel.
- 44 *Resources.* Resources allocated to training in 2006-07, amounting to 1.0 per cent of the salary expenditure, are shown in Table 3-5.

Table 3-5 Resources allocated to training 2006-07

Total pay-roll for 2006-07 ^(a)	5 091 000
Net training expenditure ^(b)	42 800
Training expenditure as a percentage of pay-roll	1.0
Number of Commission employees at 30 June 2007 ^(a)	49
Number of full-time equivalent person days spent on training	82
Number of employees who participated in training activities	33

(a) Excluding members of the Commission.

(b) Includes salaries for participants and training administrators, and course/seminar fees and expenses.

- 45 *Other policies.* The Commission has developed a workplace diversity policy. The Commission uses the policies of the Department of Finance and Administration for occupational health and safety. Further information on the occupational health and safety

policy is in Attachment I. Details of the Commonwealth disability strategy are at Attachment K.

OTHER RESOURCE MANAGEMENT MATTERS

Purchasing

- 46 Purchasing activities undertaken by Commission employees meet the requirements of the *Commonwealth Procurement Guidelines and Best Practice Guidance* released by the Minister for Finance and Administration in January 2005. Relevant employees are aware of the requirements and expectations when undertaking procurement activities and are guided by the Commission's *Chief Executive Instructions*.
- 47 *The Commonwealth Procurement Guidelines* — January 2005 including the *Guidance on the Mandatory Procurement Procedures* — January 2005 have been incorporated into Commission operations and relevant employees have attended appropriate training. In addition, a purchasing and procurement seminar was conducted for all employees with the assistance of the Department of Finance and Administration.

Asset management

- 48 The net written down value of non-current assets recorded in the Commission's assets register at 30 June 2007 was \$377 897. These assets include office fitout, furniture, computing equipment and other office machines. Commission assets were last revalued (using a fair value basis) by the Australian Valuation Office at 30 June 2005.

Use of consultants

- 49 The Commission engages consultants when specialist knowledge or skills outside the capacities of the employees are needed to complete a task, or when it is more cost effective to do so. Decisions to engage consultants are taken after considering the importance of the task and possible in-house options. The procedures adopted to identify potential consultants vary according to the nature of the task. The successful consultant is chosen on the basis of specified selection criteria, and on the principle of 'buying for better value'.
- 50 During 2006-07, ten new consultancy services contracts were entered into involving total actual expenditure of \$260 306. There are two consultancy contracts ongoing in 2007-08. The details of consultancies and contracts that cost \$10 000 or more are reported regularly in the *Commonwealth Gazette*, as required by Section 1.2 of the *Commonwealth Procurement Guidelines*, January 2005, issued by the Department of Finance and Administration. Details of the consultancies that cost \$10 000 or more are in Attachment J. Information on expenditure on contracts and consultancies is also available on the AusTender website www.tenders.gov.au.

51 Table 3-6 provides a summary of consultancy contracts that were active in 2006-07.

Table 3-6 Summary of consultancy contracts active in 2006-07

New consultancy service contracts let	10
Total actual expenditure on all new consultancy contracts let (GST included)	\$260 306
Active, ongoing consultancy contracts	2
Total actual expenditure on ongoing consultancy contracts (GST included)	\$40 370

Competitive tendering and contracting

52 There was one independent competitive tendering and contracting activity at the Commission during 2006-07.

53 The Commission is included in contractual arrangements entered into by the Department of Finance and Administration for personnel services. Human resource services have been provided by Ross Human Directions and SRC Solutions. Table 3-7 shows the services received from outsourced providers as part of arrangements for the Finance and Administration portfolio.

Table 3-7 Services received under outsource arrangements

Service	Service Provider
Travel arrangements	Qantas Business Travel
Property management	United KFPW Pty Ltd
Telecommunications	Optus Communications
Personnel services	Ross Human Directions
Office requisites	Corporate Express
Rehabilitation case management	SRC Solutions

Discretionary grants

54 The Commission does not administer any discretionary grants programs.

Advertising and market research

55 The Commission did not conduct any advertising or market research during 2006-07.

56 During 2006-07, the Commission used the services of media advertising organisations for the purpose of recruitment advertising. Ten payments ranging from \$759 to \$3312 and totalling \$17 865 were made to HMA Blaze Pty Ltd for this purpose.

Ecologically sustainable development and environmental performance

57 The Commission does not have any direct responsibilities in relation to the administration of environmental sustainability legislation. However, it is mindful of its responsibilities to

minimise negative impacts on the environment. Measures are in place to monitor the use of non-renewable energy sources and to minimise that use.

58 The Commission has developed an environmental management system to comply with AS/NZS ISO 1400:1996. It aims to minimise environmental impacts by:

- implementing efficient environmental management practices;
- complying with government policies relating to waste and energy;
- reducing energy and water usage;
- reducing, reusing, repairing and recycling resources to minimise waste; and
- regularly monitoring and reporting (internally and externally) progress.

Contact officer

59 Enquires about this report should be directed to:

Mr Phil Parkins
Director, Corporate Services
Telephone: (02) 6229 8825
Facsimile: (02) 6229 8821
Email: phil.parkins@cgc.gov.au

Postal address

Cypress Court
5 Torrens Street
BRADDON ACT 2612

Internet address

<http://www.cgc.gov.au/>

ATTACHMENT A

TERMS OF REFERENCE FOR THE 2007 UPDATE OF STATE REVENUE SHARING RELATIVITIES

19 January 2007

COMMONWEALTH GRANTS COMMISSION ACT 1973

I, Richard Colbeck, Parliamentary Secretary to the Minister for Finance and Administration, pursuant to sections 16, 16A and 16AA of the *Commonwealth Grants Commission Act 1973*, refer to the Commission for inquiry into and report upon, by 23 February 2007, the question of the per capita relativities to be used to distribute the combined pool of GST revenue and health care grants among the States, the Northern Territory and the Australian Capital Territory (collectively referred to as the States) in 2007-08. The Commission should provide the per capita relativities to the Australian Government and the States by 16 February 2007.

2. The Commission's assessments of per capita relativities should be based on the review period 2001-2002 to 2005-2006 inclusive. Where possible, the Commission should use the latest available data.
3. The Commission should provide per capita relativities for determining the distribution of:
 - (a) a combined pool of GST revenue grants and health care grants; and
 - (b) a combined pool of financial assistance grants and health care grants (based on the assumption of a continuation of the Commonwealth-State financial arrangements which applied in 1999-2000).
4. Subject to paragraphs 5 to 11, the Commission's assessments should be based on the application of the same:
 - (a) principles;
 - (b) items of revenue and government services;
 - (c) methods of assessment of those items;
 - (d) range and methods of measuring revenue and expenditure disabilities; and
 - (e) range and methods of treatment of Australian Government revenue payments

that the Commission used to calculate the per capita relativities in its *2006 Report on State Revenue Sharing Relativities*.

5. The Commission should continue to prepare its assessments on the basis that Specific Purpose Payments quarantined in previous terms of reference should continue to not affect the per capita relativities.
6. The Commission should prepare its assessments on a basis consistent with the Commonwealth's intention that the following components of the Australian Health Care Agreements between the Commonwealth and a State should not directly influence the per capita relativities:
 - (a) payments in relation to mental health;
 - (b) payments in relation to the National Health Development Fund;
 - (c) payments in relation to the Pathways Home Initiative;
 - (d) all payments under an adjustment module, including those related to the Critical and Urgent Treatment (CUT) Waiting List Initiative;
 - (e) compliance payment arrangements (in this case including the maximum available compliance payments in the assessments);
 - (f) payments to South Australia for the administration and management of the hospital at Woomera; and
 - (g) payments to Queensland in recognition of the cost associated with the movement of Papua New Guinea's citizens across the Torres Strait.
7. The Commission's assessments should take into account the reforms under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the IGA) which was signed by Heads of Government in June 1999, including the agreed abolition of taxes listed for review in the IGA.
8. Where it is necessary to accommodate later budget developments, the Commission's assessments should be based on the principles, methods of measuring revenue and expenditure disabilities, and methods of treating Australian Government revenue payments that conform to those applied in similar circumstances in the *2006 Report on State Revenue Sharing Relativities*.
9. In preparing its assessments the Commission should have regard for the need to observe policy neutrality in relation to a reduction in the level of a Specific Purpose Payment resulting from non-compliance by a State or Territory with the conditions of the payment. Any such reductions should not directly influence the Commission's assessments of the per capita relativities. Given the complexity and variety of Specific Purpose Payment agreements, additional guidance in relation to any actual reductions for non-compliance will be provided to the Commission if and when the need arises.
10. Where investigations undertaken by the Commission indicate that data used in existing assessments are unsatisfactory, any changes in methods should be made in accordance with the *2010 Review of State Revenue Sharing Relativities Progress Report to Ministerial Council for Commonwealth-State Financial Relations, 2006*, in particular the approach outlined in paragraphs 28 to 31 of Chapter 2.
11. The Commission should take into account all relevant fiscal needs of the Australian Capital Territory, as for the other States and Territory.
12. The Commission should consult the Australian Government and the States before deciding on any changes in methods that arise as result of a significant change in arrangements which govern Commonwealth-State relations and which are considered appropriate for the Commission to fulfil its obligations in respect of these terms of reference.
13. To the extent possible, the Commission should, upon reporting, provide all parties with details underpinning its calculations and assessments, and endeavour to meet requests for supplementary calculations.

RICHARD COLBECK

ATTACHMENT B

TERMS OF REFERENCE FOR THE 2010 COMMONWEALTH GRANTS COMMISSION METHODOLOGY REVIEW

Parliamentary Secretary to the
Minister for Finance and Administration
Parliament House
Canberra ACT 2600

Mr Alan Morris
Chairman
Commonwealth Grants Commission
Cypress Court
5 Torrens Street BRADDON
ACT 2612

Dear Mr Morris

I am writing to convey to you the attached terms of reference for the Commission's 2010 Methodology Review of State Revenue Sharing Relativities. The terms of reference provide guidance to the Commission to simplify its methodology and to develop a continuous programme of improvement of its assessments. This work programme will place the Commission's methodology on a sounder and more sustainable basis.

At the meeting of the Ministerial Council for Commonwealth-State Financial Relations on 23 March 2005, all states and territories agreed with these terms of reference.

The terms of reference require the Commission to report to the Ministerial Council in 2006 and 2007 on aspects of simplification and to provide the relativities and the Review report by 26 February 2010.

Yours sincerely

Dr Sharman Stone
26 May 2005

**TERMS OF REFERENCE FOR THE 2010 COMMONWEALTH GRANTS COMMISSION
METHODOLOGY REVIEW**

COMMONWEALTH GRANTS COMMISSION ACT 1973

I, Sharman Stone, Parliamentary Secretary to the Minister for Finance and Administration, pursuant to sections 16, 16A and 16AA of the *Commonwealth Grants Commission Act 1973*, hereby refer to the Commission for inquiry into and report upon, by 26 February 2010 at the latest, the question of per capita relativities which the Commission would regard as appropriate to apply after 2009-10 for the distribution of the combined pool of Goods and Services Tax (GST) revenue and Health Care Grants (HCGs) among the States, the Northern Territory and the Australian Capital Territory (the states).

2. The Commission should commence a work programme for responding to these terms of reference and consult with the states and the Australian Government in deciding the priorities for the work programme.

3. Having regard to the work progressed by Heads of Treasuries (HoTs) after the 2004 Ministerial Council and providing that to do so is consistent with the principle of Horizontal Fiscal Equalisation, the Commission should simplify its assessments by:
 - (a) aggregating existing assessment categories, components and factors, in whole or in part;
 - (b) eliminating category assessments found unreliable because of unsatisfactory data or methodology; and
 - (c) applying a materiality threshold to current and future assessments.

4. Having regard to the work progressed by HoTs after the 2004 Ministerial Council and providing that to do so is consistent with the principle of Horizontal Fiscal Equalisation, the Commission should consider developing other ways to simplify its assessments, including by:
 - (a) addressing issues relating to quality and fitness for purpose of data used by the Commission, in particular by reducing the reliance on the use of 4 digit GFS data and examining the capacity of making effective use of 2 digit and 3 digit GFS data in the assessments;
 - (b) undertaking a programme of continuous improvement of assessments. This programme includes improvements to the quality and fitness for purpose of both data and methodology; and
 - (c) reviewing the scope for the use of more general indicators of revenue capacity and expenditure need.

5. The Commission should also consider:
 - (a) developing mechanisms to maintain simplification once achieved; and
 - (b) improving quality assurance processes.

6.
 - (a) The Commission will report to the Ministerial Council in 2006 on its conclusions in relation to paragraphs 3(b) and 3(c) and progress in relation to paragraphs 3(a), 4 and 5.
 - (b) The Commission will report to the Ministerial Council in 2007 on its conclusions in relation to paragraphs 3(a) and 4(a) and progress in relation to paragraphs 4(b), 4(c) and 5.
 - (c) The Commission will report to the Ministerial Council in 2006 and 2007 on any conclusions it has reached in relation to paragraphs 6(a) and 6(b) which, in the Commission's opinion, should be implemented in advance of its 2010 Report. In drawing any such conclusions, the Commission should apply the principle of Horizontal Fiscal Equalisation used for the 2004 Review.
 - (d) The Commission will report on the conclusions in relation to the remaining items in paragraphs 3, 4, and 5 as part of its 2010 Report.

7. The Ministerial Council will give further instruction to the Commission on transitional arrangements, if and as necessary.

SHARMAN STONE

ATTACHMENT C

TERMS OF REFERENCE FOR THE REVIEW OF THE FINANCIAL CAPACITY OF NORFOLK ISLAND

Senator the Hon Richard Colbeck

Senator for Tasmania

Parliamentary Secretary to the Minister for Finance and Administration

Mr Alan Morris
Chairman
Commonwealth Grants Commission
Cypress Court
5 Torrens Street
BRADDON ACT 2612

1 May 2006

Dear Mr Morris

I am writing to convey to you the attached terms of reference for the Commission's review of Norfolk Island's financial capacity. The terms of reference provide guidance to the Commission to give advice on the financial capacity of Norfolk Island to provide State and local government services comparable to those of comparable mainland communities, having regard to the circumstances of Norfolk Island and assuming that it achieves the Australian average revenue raising effort from its State and local government-equivalent revenue bases and operates at the average level of efficiency.

The terms of reference require the Commission to provide a preliminary report by 30 June 2006 and a final report by 30 September 2006.

Yours sincerely

Richard Colbeck

Norfolk Island Terms of Reference

Pursuant to Section 16C of the Commonwealth Grants Commission Act 1973, I ask the Commission to advise on the financial capacity of Norfolk Island (henceforth, the Island) to provide State and local government services comparable to the services available in comparable communities in the States and Territories (henceforth, the States), having regard to the circumstances of the Island and assuming that the Island makes the Australian average revenue raising effort from its State and local government-equivalent revenue bases and that the Island operates at the average level of efficiency.

In particular, advice is sought on:

- (i) what it might cost to provide State and local government services, including depreciation, on the Island at the average range and levels provided in the States, recognising the size and circumstances of the island, assuming that the Island government operates at the same level of efficiency as State and local governments;
- (ii) the capacity of the Island to raise revenue from a comparable range of taxes and charges levied by State and local governments and at the average levels of these taxes and charges;
- (iii) the amount of financial assistance needed from the Australian Government to allow the Island to meet the cost of providing the services mentioned above (including the actual cost of servicing its existing loan agreements) having regard to the Island's capacity to raise revenue also mentioned above; and
- (iv) how much local government funding the Australian Government might provide to Norfolk Island on a basis consistent with local government funding arrangements applying in the rest of Australia.

The Commission is to provide a preliminary report by end June 2006 and a final by the end of September 2006.

ATTACHMENT D

TERMS OF REFERENCE FOR THE INQUIRY INTO FUTURE FUNDING LEVELS FOR THE TERRITORIES OF CHRISTMAS ISLAND AND THE COCOS (KEELING) ISLANDS

Mr Alan G. Morris
The Chairman
Commonwealth Grants Commission
Cypress Court
5 Torrens St
BRADDON ACT 2612

10 April 2007

Dear Mr Morris

I am writing to provide the Commonwealth Grants Commission (the Commission) with terms of reference to inquire into the future funding levels for the provision of services to the territories of Christmas Island and the Cocos (Keeling) Islands.

Pursuant to section 16D of the *Commonwealth Grants Commission Act 1973*, I ask the Commission to advise, by 31 October 2007 if possible, on an appropriate level of funding for the Indian Ocean Territories in 2005-06. This funding should allow the provision of State and local government services at levels comparable to communities in the rest of Australia that have similar service requirements, assuming that services are provided at comparable levels of efficiency and that comparable efforts are made to raise State and local revenues from the Territories' revenue bases.

In particular, advice is sought on the following, recognising that Western Australian laws have been extended to the Territories:

- (i) what level of annual expenditure would be required to provide the range and level of State government type services, including depreciation, in each Territory (or in both where that is the current method of provision) consistent with those in comparable communities in Western Australia, recognising the size and circumstances of the Territories and assuming that services are provided at a level of efficiency comparable to the average achieved by remote Western Australia;

- (ii) the capacity of the Australian Government to raise State government type taxes and charges in each Territory at Western Australian levels, taking into account any special circumstances of the Territories;
- (iii) the level of expenditure implied by the findings of (i) and (ii);
- (iv) how this amount could be updated annually; and
- (v) whether the present methods for determining local government funding provide an outcome for the Territories comparable to that in comparable local authorities in Western Australia. If not, how much local government funding should the Australian Government provide to each Territory on a basis consistent with the arrangements for comparable local authorities in Western Australia and taking account any special circumstances of the Territories?

I have provided a copy of this correspondence to the Prime Minister, the Treasurer and the Minister for Local Government, Territories and Roads.

Yours sincerely

Richard Colbeck

ATTACHMENT E

TERMS OF REFERENCE FOR THE REVIEW OF THE INTERSTATE DISTRIBUTION OF THE LOCAL ROAD GRANTS

The Hon Dr Sharman Stone MP
Federal Member for Murray
Parliamentary Secretary to the Minister for Finance and Administration

Mr Alan Morris
Chairman
Commonwealth Grants Commission
Cypress Court
5 Torrens Street
BRADDON ACT 2612

26 October 2005

Dear Mr Morris

I am writing to convey to you the attached Terms of Reference for the Commission's review of the interstate distribution of the local road grants paid as local government financial assistance grants (FAGs). The Terms of Reference provide guidance to the Commission to recommend a new methodology for the distribution of identified local roads grants to local government. The methodology should ensure that the distribution of this funding is based on the relative needs of local government in States and Territories for local roads rather than the current historical share. The Terms of Reference require the Commission to report to Ministers by 30 June 2006 on possible changes to the interstate distribution.

Yours sincerely

Dr Sharman Stone

Terms of Reference for the Review of the Interstate Distribution of the Local Road Grants paid as Local Government Financial Assistance Grants

COMMONWEALTH GRANTS COMMISSION ACT 1973

I, Sharman Stone, Parliamentary Secretary to the Minister for Finance and Administration, pursuant to section 17 of the *Commonwealth Grants Commission Act 1973*, refer to the Commission for review and report upon, by 30 June 2006, the interstate distribution of the local road grants paid under section 12 of the *Local Government (Financial Assistance) Act 1995*.

2. For the review, the Commonwealth Grants Commission should recommend a distribution between the States and Territories of the section 12 grants. The allocation method used in deriving the recommendation should:

- (a) assess the relative needs of local government in the States and the Northern Territory, and the ACT Government for expenditure on maintenance and preservation of local roads and, to the extent practicable, bridges on local roads; and
- (b) not take account of local roads in unincorporated areas of the States and Territories.

3. The Commission should also recommend how the interstate distribution of the section 12 grants could be updated in future years.

4. The review will not address the quantum of funds available for section 12 grants.

5. The Commission should use the latest available data for the review.

The Australian Government's Department of Transport and Regional Services has undertaken to provide information in its possession required for the review in a timely manner.

ATTACHMENT F

INFORMATION DISSEMINATION

- 1 At the conclusion of each inquiry, a report is produced and presented to the Minister for Finance and Administration. After presentation, and subject to the approval of the Minister, copies of the report are provided to the parties to the inquiry. The reports are usually tabled in Parliament. Reports may be accompanied by a volume of supporting information and/or working papers that have a more limited distribution.
- 2 During inquiries, the Commission issues discussion papers to ensure that the parties to the inquiry and interested members of the public are aware of the major issues to be considered and that all relevant matters receive adequate consideration.
- 3 Commission reports are published on the internet at the Commission's website <http://www.cgc.gov.au/>. The website also contains the discussion papers issued by the Commission, most submissions received by the Commission, working papers and some transcripts of meetings between the Commission and interested parties.
- 4 In recent years there has been a growing interest in the Commission and its work by academics and authorities in Australia and other countries. This has resulted in:
 - the Chairperson and Commission employees presenting papers to seminars and conferences;
 - international delegations or academics visiting the Commission for discussions with the Chairperson and senior employees; and
 - the Chairperson and senior employees visiting several countries at the request of international agencies to explain the Australian system of fiscal transfers and fiscal equalisation.
- 5 This attachment contains details of reports and other publications issued by the Commission, papers presented to conferences and seminars by Commission representatives, and visitors to the Commission during 2006-07.

Activities

- 6 *2007 Update.* The Commission received the terms of reference for this update in December 2006.
- 7 *2010 Review.* The Commission received the terms of reference for this review in May 2005.
- 8 Consistent with the work program for the review, formal discussions with States during 2005-06 were as follows.
- | | |
|------------------|---|
| 27 July 2006 | Commission meeting with Heads of Treasuries in Melbourne to discuss the 2010 Review work program |
| 7 September 2006 | Staff level meeting held with State Treasury representatives to discuss disaggregation of assessments |
| 24 November 2006 | The Chairperson met with Heads of Treasuries in Adelaide to discuss the 2010 Review work program |
| 15 March 2007 | Staff level Data Working Party meeting held with State Treasury representatives to discuss data issues |
| 23 May 2007 | Staff level meeting with State Treasury representatives to consider discussion papers released on revenue and other assessments |
| May-June 2007 | The Chairperson and Secretary met with Heads of Treasuries individually to discuss the 2010 Review work program |
- 9 *Norfolk Island Inquiry.* The Commission received the terms of reference for this inquiry in May 2006. A preliminary report was to be presented by the end of June 2006 and a final report presented by the end of September 2006. The Commission visited the Island from 16 to 19 August 2006 to discuss the preliminary findings with the Norfolk Island Government, service providers and interested parties.

Reports

- 10 The reports produced during 2006-07 were the:
- *Commonwealth Grants Commission Annual Report 2005-06;*
 - *State Revenue Sharing Relativities 2007 Update Report;*
 - *Relative Fiscal Capacities of the States 2007;*
 - *2010 Review of State revenue Sharing Relativities: progress report to Ministerial Council for Commonwealth-State Financial Relations 2007;* and
 - *Review of the financial capacity of Norfolk Island 2006.*

Working papers

- 11 Four volumes of working papers were produced in support of the *Report on State Revenue Sharing Relativities 2007 Update*. Copies of the working papers were made available to the parties to the inquiry and were deposited in the National Library, State Reference Libraries; and Federal and State Parliamentary Libraries. Those working papers were:
- *Volume 1 Methods and the Equalisation Budget;*

- *Volume 2 Assessment Results — Revenue;*
- *Volume 3 Assessment Results — Expense; and*
- *Volume 4 Assessment Results — User Charges and Common Factors.*

Discussion and information papers

12 The purpose of the Commission issuing discussion and information papers is to inform States and interested parties of the progress the Commission has made on various matters and to invite their views on the issues. They also ensure that the work of the Commission is transparent and accessible.

13 In 2006-07 the Commission issued the following papers.

14 2007 Update:

- *CGC 2006/05 New Issues for the 2007 Update* (staff discussion paper);
- *CGC 2006/10 Wages input cost factors for the 2007 Update* (staff discussion paper);
- *CGC 2007/02 CGC Road length consultancy — preliminary report* (staff discussion paper);
- *CGC 2007/04 CGC proposal to discount national parks visitor data in the 2007 Update (method change)* (staff discussion paper).

15 2008 Update:

- *CGC 2007/14 CGC Road length consultancy — report to Roads Working Party* (staff discussion paper).

16 2010 Review:

- *CGC 2006/03 Roads data project — defining arterial roads* (staff discussion paper);
- *CGC 2006/06 Disaggregating expenses* (staff discussion paper);
- *CGC 2006/07 Disaggregating revenue* (staff discussion paper);
- *CGC 2006/08 State responses to CGC 2006/03 Roads data project — defining arterial roads* (staff discussion paper);
- *CGC 2006/09 Proposed approach to obtaining consistent and reliable estimates of the length of State arterial roads* (Commission discussion paper);
- *CGC 2006/11 Initial views on assessment structure and approaches* (staff discussion paper);
- *CGC 2006/12 December 2006 Report to the Data Working Party* (staff information paper);
- *CGC 2006/13 Revised Assessment Guidelines* (Commission information paper);
- *CGC 2007/01 Disabilities mainly affecting the ACT — cross-border and national capital* (staff discussion paper);
- *CGC 2007/03 Disaggregation of revenue assessments* (staff discussion paper);

- *CGC 2007/05 Assessing Native title and Land rights in the 2010 Review* (staff discussion paper);
 - *CGC 2007/06 Assessment of user charges in the 2010 Review* (staff discussion paper);
 - *CGC 2007/07 School education* (staff discussion paper);
 - *CGC 2007/08 Proposed survey to progress the development of a services to industry assessment* (staff discussion paper);
 - *CGC 2007/09 Assessing Scale disabilities in the 2010 Review* (staff discussion paper);
 - *CGC 2007/10 Post secondary education for the 2010 Review* (staff discussion paper);
 - *CGC 2007/11 Assessment of Welfare and Housing for the 2010 Review* (staff discussion paper);
 - *CGC 2007/12 Principles, interpretation and scope of HFE for the 2010 Review* (Commission information paper);
 - *CGC 2007/13 Assessment of admitted patients for the 2010 Review* (staff discussion paper);
 - *CGC 2007/16 Assessment of Other services for the 2010 Review* (staff discussion paper);
 - *CGC 2007/17 Assessing Law and Order for the 2010 Review* (staff discussion paper);
 - *CGC 2007/18 Assessing Transport expenses for the 2010 Review* (staff discussion paper);
 - *CGC 2007/20 Assessing Services to communities for the 2010 Review* (staff discussion paper);
 - *CGC 2007/21 Assessment of Community and other health services for the 2010 Review* (staff discussion paper);
 - *CGC 2007/22 Assessment of Capital related expenses for the 2010 Review* (staff discussion paper);
 - *CGC 2007/23 Assessing Location disabilities for the 2010 Review* (staff discussion paper);
 - *CGC 2007/24 Assessing Roads expenses in the 2010 Review* (staff discussion paper).
- 17 Other inquiries:
- *CGC 2007/19 Review of the costs of servicing the Indian Ocean Territories (IOTs) 2007* (Commission discussion paper).

Papers presented to conferences and seminars

- 18 During 2006-07, Commission representatives presented the following papers to conferences and seminars:
- Economists' Conference, Curtin University of Technology, Perth, 25 September 2006;

- National Conference of Local Government Grants Commissions, Alice Springs, 11 October 2006;
- Australian Chamber of Commerce & Economics' Economics Committee, Canberra, 16 October 2006;
- the Chairperson addressed the House of Representatives Standing Committee on Legal and Constitutional Affairs, Northern Territory Statehood Seminar, Darwin, on 16 November 2006; and
- the Chairperson attended the Institute of Public Administration Australia and Academy of the Social Sciences in Australia Roundtable on Federalism, Canberra, 18 May 2007 and presented a background paper.

Visitors to the Commission

19 International, academic and official visitors to the Commission included:

- Members and staff of the Productivity Commission, 12 July 2006 and 26 April 2007;
- Indonesian Ministry of Finance delegation, 12 July 2006;
- Chinese Ministry of Finance delegation, 25 July 2006;
- Beijing Municipal Finance Bureau delegation, 9 August 2006;
- Chinese and Indonesian Finance and Planning Ministries delegation, 6 September 2006;
- Chinese Ministry of Finance delegation, 8 September 2006;
- Chinese Ministry of Finance delegation, 12 September 2006;
- Chinese Ministry of Finance delegation, 20 September 2006;
- Indonesian Ministry of Finance delegation, 6 March 2007;
- Indonesian Parliamentary delegation, 20 March 2007; and
- Chinese and Indonesian Finance and Planning Ministries delegation, 24 May 2007.

Compliance with Senate Orders

20 The Commission complies with the following Senate Orders associated with the disclosure of information:

- *Senate Order on Government Agency Contracts.* The information required to comply with this order is available through the Commission's web site, <http://www.cgc.gov.au/>.
- *Senate Continuing Order No 8 for the Production of Departmental File Lists.* The information required to comply with this order is available through the Commission's web site, <http://www.cgc.gov.au/>.

ATTACHMENT G

CORPORATE PLAN

- 1 The Commission reviewed and re-wrote its corporate plan during 2004-05. The corporate plan of the Commission secretariat for the period 2005 to 2010 is:

Our Vision: To be the respected source of advice on the relative taxation and service delivery capacity of the States and Territories.

Our primary role is to provide effective support to the Commonwealth Grants Commission as it responds to its terms of reference, including those relating to annual updates and the 2010 Review.

The Commission and the Secretariat have different but mutually dependent roles.

- The Secretariat consults with stakeholders at officer level, collects and assesses data, and undertakes research to prepare recommendations and draft reports.
- The Commission considers the advice it receives from all parties including the Secretariat, decides policy issues and directs the work of the Secretariat.
- The Secretariat also deals with administrative, financial, and human resource management issues.

Our goals are:

- to provide high quality and timely advice to the Commission;
- to increase the simplicity, reliability and transparency of our work;
- to strengthen the confidence of the Commonwealth and State and Territory governments in the Commission's processes and results;
- to be respected in the field of fiscal equalisation for our expert and impartial advice;
- to become more productive and efficient; and
- to provide a stimulating and productive organisation with a pleasant working environment.

Our key performance indicators are:

- Commission satisfaction with the quality and timeliness of staff advice;

- Commonwealth and State and Territory government satisfaction with the transparency of our processes and the clarity of our explanations;
- adherence to deadlines set in work plans so that our work flow is as evenly spaced as possible;
- assessment methods and calculations that are reflective of how States and Territories deliver services and raise revenues;
- the successful implementation of a quality assurance process;
- information technology systems that meet the requirements of the Secretariat; and
- increased staff satisfaction.

ATTACHMENT H

FREEDOM OF INFORMATION ACT 1982 SECTION 8 STATEMENT

Establishment

- 1 The Commission was established under the *Commonwealth Grants Commission Act 1933*, which was replaced by the *Commonwealth Grants Commission Act 1973*.

Organisation

- 2 The Chairperson and other members of the Commission may be appointed in full-time or part-time capacities. The membership of the Commission during 2006-07 consisted of a part-time Chairperson and four part-time members. The Secretary has responsibility for providing advice to the Chairperson and members on matters relating to the Commission's functions. The Commission had two branches and a Corporate Services section in 2006-07. The organisation structure and senior personnel are shown in Chapter 3 of this report. There are no State or regional offices.

Functions

- 3 The Commission is an independent statutory authority. It is required to inquire into and report upon matters referred to it by the Minister under the provisions of the *Commonwealth Grants Commission Act 1973*.

Arrangements for outside participation

- 4 The Commission's Act allows it to inform itself 'in such ... manner as it sees fit'. All Australian Government, State and other parties involved in inquiries are invited to make written submissions and, where necessary, to discuss those submissions at public conferences. Submissions tabled at the conferences are generally public documents, although sensitive information may be received in confidence and treated accordingly.

Categories of documents

- 5 Reports issued by the Commission are those that relate to specific inquiries, research reports, and annual reports. Once released, copies of reports are available for inspection in the National Library and State Reference Libraries. Commission reports are also published on the internet at the Commission's website <http://www.cgc.gov.au/>. The website also contains discussion papers issued by the Commission, most submissions received by the Commission, working papers prepared by the Commission and some transcripts of meetings between the Commission and interested parties. The time the documents remain on the website is determined by the needs of the inquiry to which they relate.
- 6 Other documents held by the Commission include:
- submissions from interested parties (including the States, the Australian Government Treasury, Australian Government departments, the Norfolk Island Government, local government authorities, individuals and private organisations);
 - discussion papers issued by the Commission as part of its inquiries;
 - agendas, papers and minutes of Commission meetings and conferences;
 - registry files on information and data requests and other matters relating to the conduct of inquiries; and
 - documents concerned with daily internal administration and management, including files on employees, personnel, finance, budgets, stores, and assets.
- 7 The Commission also holds:
- manuals on IT and records management procedures (prepared by employees of the Commission);
 - a manual on style and procedures for the preparation of Commission reports (prepared by employees of the Commission); and
 - manuals on accounting, delegations, finance, organisation management, personnel management, rates of pay, superannuation and records management (prepared by other agencies).

Facilities for access

- 8 Facilities are provided in the Commission's offices in Canberra to enable people to consult documents. Preferably, an appointment to inspect such documents should be made in advance.

FOI procedures and initial contact points

- 9 Inquiries concerning access to documents or other matters relating to freedom of information should be directed to the Commission's FOI Co-ordinator, as follows:

FOI Co-ordinator
Commonwealth Grants Commission
Cypress Court
5 Torrens Street
BRADDON ACT 2612
Telephone (02) 6229 8818
Facsimile (02) 6229 8808

- 10 Business hours are 8.30 am to 5.00 pm, Monday to Friday. The Secretary, as principal officer, has power under section 23 of the *Freedom of Information Act 1982* to deny access to a document.
- 11 There were no requests for access to documents under the *Freedom of Information Act 1982* during 2006-07.

ATTACHMENT I

OCCUPATIONAL HEALTH AND SAFETY

- 1 The Commission operates under the occupational health and safety (OH&S) policy of the Department of Finance and Administration.
- 2 The Commission has also adopted the Department's rehabilitation policy with Comcare for employees injured at work, and uses the specialist services of SRC Solutions, the Department's outsourced service provider, to administer its compensation cases.
- 3 Details of the departmental policies are published in the Department of Finance and Administration's Annual Report, 2006-07.
- 4 The Commission is a Designated Work Group (DWG) under the *Occupational Health and Safety Act 1991*. Commission employees have an OH&S representative.
- 5 The Commission, in conjunction with the service provider's representative, provides advice to employees on methods of minimising or avoiding occupational health problems, particularly those associated with the use of computing equipment. They also monitor the work environment and provide advice to management on matters of health and safety. To minimise the risk of accident or injury, management responds as soon as possible to matters raised.
- 6 In compliance with the OH&S requirements for the use of computers in the workplace, the Commission provides all employees with ergonomic furniture such as desks, chairs, and monitor stands. Employees are given regular advice on the correct posture and keyboard techniques to reduce fatigue.
- 7 Under Australian Public Service Commission guidelines, all employees who spend more than 25 per cent of their time using screen-based equipment are eligible to have their eyes tested once every two years. The Commission has procedures in place to ensure that all eligible employees are tested regularly. During the year, six employees undertook screen-based eyesight testing.
- 8 During 2006-07, two employees were appointed as first aid officers. The required number of fire wardens was appointed and training provided where appropriate.

- 9 Hazardous materials are sometimes found in the grounds of the Commission's offices. To reduce the risk of injury to employees and members of the public, several employees in the Commission's Corporate Services section have been trained in procedures for the safe disposal of such material.
- 10 There were no accidents or dangerous events at the Commission's offices during the year. The Commission received no directions or notices under sections 30, 45, 46, or 47 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991*.

ATTACHMENT J

CONSULTANCY CONTRACTS LET DURING 2006-07

- 1 The Commission's policy on the selection and engagement of consultants, its selection procedures and the main categories of purposes for which consultants were engaged are set out below.

Policy on selection and engagement of consultants

- 2 Price alone is not always a reliable indicator of value for money. Best value for money means the best available outcome when all relevant costs and benefits over the purchasing cycle are considered. This core principle is also underpinned by the following supporting principles:
 - efficient, effective and ethical use of resources;
 - accountability and transparency; and
 - encouraging competition.

Selection procedures

- 3 The Commission is aware of the strategic role that Government procurement plays within the Australian economy. Employees who undertake the purchasing of goods or services are required to familiarise themselves with the *Commonwealth Procurement Guidelines — January 2005* and the Commission's *Chief Executive Instructions*. The Commission's own purchasing policy also sets out the internal requirements for the purchase of goods and services. Employees are required to follow these guidelines, which cover a number of procurement methods ranging from sole suppliers to approaching the open market. The most suitable method is determined for the purchase, which is subsequently approved by the appropriate delegate, taking into consideration the policy requirements.
- 4 Consultants were engaged for the following purposes:
 - supply of essential research and data not available from other sources;
 - provision of expert services in information technology;

- provision of advice and assistance in industrial relations matters.

5 Consultancy contracts let by the Commission during 2006-07 at a cost of \$10 000 or more are shown in the following table.

Name of consultant	Description	Contract price (including GST)	Selection process	Justification^(a)
Quality Management Solutions	Investigation into breach of Code of Conduct	\$19 844	Direct Sourcing	A
McGrath Nicol and Partners	Audit of Calculation System and Compliance	\$50 000	Open Tender	C
MapInfo Australia Pty Ltd	Consultancy to measure the length of state managed roads	\$72 228	Select Tender	B
Curtin University	Review of Cost of Government Services	\$79 997	Select Tender	A
Squiz Pty Ltd	Redevelopment of Website	\$77 000	Open Tender	A

- (a) Justification reasons:
A skills currently unavailable within the Commission;
B need for specialised or professional skills;
C need for independent research or assessment.

ATTACHMENT K

COMMONWEALTH DISABILITY STRATEGY

- 1 The Commonwealth disability strategy recognises that the Australian Government has an impact on the lives of people with disabilities. The Commission plays a role in assisting the Australian Government to meet its obligations in two key areas: as a policy adviser and as an employer.

The Commission as policy adviser

- 2 Since the Commission has no role in delivering programs to the wider Australian community, no new policies or programs were developed and/or implemented by the Commission in 2006-07. However, the Commission operates a public website and web entry points that reflect the accessibility requirements of the Government online strategy.

The Commission as an employer

- 3 In its role as an employer, the Commission works across a number of areas to ensure that it provides fair and equitable employment opportunities for all members of the community.
- 4 In 2001-02, four per cent of employees who completed a voluntary questionnaire identified themselves as having some form of disability. The actual level of employees with disabilities may be higher than this figure due to non-disclosure.
- 5 The Commission operates under employment policies, procedures, and practices that comply with the *Disability Discrimination Act 1992*. The Commission actively meets these requirements by issuing guidelines on eliminating workplace harassment, by providing for 'supported wage systems' in its certified agreement and other flexible employment conditions. It also works toward ensuring that the premises from which it operates provide access for people with disabilities and, where that is not possible, it adapts working arrangements.
- 6 The Commission has developed dispute resolution procedures that give employees access to internal and external mechanisms to address workplace issues. Commission employees have access to an employee assistance program offered by an external provider, which assists

employees experiencing personal and professional difficulties. The Commission continues to recognise issues related to workplace diversity and the Commonwealth disability strategy.

ATTACHMENT L

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

- 1 This attachment contains the:
 - Audit Report;
 - Statement by the Chief Executive;
 - Income Statement;
 - Balance Sheet;
 - Statement of Changes in Equity;
 - Statement of Cash Flows;
 - Schedule of Commitments;
 - Schedule of Contingencies; and
 - Notes to and forming part of the Financial Statements.



INDEPENDENT AUDITOR'S REPORT

To the Parliamentary Secretary to the Minister for Finance and Administration

Scope

I have audited the accompanying financial statements of the Commonwealth Grants Commission for the year ended 30 June 2007, which comprise: a statement by the Chief Executive; income statement; balance sheet; statement of changes in equity; cash flow statement; schedules of commitments and contingencies; a summary of significant accounting policies; and other explanatory notes.

The Responsibility of the Secretary for the Financial Statements

The Commonwealth Grants Commission's Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997* and the Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commonwealth Grants Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth Grants Commission's internal control. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Commonwealth Grants Commission's Secretary, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

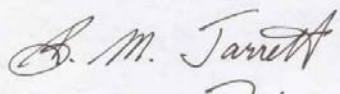
In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the ethical requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial statements of the Commonwealth Grants Commission:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, and the Australian Accounting Standards (including the Australian Accounting Interpretations); and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Commonwealth Grants Commission's financial position as at 30 June 2007 and of its financial performance and its cash flows for the year then ended.

Australian National Audit Office



Brandon Jarrett
Executive Director

Delegate of the Auditor-General
Canberra

7 September 2007

Commonwealth Grants Commission
Statement by the Chief Executive

In our opinion, the attached financial statements for the year ended 30 June 2007 have been prepared based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.



J Spasojeyic
Secretary

7 September 2007



P Parkins
Chief Finance Officer

7 September 2007

Commonwealth Grants Commission

INCOME STATEMENT

for the period ended 30 June 2007

	Notes	2007 <u>\$'000</u>	2006 <u>\$'000</u>
INCOME			
Revenue			
Revenue from Government	3A	7 769	6 910
Sale of goods and rendering of services	3B	<u>183</u>	<u>345</u>
<i>Total revenue</i>		<u>7 952</u>	<u>7 255</u>
Gains			
Other gains	3C	<u>21</u>	<u>19</u>
<i>Total gains</i>		<u>21</u>	<u>19</u>
Total Income		<u>7 973</u>	<u>7 274</u>
EXPENSES			
Employee benefits	4A	5 036	4 573
Suppliers	4B	1 487	1 512
Depreciation and amortisation	4C	<u>137</u>	<u>179</u>
Total Expenses		<u>6 660</u>	<u>6 264</u>
Surplus (Deficit)		<u>1 313</u>	<u>1 010</u>

The above statement should be read in conjunction with the accompanying notes.

Commonwealth Grants Commission

BALANCE SHEET

as at 30 June 2007

	Notes	2007 \$'000	2006 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	40	49
Trade and other receivables	5B	4 458	3 627
Total financial assets		4 498	3 676
Non-Financial Assets			
Buildings	6A,C	219	27
Infrastructure, plant and equipment	6B,C	159	154
Other non-financial assets	7A	48	47
Total non-financial assets		426	228
Total Assets		4 924	3 904
LIABILITIES			
Payables			
Suppliers	8A	90	95
Other payables	8B	12	27
Total payables		102	122
Provisions			
Employee provisions	9A	1 240	1 491
Other provisions-Lease make-good		78	100
Total provisions		1 318	1 591
Total Liabilities		1 420	1 713
Net Assets		3 504	2 191
EQUITY			
Contributed equity		917	917
Reserves		159	159
Retained surpluses (accumulated deficits)		2 428	1 115
Total Equity		3 504	2 191
Current Assets		4 546	3 723
Non-current Assets		378	181
Current Liabilities		1 280	1 638
Non-current Liabilities		140	75

The above statement should be read in conjunction with the accompanying notes.

Commonwealth Grants Commission

STATEMENT of CHANGES in EQUITY

as at 30 June 2007

	Retained Earnings		Asset Revaluation Reserve		Contributed Equity/Capital		Total Equity	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance								
Balance carried forward from previous period	1 115	105	159	159	917	917	2 191	1 181
Adjustment for errors	-	-	-	-	-	-	-	-
Adjustment for changes in accounting policies	-	-	-	-	-	-	-	-
Adjusted Opening Balance	1 115	105	159	159	917	917	2 191	1 181
Income and Expense								
Surplus (Deficit) for the period	1 313	1 010	-	-	-	-	1 313	1 010
Total Income and Expenses	1 313	1 010	-	-	-	-	1 313	1 010
Transactions with Owners	-	-	-	-	-	-	-	-
Contribution by Owners	-	-	-	-	-	-	-	-
Closing Balance at 30 June	2 428	1 115	159	159	917	917	3 504	2 191

The above statement should be read in conjunction with the accompanying notes.

Commonwealth Grants Commission

CASH FLOW STATEMENT

for the period ended 30 June 2007

		2007	2006
	Notes	<u>\$'000</u>	<u>\$'000</u>
OPERATING ACTIVITIES			
Cash received			
Appropriations		7 769	6 910
Goods and services		258	457
Net GST received from ATO		165	109
Total cash received		<u>8 192</u>	<u>7 476</u>
Cash used			
Employees		5 407	4 754
Suppliers		1 660	1 638
Return to OPA		800	1 150
Total cash used		<u>7 867</u>	<u>7 542</u>
Net cash from or (used by) operating activities	10	<u>325</u>	<u>(66)</u>
INVESTING ACTIVITIES			
Cash received			
		-	-
Cash used			
Purchase of property, plant and equipment		334	111
Total cash used		<u>334</u>	<u>111</u>
Net cash from or (used by) investing activities		<u>(334)</u>	<u>(111)</u>
Net Increase or (decrease) in cash held		(9)	(177)
Cash at beginning of the reporting period		49	226
Cash at the end of the reporting period	5A	<u>40</u>	<u>49</u>

The above statement should be read in conjunction with the accompanying notes.

Commonwealth Grants Commission

SCHEDULE OF COMMITMENTS

as at 30 June 2007

	2007	2006
	<u>\$'000</u>	<u>\$'000</u>
BY TYPE		
Commitments Receivable		
GST recoverable on commitments	(144)	(196)
Total Commitments Receivable	<u>(144)</u>	<u>(196)</u>
Other Commitments		
Operating leases ³	1 503	2 013
Other commitments	80	148
Total Other Commitments	<u>1 583</u>	<u>2 161</u>
Net Commitments by Type	<u><u>1 439</u></u>	<u><u>1 965</u></u>
BY MATURITY		
Commitments Receivable		
Other Commitments Receivable		
One year or less	(144)	(196)
Total Other Commitments Receivable	<u>(144)</u>	<u>(196)</u>
Commitments Payable		
Operating Lease Commitments		
One year or less	462	457
From one to five years	1 041	1 556
Total Operating Lease Commitments	<u>1 503</u>	<u>2 013</u>
Other Commitments		
One year or less	80	148
Total Other Commitments	<u>80</u>	<u>148</u>
Net Commitments by Maturity	<u><u>1 439</u></u>	<u><u>1 965</u></u>

NB: Commitments are GST inclusive where relevant.

³ Operating Leases included are effectively non-cancellable and comprise:

<i>Nature of lease</i>	<i>General description of leasing arrangement</i>
Leases for office accommodation	Lease payments are subject to market review in Sept. 2008. The initial periods of office accommodation leases are still current and each may be renewed for up to four years at the Agency's option.
Agreements for the provision of motor vehicles to senior executives	Purchase options are available to agency executives. No contingent rentals exist.

The above schedule should be read in conjunction with the accompanying notes.

Commonwealth Grants Commission

SCHEDULE OF CONTINGENCIES

as at 30 June 2007

	2007	2006
	<u>\$'000</u>	<u>\$'000</u>
CONTINGENCIES	Nil	Nil

There were no contingent liabilities for the Commonwealth Grants Commission for the year ended 30 June 2007.

The above schedule should be read in conjunction with the accompanying notes.

Commonwealth Grants Commission

Note 1: Summary of Significant Accounting Policies

1.1 Objectives of the Commonwealth Grants Commission

The Commission is a prescribed agency operating under the *Commonwealth Grants Commission Act 1973*.

In 2006-07, the Commission was structured to meet one outcome:

Outcome 1: Fiscal equalisation between the States and Territories is achieved through the distribution, by Government, of GST revenue and Health Care Grants.

1.2 Basis of Preparation of the Financial Statements

The Financial Statements and notes are required by section 49 of Schedule 1 to the *Financial Management and Accountability Act 1997* and are a General Purpose Financial Report.

The Financial Statements and notes have been prepared in accordance with:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2006; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial report has been prepared on an accrual basis and is in accordance with historical cost convention, except for certain assets at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The Financial Report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to the Commission and the amounts of the assets can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an accounting Standard. Liabilities and assets that are unrealised are reported in the Schedule of Commitments and the Schedule of Contingencies (other than unquantifiable or emotive contingencies, which are reported at Note 11).

Unless alternative treatment is specifically required by an accounting standard, revenues and expenses are recognised in the Income Statement when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

1.3 Statement of Compliance

Australian Accounting Standards require a statement of compliance with International Financial Reporting Standards (IFRSs) to be made where the financial report complies with these standards. Some Australian equivalents to IFRSs and other Australian Accounting Standards contain requirements specific to not for profit entities that are inconsistent with IFRS requirements.

The Commission is a not for profit entity and has applied these requirements, so while this financial report complies with Australian Accounting Standards including Australian Equivalents to International Financial reporting Standards (AEIFRSs) it cannot make this statement.

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the effective date in the current period.

Other effective requirement changes

The following amendments, revised standards or interpretations have become effective but have had no financial impact or do not apply to the operations of the Commission.

Amendments

- 2005-1 Amendments to Australian Accounting Standards [AASBs 1, 101, 124]
- 2005-6 Amendments to Australian Accounting Standards [AASB 3]
- 2006-1 Amendments to Australian Accounting Standards [AASB 121]
- 2006-3 Amendments to Australian Accounting Standards [AASB 1045]

Interpretations

- UIG 4 Determining whether an Arrangement contains a lease
- UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- UIG 7 Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies
- UIG 8 Scope of AASB 2
- UIG 9 Reassessment of Embedded derivatives

UIG 4 and UIG 9 might have impacts in future periods, subject to existing contracts being renegotiated.

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

1.3 Statement of Compliance (cont.)

Future Australian Accounting Standard requirements

The following new standards, amendments to standards or interpretations have been issued by the Australian Accounting Standards Board but are effective for future reporting periods. It is estimated that the impact of adopting these pronouncements when effective will have no material financial impact on future reporting periods.

Financial instrument disclosure

AASB 7 Financial Instruments: Disclosures is effective for reporting periods beginning on or after 1 January 2007 (the 2007-08 financial year) and amends the disclosure requirements for financial instruments. In general AASB 7 requires greater disclosure than that presently. Associated with the introduction of AASB 7 a number of accounting standards were amended to reference the new standard or remove the present disclosure requirements through 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 AND AASB 1038]. These changes have no financial impact but will effect the disclosure present in future financial reporting periods.

Other

The following standards and interpretations have been issued but are not applicable to the operations of PRIMA Agency.

- AASB 1049 *Financial reporting of general Government Sectors by Governments*
- UIG 10 Interim financial reporting and Impairment

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

1.4 Revenue

Revenue from Government

Amounts appropriated for departmental outputs appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

Other Types of Revenue

Revenue from the rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- The probable economic benefits with the transaction have flowed to the Commission.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is no longer probable.

1.5 Gains

Other Resources Received Free of Charge

Resources received free of charge are recognised as gains when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Sale of Assets

Gains from disposal of non-current assets are recognised when control of the asset has passed to the buyer.

1.6 Transactions with the Government as Owner

Equity Injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) are recognised directly in Contributed Equity in that year.

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

1.6 Transactions with the Government as Owner (cont.)

Other distributions to owners

The FMOs require that distributions to owners be debited to contributed equity unless in the nature of a dividend. There were no distributions in 2006-07.

1.7 Employee Benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short term employee benefits' (as defined in AASB119) and termination benefits due within twelve months of balance date are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Commission is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including the Commission's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation plus varying salary rates under Australian Workplace Agreements.

Superannuation

Employees of the Commission are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

1.7 Employee Benefits (cont.)

Superannuation (cont.)

The Commission makes employer contributions to the Employees Superannuation Scheme at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the Commission's employees. The Commission accounts for the contributions as if they were contributions to defined contribution plans.

From 1 July 2005, new employees are eligible to join the PSSap scheme.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

1.8 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased non-current assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased asset.

The Commission has no finance leases.

1.9 Cash

Cash means notes, coins, and any deposits held at call or on deposit with a bank or financial institution. Cash is recognised at its nominal amount.

1.10 Supplier and other payables

Supplier and other payables are recognised at their nominal amounts. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.11 Contingent Liabilities and Contingent Assets

Contingent Liabilities and Contingent assets are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Contingent assets are reported when settlement is probable, and contingent liabilities are recognised when settlement is greater than remote.

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

1.12 Acquisition of Assets

Assets are recorded at cost on acquisition. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

1.13 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than \$2000 which are expensed in the year of acquisition.

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'makegood' provisions in property leases taken up by the Commission where there exists an obligation to restore the property to its original condition. These costs are included in the value of the Commission's leasehold improvements with a corresponding provision for the 'makegood' taken up.

Revaluations

Plant and equipment are carried at fair value, being revalued with sufficient frequency such that the carrying amount of each asset class is not materially different, at reporting date, from its fair value. Valuations undertaken in any year are as at 30 June.

Fair values for each class of asset are determined as shown below.

<i>Asset Class</i>	<i>Fair value measured at:</i>
Plant and equipment	Market selling price
Leasehold Improvements	Depreciated replacement cost

Following initial recognition at cost, property plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not materially differ with the assets 'fair values' as at the reporting date. The regularity of independent valuations depends on the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through profit and loss. Revaluation decrements for a class of assets are recognised directly through surplus and deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

1.13 Property, Plant and Equipment (cont.)

Depreciation

Depreciable plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Commission using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable assets are based on the following useful lives:

	2007	2006
Leasehold improvements	Lease term	Lease term
Plant and equipment	2 to 4 years	2 to 4 years

All assets were assessed for impairment at 30 June 2007. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

1.14 Taxation

The Commission is exempt from all forms of taxation except fringe benefits tax (FBT) and the goods and services tax (GST).

Revenues, expenses, and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- except for receivables and payables.

1.15 Insurance

The Commission has insured for risks through the Government's insurable risk managed fund, called 'Comcover'. Workers compensation is insured through the Government's Comcare.

1.16 Comparative figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

1.17 Rounding

Amounts have been rounded to the nearest \$1000 except in relation to:

- act of grace payments and waivers;
- remuneration of executives;
- remuneration of auditors.

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

Note 2: Events after the Balance Sheet Date

There were no events that occurred after the balance date that would affect the balances in the financial statements.

	2007	2006
	<u>\$'000</u>	<u>\$'000</u>

Note 3: Income

Revenue

Note 3A: Revenue from Government

Appropriation:

Departmental outputs	7 769	6 910
	7 769	6 910

Total revenue from Government

Note 3B: Sale of goods and rendering of services

Provision of goods	-	-
--------------------	---	---

<i>Total sale of goods</i>	-	-
----------------------------	---	---

Rendering of services-related entities	163	330
--	-----	-----

Rendering of services-external entities	20	15
---	----	----

<i>Total rendering of services</i>	183	345
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<i>Total sale of goods and rendering of services</i>	183	345
--	-----	-----

Gains

Note 3C: Other gains

Resources received free of charge	21	19
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Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

	2007	2006
	<u>\$'000</u>	<u>\$'000</u>
Note 4: Expenses		
<u>Note 4A: Employee benefits</u>		
Wages and salaries	3706	3 369
Superannuation	758	818
Leave and other entitlements	572	386
	5 036	4 573
<i>Total employee benefits</i>	5 036	4 573
<u>Note 4B: Suppliers</u>		
Provision of goods - external entities	164	292
Rendering of services - related entities	175	242
Rendering of services - external entities	685	452
Operating lease rentals	433	499
Workers compensation premium	30	27
	1 487	1 512
<i>Total supplier expenses</i>	1 487	1 512
<u>Note 4C: Depreciation and amortisation</u>		
Depreciation		
Infrastructure, plant and equipment	75	59
Amortisation	-	-
Other-leasehold improvements	62	120
	137	179
<i>Total depreciation and amortisation</i>	137	179

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

	2007	2006
	<u>\$'000</u>	<u>\$'000</u>
Note 5: Financial Assets		
<u>Note 5A: Cash and cash equivalents</u>		
Cash at Bank	39	48
Cash on Hand	1	1
	40	49
<i>Total cash and cash equivalents</i>	40	49
<u>Note 5B: Trade and other receivables</u>		
Goods and services	-	-
GST receivable from the Australian Taxation Office	24	27
Other receivable	34	-
Appropriation receivable for existing outputs	4 400	3 600
<i>Total trade and other receivables (net)</i>	4 458	3 627
 All receivables are current assets.		
Receivables are represented by:		
Current	4 458	3 627

Appropriations receivable undrawn are appropriations controlled by the Commission but held in the Official Public Account under the Government's just-in-time drawdown arrangements.

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

	2007	2006
	<u>\$'000</u>	<u>\$'000</u>
Note 6: Non-Financial Assets		
<u>Note 6A: Buildings</u>		
Leasehold improvements		
-fair value	366	147
-accumulated amortisation	<u>(147)</u>	<u>(120)</u>
Total buildings (non-current)	<u>219</u>	<u>27</u>
<u>Note 6B: Infrastructure, plant and equipment</u>		
Plant and equipment		
-fair value	295	214
-accumulated depreciation	<u>(136)</u>	<u>(60)</u>
Total infrastructure, plant and equipment (non-current)	<u>159</u>	<u>154</u>

All formal revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

Note 6: Non-Financial Assets (cont.)

Note 6C: Analysis of Property, Plant and Equipment

TABLE A — Reconciliation of the opening and closing balances of property, plant and equipment (2006-07)

	Buildings-Leasehold Improvements \$'000	Infrastructure Plant and Equipment \$'000
As at 1 July 2006		
Gross book value	147	214
Accumulated depreciation/amortisation	(120)	(60)
Net book value 1 July 2006	27	154
Additions		
by purchase	253	81
Net revaluation increment/(decrement)	-	-
Depreciation/amortisation expense	(27)	(75)
Disposals	34	-
Net book value 30 June 2007	219	159
Net book value 30 June 2007 represented by:		
Gross book value	366	295
Accumulated depreciation/amortisation	(147)	(136)
	219	159

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

Note 6: Non-Financial Assets (cont.)

Note 6C: Analysis of property, plant and equipment

TABLE A — Reconciliation of the opening and closing balances of property, plant and equipment (2005-06)

	Buildings-Leasehold Improvements \$'000	Other Infrastructure Plant and Equipment \$'000
As at 1 July 2005		
Gross book value	131	118
Accumulated depreciation/amortisation	-	(1)
Net book value 1 July 2005	131	117
Additions		
by purchase	16	97
Net revaluation increment/(decrement)		
Depreciation/amortisation expense	(120)	(59)
Net book value 30 June 2006	27	154
Net book value 30 June 2006 represented by:		
Gross book value	147	214
Accumulated depreciation/amortisation	(120)	(60)
	27	154

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

	2007	2006
	<u>\$'000</u>	<u>\$'000</u>
Note 7: Other Non-Financial Assets		
<u>Note 7A: Prepayments</u>		
Lease rental	35	42
Other	13	5
<i>Total prepayments</i>	48	47
All other non-financial assets are current assets.		
Note 8: Payables		
<u>Note 8A: Suppliers</u>		
Trade creditors	90	95
Supplier payables are represented by:		
Current	90	95
Non-current	-	-
<i>Total supplier payables</i>	90	95
<u>Note 8B: Other payables</u>		
Other payable	12	27
All other payables are current liabilities.		
Note 9: Provisions		
<u>Note 9A: Employee provisions</u>		
Salaries and wages	39	32
Annual leave	434	447
Long service leave	767	1 012
<i>Total employee provisions</i>	1 240	1 491
Employee provisions are represented by:		
Current	1 096	1 416
Non-current	144	75
<i>Total employee provisions</i>	1 240	1 491

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

	2007	2006
	<u>\$'000</u>	<u>\$'000</u>
Note 10: Cash Flow Reconciliation		
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Report cash and cash equivalents as per:		
Cash Flow Statement	40	49
Balance Sheet	40	49
Reconciliation of operating result to net cash from operating activities:		
Operating result	1 313	1 010
Depreciation/amortisation	137	179
(Increase)/ decrease in net receivables	(831)	(1 111)
(Increase)/ decrease in prepayments	(1)	8
Increase/ (decrease) in employee provisions	(251)	(111)
Increase/ (decrease) in make good provision	(22)	-
Increase/ (decrease) in supplier provisions and payables	(20)	(41)
<i>Net cash from/(used by) operating activities</i>	<u>325</u>	<u>(66)</u>

Note 11: Contingent Liabilities and Assets

Unquantifiable Contingency

At 30 June 2007, the Commission had a legal claim against it in regard to lease make good. The Commission is seeking appropriate legal advice in regard to the matter. It is not possible to estimate the amount of any eventual payment that may be required in relation to this claim.

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

Note 12: Executive Remuneration

The number of executives who received or were due to receive total remuneration of \$130 000 or more:

	2007	2006
\$175 000 - \$189 999		1
\$190 000 - \$204 999	2	
\$205 000 - \$219 999		1
\$265 000 - \$279 999		1
\$280 000 - \$294 999	<u>1</u>	
Total	<u>3</u>	<u>3</u>
The aggregate amount of total remuneration of executives shown above	\$672 623	\$668 353

No redundancy payments were made to executives during the year.

Note 13: Remuneration of Auditors

	<u>2007</u>	<u>2006</u>
	\$	\$
Financial statement audit services are provided free of charge by the Auditor-General. The fair value of the service provided was:	<u>\$21 200</u>	<u>\$18 900</u>

No other services were provided by the Auditor-General.

Note 14: Average Staffing Levels

	<u>2007</u>	<u>2006</u>
The average staffing levels for the Commission during the year were:	44	41

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

NOTE 15: ACT OF GRACE PAYMENTS, WAIVERS AND DEFECTIVE ADMINISTRATION SCHEME

	<u>2007</u>	<u>2006</u>
No 'Act of Grace' payments were made during the reporting period. (2006: no payments made)	Nil	Nil
No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> . (2006: no payments made)	Nil	Nil
No payments were made under the Defective Administration Scheme during the reporting period. (2006: no payments made)	Nil	Nil
No payments were made under s73 of the <i>Public Service Act 1999</i> during the reporting period. (2006: no payments made)	Nil	Nil
No ex-gratia payments were made during the reporting period. (2006: no payments made)	Nil	Nil

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

Note 16: Financial Instruments

Note 16A: Interest Rate Risk

Financial Instrument	Note	Floating Interest Rate		Fixed Interest Rate		Non-Interest Bearing		Total		Weighted Average Effective Interest Rate	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 %	2006 %
Financial Assets											
Cash at bank	5A	-	-	-	-	40	49	40	49	n/a	n/a
Receivables for goods & services-(gross)	5B	-	-	-	-	-	-	-	-	n/a	n/a
Other receivable	5B	-	-	-	-	34	-	34	-	n/a	n/a
Total		-	-	-	-	74	49	74	49		
Total Assets								4 924	3 904		

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

Note 16: Financial Instruments (cont.)

Note 16A: Interest Rate Risk (cont.)

Financial Instrument	Note	Floating Interest Rate		Fixed Interest Rate 1 year or Less		Non-Interest Bearing		Total		Weighted Average Effective Interest Rate	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 %	2006 %
Financial Liabilities											
Trade creditors	8A	-	-	-	-	90	95	90	95	n/a	n/a
Other payable	8B	-	-	-	-	12	27	12	27	n/a	n/a
Total		-	-	-	-	102	122	102	122		
Total Liabilities								1 420	1 713		

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

Note 16: Financial Instruments (cont.)

Note 16B: Net Fair Values of Financial Assets and Liabilities

	Note	2007		2006	
		Total Carrying Amount	Aggregate Net Fair Value	Total Carrying Amount	Aggregate Net Fair Value
		\$'000	\$'000	\$'000	\$'000
Departmental Financial Assets					
Cash at bank	5A	40	40	49	49
Receivables for goods and services (net)	5B	-	-	-	-
Other receivable	5B	34	34	-	-
Total Financial Assets		74	74	49	49
Financial Liabilities (Recognised)					
Trade creditors	8A	90	90	95	95
Other payable	8B	12	12	27	27
Total Financial Liabilities (Recognised)		102	102	122	122

Note 16C: Credit Risk Exposures

The Commission's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Balance Sheet.

The Commission has no significant exposure to any concentrations of credit risk.

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

Note 17: Appropriations

Table A: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund (CRF) for Ordinary Annual Services Appropriations

Particulars	Departmental Outputs-Outcome 1	
	2007	2006
	\$'000	\$'000
Balance carried from previous period	3 544	2 571
Appropriation Act (No.1) 2006-2007	7 769	5 394
Appropriation Act (No.3) 2006-2007	-	1 516
Sub-total 2006-07 Annual Appropriations	11 313	9 481
Appropriations to take account of recoverable GST (FMA s 30A)	165	109
Annotations to 'net appropriations' (FMA s31)	258	457
Total Appropriations available for payments	11 736	10 047
Cash payments made during the year (GST inclusive)	7 401	6 503
<i>Balance of Authority to Draw Cash from the (CRF) for Ordinary Annual Services Appropriations</i>	4 335	3 544
REPRESENTED BY:		
Cash at bank and on hand	40	49
Receivable-departmental appropriations	4 295	3 495
Total	4 335	3 544

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

Note 17: Appropriations (cont.)

Note 17B: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund (CRF) for Other than Ordinary Annual Services Appropriations

	Non-operating	
	2007	2006
	\$'000	\$'000
Balance carried from previous period	105	105
Appropriation Act (No. 2) 2006-2007	-	-
Total appropriations available for payments	105	105
Cash payments made during the year (GST inclusive)	-	-
<i>Balance of Authority to Draw Cash from the CRF for Other Than Ordinary Annual Services Appropriations</i>	105	105
REPRESENTED BY		
Cash at Bank and on hand	-	-
Appropriation receivable	105	105
Total	105	105

Note 18: Special Accounts

Other Trust Monies Special Account	2007	2006
	\$'000	\$'000
Legal Authority: <i>Financial Management and Accountability Act 1997, s20</i>		
<i>Purpose: for expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth</i>		
Balance carried from previous year	-	-
Other receipts	22	11
Available for payments	22	11
Payments made	22	11
Total balance carried to the next period	-	-

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

Note 19: Reporting of Outcomes

Note 19A: Net Cost of Outcome Delivery

	Outcome 1	
	2007 \$'000	2006 \$'000
Expenses		
Departmental	6 660	6 264
Total expenses	6 660	6 264
Costs recovered from provision of goods and services from:		
External entities	20	15
Related entities	163	330
Total revenues	183	345
Net cost/(contribution) of outcome	6 477	5 919

Outcome 1 is described in Note 1.1.

Note 19B - Major Classes of Departmental Revenues and Expenses by Output Group and Outputs

OUTCOME 1	Output Group 1	
	Output 1.1.1	
	2007 \$'000	2006 \$'000
Departmental expenses		
Employees	5 036	4 573
Suppliers	1 487	1 512
Depreciation and amortisation	137	179
Total departmental expenses	6 660	6 264
Funded by		
Revenues from government	7 769	6 910
Sale of goods and services	183	345
Other gains	21	19
Total departmental revenues	7 973	7 274

Outcome 1 is described in Note 1.1

GLOSSARY

TERMS USED IN EQUALISATION

fiscal equalisation

A distribution of general revenue grants which gives each State the capacity to provide the average standard of State public services assuming that it does so at an average level of operational efficiency and makes the average effort to raise revenue from its own sources.

needs

The amount above or below the Australian average per capita expense (or revenue) that a State would spend (raise) if it provided the average level of service (made the average revenue raising effort). Needs can be either positive or negative.

pool

The pool of funds made available by the Australian Government as untied financial assistance. Currently consists of Goods and Services Tax revenue and health care grants.

relativity

A per capita weight applied to a State's population to calculate its share of the pool of GST revenue and health care grants.

review

The process in which from time to time the Commission reconsiders the methods used to calculate State relativities, according to terms of reference provided by the responsible Minister.

review period

The years that form the basis of the calculations used in assessing State relativities.

specific purpose payments (SPPs)

Australian Government payments to States, under section 96 of the Constitution, which must be used for purposes specified by the Australian Government. Some are conditional on States incurring a specified level or proportion of expenses from their own resources.

update

The annual assessment of State relativities undertaken by the Commission between reviews. Update assessments incorporate the most recent available data, as required by terms of reference provided by the responsible Minister. In general, the methods used to calculate the relativities are those adopted in the most recent review.

ACRONYMS

AASB	Australian Accounting Standards Board
AEIFRS	Australian Equivalents to International Financial Reporting Standards
ANAO	Australian National Audit Office
APS	Australian Public Service
ATO	Australian Taxation Office
AWA	Australian workplace agreement
CGC	Commonwealth Grants Commission
CRF	Consolidated Revenue Fund
CSS	Commonwealth Superannuation Scheme
FMA	Financial Management and Accountability
FMO	Finance Minister's Order
GFS	Government Finance Statistics
GST	Goods and Services Tax
HCG	Health Care Grant
OH&S	Occupational health and safety
PSS	Public Sector Superannuation Scheme
PSSap	Public Sector Superannuation Scheme accumulation plan
Minco	Ministerial Council for Commonwealth-State Financial Relations

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