



Australian Government

Commonwealth Grants Commission

**COMMONWEALTH
GRANTS COMMISSION**

Annual Report

2008-09

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http://www.cgc.gov.au/about_cgc .

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File ref: 2009/0046

The Hon Wayne Swan MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

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 2008-09. The report covers inquiries and other activities undertaken by the Commission during the year ended 30 June 2009.

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
Chairman

1 September 2009

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OVERVIEW

MAJOR OUTCOMES AND COMMISSION PERFORMANCE — 2008-09

- 1 Under the outcome reporting framework for the 2008-09 Budget, the Commission had only one outcome — fiscal equalisation.
- 2 The major achievement during the year was the presentation to the Minister of the *Report on State Revenue Sharing Relativities 2009 Update*. Its recommendations were considered at the Ministerial Council for Federal Financial Relations in March 2009 and adopted (as amended for updated State data) for use in distributing the Goods and Services Tax (GST) revenue between the States and Territories¹ in 2009-10.

THE FINANCIAL RESULTS FOR 2008-09

- 3 The Commission's financial results for 2008-09 are summarised below.

Outcome	2008-09 Allocation	2008-09 Expenses	Variance
	\$m	\$m	\$m
Fiscal equalisation	7.85	6.98	0.87
Total	7.85	6.98	0.87

THE OUTLOOK FOR 2009-10

- 4 Terms of reference for a review of the Commission's methods (Attachment A) ask the Commission to report by 26 February 2010 on appropriate per capita relativities to be applied in the distribution of the GST revenue and health care grants after 2009-10. The methods used should be simpler than in the past, but consistent with the principle of horizontal fiscal equalisation. The Commission expects to receive updated terms of reference asking for

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

relativities to be applied to GST revenue only as a result of the Intergovernmental Agreement on Federal Financial Arrangements agreed to by the Council of Australian Governments in 2008.

- 5 In accordance with a work plan developed in conjunction with the Treasury and the States, a draft report was circulated on 3 July 2009. The Commission's final recommendations will be determined after it has discussed the draft with the States and considered a further round of State submissions.

CHAPTER 1

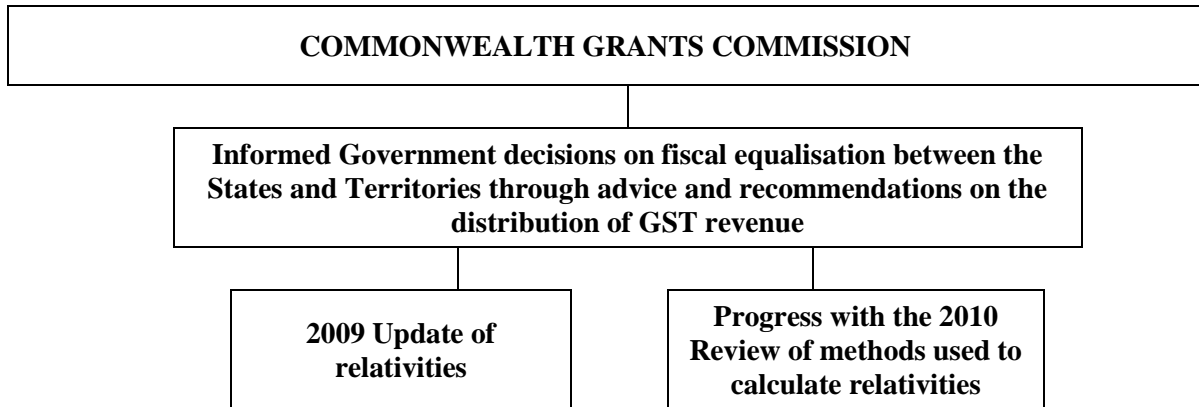
THE COMMISSION AND ITS WORK

- 1 The Commission operates under the *Commonwealth Grants Commission Act 1973*. It is a statutory authority whose role is to provide advice to the Commonwealth Government in response to terms of reference from the Treasurer.
- 2 The main subject on which advice is sought is the allocation among the States of the revenue from the Goods and Services Tax (GST).
- 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 Commonwealth Government agencies and the reports are considered by their Ministers.

Outcome groups

- 4 In 2008-09, 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 are the major activity associated with this outcome. During 2008-09, the Commission made progress with the review of methods to be completed in 2010. It has released a series of papers outlining preliminary views on methods for calculating State shares, discussed them with the States and prepared a draft report.
- 6 Between reviews, the shares are updated annually using the most recent data. Such an update was completed in February 2009. That update (called the 2009 Update) proceeded on the basis of terms of reference (Attachment B) from the Treasurer. States were consulted about the treatment of new issues relevant to their fiscal capacities that arose during the year.
- 7 Figure 1-1 provides a diagrammatic representation of the work of the Commission in 2008-09.

Figure 1-1 Outcomes and outputs structure 2008-09



CHAPTER 2

PERFORMANCE OF THE COMMISSION IN 2008-09

- 1 The Commission's outcome in 2008-09 was fiscal equalisation. The outputs relating to this outcome are reports, or progress towards the completion of reports, containing advice for the Commonwealth 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 2008-09. 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 Commonwealth and State Governments; and
 - the extent to which the Commission operates within its budget.

Outcome — fiscal equalisation

- 3 In 2008-09, the outputs relating to the fiscal equalisation outcome were:
 - progress 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, 2009 Update* and an accompanying document on the relative fiscal capacities of the States.

2010 Review of methods used to derive State revenue sharing relativities

- 4 The methods used in deriving the recommended distribution of GST revenue among the States are reviewed every five years. This ensures the methods remain relevant to the circumstances of the States.

- 5 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 programme of continuous improvement, and consider improving quality assurance processes, providing that to do so is consistent with the principle of horizontal fiscal equalisation. They also require a final report on the inquiry by 26 February 2010.
- 6 During 2008-09, work proceeded on the work programme developed in consultation with the Treasury and the States. The Commission released a series of papers outlining its preliminary views on methods for calculating State shares, discussed the proposals with the States and prepared a draft report. The draft report was circulated in early July prior to a final round of consultation and the preparation of the final report.

2009 Update of State Revenue Sharing Relativities

- 7 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.
- 8 The Commission received terms of reference asking it to provide advice on State shares of the GST revenue for 2009-10. As required by the terms of reference, the Commission reported to the Treasurer on 17 February 2009. The recommended relativities, as adjusted for updated State data, were endorsed by the Ministerial Council for Federal Financial Relations for use in distributing the GST revenue among the States in 2009-10.
- 9 States were consulted on Commission proposals for dealing with new developments in State finances and Federal relations. A list of the papers issued is in Attachment C.

Information dissemination

- 10 Details of reports and discussion papers issued, papers presented to conferences by Commission representatives, and international visitors to the Commission during 2008-09 are in Attachment C. Commission reports and discussion papers can be found on the Commission's website: <http://www.cgc.gov.au>.

Resources

- 11 Table 2-1 and Table 2-2 show the financial and human resources used in producing the Commission's outputs. They show an operating surplus of \$876,000 for the 2008-09 financial year. There was a surplus in 2007-08 and 2006-07. The surpluses occurred because the Commission's budget was supplemented in 2005-06 to reflect the 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 and the use of those surpluses in the last two years. A surplus occurred this year because a major consultancy did not proceed and efficiencies were made in administrative and staffing expenses.
- 12 The Commission received revenue from other sources in 2008-09 from the sale of assets and from charges for car parking to staff. The revenue from other sources is modest and is not material in nature.

Table 2-1 Financial resources for outcome — fiscal equalisation

Price of Departmental outputs	Budget ^(a) 2008-09	Actual expenses 2008-09	Variation	Budget 2009-10
	\$'000	\$'000	\$'000	\$'000
Output 1.1 - Reports on fiscal equalisation				
Revenue from Government (Appropriations) for departmental outputs	7 809	6 974	835	7 339
Revenue from other sources	41	0	41	8
Total price of outputs				
TOTAL FOR OUTCOME 1	7 850	6 974	876	7 347

(a) Budget allocation to the Commission.

Table 2-2 Staffing resources

	2008-09	2009-10 ^(a)
Average staffing level	45.5	50.0

(a) Estimated as at June 2009.

Financial results

- 13 The Commission's audited financial statements for the year ended 30 June 2009 are in Attachment J.

The Commission's performance and social justice

- 14 The Commission's fiscal equalisation outcome contributes towards the Commonwealth 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.
- 15 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 available from its website: <http://www.cgc.gov.au>.

CHAPTER 3

MANAGEMENT AND ACCOUNTABILITY

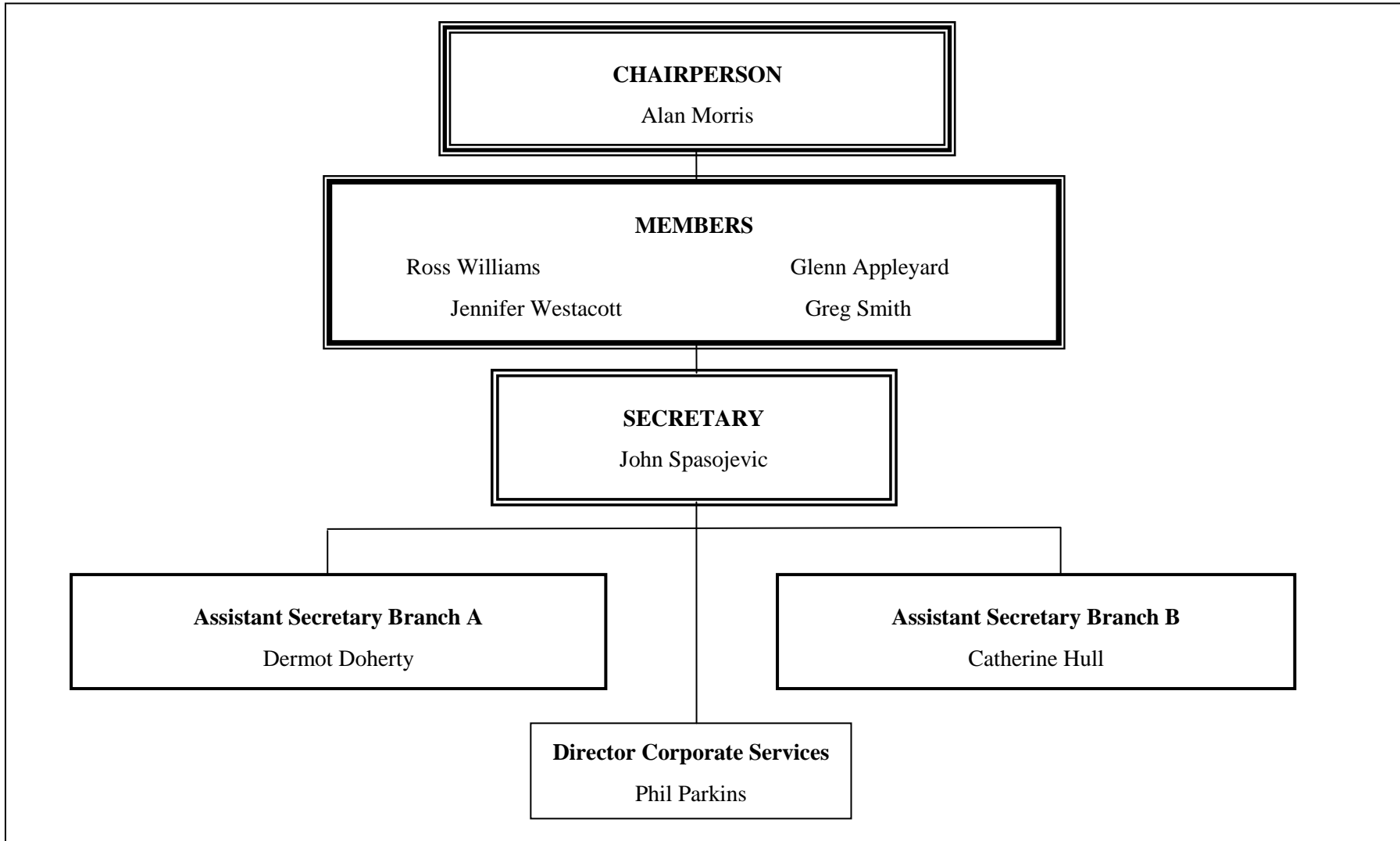
CORPORATE GOVERNANCE

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 2008-09, the members of the Commission were:

Chairperson (part-time):	Mr Alan Morris, until 30 June 2010 inclusive.
Members (part-time):	Prof Ross Williams, until 31 March 2011 inclusive.
	Mr Glenn Appleyard, until 23 June 2014 inclusive.
	Ms Jennifer Westacott, until 26 July 2011 inclusive.
	Mr Greg Smith, until 6 August 2011 inclusive.
- 3 Thirteen Commission meetings were held during the year.
- 4 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 Australian Public Service (APS) employees made available to the Commission. In practice, the direction of their work is determined through meetings of the Commission. Employees are headed by a Secretary who, as the Chief Executive, is responsible for their day-to-day activities.
- 5 During 2008-09, the average staffing level was 45.5 people compared with 47 in 2007-08. 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 2009.

Figure 3-1 Commonwealth Grants Commission — organisation structure as at 30 June 2009



Relationship with the Department of the Treasury

- 6 By Administrative Orders of 25 January 2008, the Commission was transferred to the Department of the Treasury Portfolio. It was previously in the Department of Finance and Deregulation Portfolio.

Governance framework

- 7 The Commission 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 the Treasury. The Secretary of the Commission has been appointed Chief Executive Officer by the portfolio Agency Head for the purposes of that Act.
- 8 The powers and functions of an Agency Head under the *Public Service Act 1999* are delegated to the Chairperson of the Commission by the portfolio head. 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

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

Committees

- 11 There are several standing committees to assist in the management of the organisation. Other committees or working groups are established as tasks arise.

Senior executive group

- 12 This group consists of the members of the senior executive with support provided by the Director of 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.

Management group

- 13 The group consists of the members of the senior executive and the section heads. The role of the group, which meets as required, 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.

Assessment system steering committee

- 14 This committee consists of the two branch heads, the Director of IT and the Assessment System Business Manager. It provides broad policy directives on the development of the IT assessment system used in the Commission's assessment work.

Finance committee

- 15 This committee meets quarterly, or as required, and comprises members of the Executive and Corporate Services. Its main task is to provide monthly reports on finances and to analyse progress of the Commission's budgetary systems.

Fraud control committee

- 16 This committee, which meets as required, includes the Director of Corporate Services, and an employee from an inquiry branch. It 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.

Internal audit committee

- 17 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. The committee also monitors and considers the Commission's risk management processes and important risk management issues.

Remuneration committee

- 18 The remuneration committee provides advice to the Secretary on issues such as the strategic direction of its remuneration strategy.

Learning and development committee

- 19 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.

Internal and external scrutiny and compliance

- 20 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 Federal Financial Relations, following detailed scrutiny by Commonwealth 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. A copy of the Statements for 2008-09 is at Attachment J.
 - *Performance audits.* During 2008-09, Australian National Audit Office performance audit reports did not comment on the Commission.
- 21 Information on freedom of information is provided at Attachment E.

Risk management and fraud control

- 22 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 of Corporate Services is responsible to the executive for ensuring that risk management is aligned with overall business strategy.
- 23 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.

Commonwealth protective security

- 24 All Commonwealth Government agencies subject to the *Financial Management and Accountability Act 1997* (FMA Act) were required to participate in the Commonwealth 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 2008, and provide basic identification and contact details for each responding agency. The Commission participated in the survey as required.

- 25 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

- 26 Table 3-1 contains details of members and employees at 30 June 2009.

Table 3-1 The Commission and its employees, by classification and gender, 30 June 2009

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	11	2	11	1.8	12.8
Executive Level 1	16	10	6	9.8	4.6	14.4
APS 6	5	3	2	1.8	2.8	4.6
APS 5	1	1	-	-	1	1
APS 4	6	4	2	1.9	3.9	5.8
APS 2	1	1	-	-	1	1
Total — employees	45	32	13	26.5	16.1	42.6
Total — Commission and employees	50	32	18	28.4	16.5	44.9

- 27 At 30 June 2009, the Commission consisted of a Chairperson and four members who were statutory appointees. They were all appointed on a part-time basis. It employed 45 people under the *Public Service Act 1999*¹, 32 of whom were full-time, and 18 of whom were female.
- 28 Table 3-2 summarises Commission and employee movements during 2008-09. Overall, there was an increase in the female employee proportion — 40 per cent at 30 June 2009.
- 29 In the executive level classifications, at 30 June 2009, 28 per cent of employees were female (25 per cent at June 2008) and in the APS 5 and 6 group, 66 per cent were female (60 per cent at June 2008).

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

Table 3-2 Commission and employee movements during 2008-09 ^(a)

	In	Out	Total
1 July 2008			53
Appointments			
Promotions/transfers	10	-9	1
Resignations/retirements		-4	-4
Appointment ended			
Deaths			
Dismissals			
30 June 2009	10	-13	50

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

Certified/Collective Agreement

30 Conditions of employment for non-senior executive employees in 2008-09 were specified in the *Commonwealth Grants Commission Certified Agreement 2004-2005*. This was certified on 12 January 2005 and had a nominal expiry date of 12 January 2006. Negotiations for a replacement agreement or a collective agreement were not required in 2008-09.

Australian workplace agreements (AWAs) and section 24(1) determinations

31 During 2008-09, conditions of employment for senior executive service employees at the Commission and 45 non-SES employees were specified in AWAs and Determinations under section 24(1) of the *Public Service Act 1999*.

Salary ranges

32 Table 3-3 shows the salary ranges payable at 30 June 2009 under the *Commonwealth Grants Commission Certified Agreement 2004-2005*, AWAs and s 24(1) Determinations. The lower amounts are those shown in the *Commonwealth Grants Commission Certified Agreement 2004-2005* and the higher amounts are generally from AWAs and s 24(1) Determinations.

Table 3-3 Salary ranges payable

Classification	As at 30 June 2009
	\$
APS 1	31 515 – 34 751
APS 2	35 566 – 44 315
APS 3	40 406 – 43 549
APS 4	44 946 – 64 000
APS 5	50 046 – 62 192
APS 6	56 148 – 73 000
Executive Level 1	68 360 – 92 373
Executive Level 2	83 238 – 120 000

Performance pay

- 33 Under the terms of the *Commonwealth Grants Commission Certified Agreement 2004-2005*, AWAs, s 24(1) Determinations and the Performance Feedback Scheme, employees who were assessed as ‘meets requirements’ or better may be eligible for lump sum performance bonuses.
- 34 Table 3-4 shows lump sum bonus payments to eligible employees during 2008-09. The total amount of lump sum payments was \$89 756.

Table 3-4 Lump sum bonus payments to employees, 2008-09

Classification	Number of employees	Average bonus paid	Range of bonuses paid
		\$	\$
APS 4/5/6 ^(a)	11	719	138 - 1 296
Executive Level 1	11	1 591	329 - 3 079
Executive Level 2	11	5 849	1 912 - 15 000

(a) Combined for confidentiality.

- 35 All senior executives were assessed under the Commission’s performance feedback scheme. Lump sum bonus payments totalling \$30 780 were paid during 2008-09.

Remuneration of senior executives

- 36 The aggregate remuneration paid to all senior executives during 2008-09 was \$742 655. Full details of the components of executive remuneration are in Attachment J — Financial statements.

Training and development strategies

- 37 During 2008-09, 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 programme. The programme is discussed and endorsed through the management and senior executive group meetings.
- 38 The main categories of training undertaken during the year were:
- professional/technical training;
 - report writing;
 - management development;
 - financial accounting/resource management; and
 - induction.

- 39 Managers attended in-house training sessions and external courses and conferences on human resource management, public administration and financial arrangements in Commonwealth Government systems.
- 40 A commercial on-line training package for general management skills is being trialled.

Studies assistance

- 41 The Commission encourages and assists employees undertaking tertiary studies relevant to their employment at the Commission. Four employees received study assistance during 2008-09.

Induction

- 42 Employees new to the Commission undergo an induction programme. The programme 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 programme of the Commission; the general APS environment; and the necessary operational skills and tools, for example Word and Excel.

Resources

- 43 Resources allocated to training in 2008-09, amounting to 2.1 per cent of the salary expenditure, are shown in Table 3-5.

Table 3-5 Resources allocated to training 2008-09

Total pay-roll for 2008-09 ^(a)	\$4 852 000
Net training expenditure ^(b)	\$103 361
Training expenditure as a percentage of pay-roll	2.1%
Number of Commission employees at 30 June 2009 ^(a)	45
Number of full-time equivalent person days spent on training	119
Number of employees who participated in training activities	43

(a) Excluding members of the Commission.

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

Other policies

- 44 The Commission maintains workplace diversity and occupational health and safety policies. Details of the latter are contained in Attachment F. Details of the Commonwealth disability strategy are at Attachment G.

OTHER RESOURCE MANAGEMENT MATTERS

Purchasing

- 45 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 December 2008. Relevant employees are aware of the requirements and expectations when undertaking procurement activities and are guided by the Commission's *Chief Executive Instructions*.
- 46 *The Commonwealth Procurement Guidelines* — December 2008 including the *Guidance on the Mandatory Procurement Procedures* — December 2008, have been incorporated into Commission operations and relevant employees have attended appropriate training.

Asset management

- 47 The net written down value of non-current assets recorded in the Commission's Assets Register at 30 June 2009 was \$216 529. 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

- 48 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'.
- 49 During 2008-09, eleven new consultancy services contracts were entered into involving total actual expenditure of \$281 788. There are no consultancy contracts ongoing. The details of consultancies and contracts that cost \$10 000 or more are reported regularly in AusTender, as required by section 7.24 of the *Commonwealth Procurement Guidelines*, December 2008, issued by the Department of Finance and Administration. Details of the consultancies that cost \$10 000 or more are in Attachment H. Information on expenditure on contracts and consultancies is also available on the AusTender website: www.tenders.gov.au.
- 50 Table 3-6 provides a summary of consultancy contracts that were active in 2008-09.

Table 3-6 Summary of consultancy contracts active in 2008-09

New consultancy service contracts let	11
Total actual expenditure on all new consultancy contracts let (GST included)	\$281 788
Active, ongoing consultancy contracts, from 2007-08	0
Total actual expenditure on ongoing consultancy contracts (GST included)	\$0

Competitive tendering and contracting

- 51 There were no independent competitive tendering and contracting activities at the Commission during 2008-09.
- 52 The Commission was previously included in contractual arrangements entered into by the Department of Finance and Administration for personnel services. Human resource services are now provided by Aurion Corporation and SRC Solutions. Table 3-7 shows the services received from outsourced providers during 2008-09.

Table 3-7 Services received under outsource arrangements

Service	Service Provider
Travel arrangements	Qantas Business Travel
Property management	UnitedGroup Ltd
Telecommunications	TransACT
Personnel services	Aurion Corporation
Office requisites	Corporate Express
Rehabilitation case management	SRC Solutions

Discretionary grants

- 53 The Commission does not administer any discretionary grants programmes.

Advertising and market research

- 54 The Commission did not conduct any advertising or market research during 2008-09.
- 55 During 2008-09, the Commission used the services of media advertising organisations for the purpose of recruitment advertising. Five payments ranging from \$774 to \$903 and totalling \$6 129 were made to HMA Blaze Pty Ltd for this purpose.

Ecologically sustainable development and environmental performance

- 56 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.
- 57 The Commission has developed an environmental management system to comply with AS/NZS ISO 14001. 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

58 Enquiries about this report should be directed to:

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ATTACHMENT A

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
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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 Federal 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 B

TERMS OF REFERENCE FOR THE 2009 UPDATE OF STATE REVENUE SHARING RELATIVITIES

Terms of Reference for the 2009 Update of State Revenue Sharing Relativities

COMMONWEALTH GRANTS COMMISSION ACT 1973

I, Wayne Maxwell Swan, Treasurer, 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 27 February 2009, the question of the per capita relativities to be used to distribute GST revenue among the States, the Northern Territory and the Australian Capital Territory (collectively referred to as the States) in 2009-10. The Commission should provide the per capita relativities to the Australian Government and the States by 20 February 2009.

2. The Commission's assessments of per capita relativities should be based on the review period 2003-2004 to 2007-2008 inclusive. Where possible, the Commission should use the latest available data.

3. The Commission should provide per capita relativities for determining the distribution of GST payments.

4. Subject to paragraphs 5 to 12, 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; and
- (d) range and methods of measuring revenue and expenditure disabilities

that the Commission used to calculate the per capita relativities in its *2008 Report on State Revenue Sharing Relativities*.

5. The Commission's assessment should take into account the Intergovernmental Agreement on Federal Financial Relations agreed to at the meeting of the Council of Australian Governments on 29 November 2008 and which has effect from 1 January 2009.

6. Subject to paragraphs 7 to 12, the Commission's assessments should reflect the underlying principle of horizontal fiscal equalisation.

7. The Commission should prepare its assessments on the basis that:

- a. National SPPs and National Partnership project payments will be treated by 'inclusion', recognising that these payments provide the States and Territories with budget support for providing standard state and territory services;
- b. National Partnership facilitation and incentive (reward) payments will be treated by 'exclusion' so that any benefit to a State or Territory from achieving specified outputs sought by the Commonwealth, or through implementing reforms, will not be redistributed to other States or Territories through the horizontal fiscal equalisation process; and
- c. general revenue assistance, excluding GST payments, will be treated by 'inclusion', recognising that these payments are available to provide untied general budget support to a State or Territory, however, the Commonwealth Grants Commission may treat, on a case by case basis, any component of general revenue assistance as 'out of scope' if it considers such treatment is more appropriate.

8. Notwithstanding paragraph 7, the Commission may determine that it is appropriate for particular payments to be treated differently, reflecting the nature of the particular payment and the role of State governments in providing particular services.

9. The Commission should prepare its assessments on a basis consistent with the Commonwealth's intention that the following payments should not directly influence the per capita relativities:

- a) National Partnership payment for Caring for our Country;
- b) the Commonwealth funding to deliver the Northern Territory emergency response to address the Indigenous crisis in the Northern Territory;
- c) the Northern Territory's share of the Australian Remote Indigenous Accommodation payment; and
- d) the Commonwealth's purchase of the Mersey Campus of the North West Regional Hospital from Tasmania.

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 and 2007*.

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 a result of the framework agreed at the Council of Australian Governments meeting on 29 November 2008.

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.

WAYNE SWAN

ATTACHMENT C

INFORMATION DISSEMINATION

- 1 At the conclusion of each inquiry, a report is produced and presented to the responsible Minister. 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 2008-09.

Activities

- 6 *2009 Update.* The Commission received the terms of reference for this update in February 2009.
- 7 *2010 Review.* The Commission received the terms of reference for this review in May 2005.
- 8 Consistent with the work programme for the review, formal discussions with States during 2008-09 were as follows:
- | | |
|--------------------|--|
| 7-10 July 2008 | South Australian State visit by Commission and staff |
| 25 July 2008 | Victoria and Tasmanian Treasuries meeting with Commission staff to discuss the Capital assessment, in Melbourne |
| 7 August 2008 | ACT Treasury meeting with Commission staff to discuss the Capital assessment |
| 8 August 2008 | Queensland Treasury meeting with Commission staff to discuss the Capital assessment |
| 13 August 2008 | Teleconference with Northern Territory Treasury to discuss the Capital assessment |
| 14 August 2008 | South Australia visit by Commission and staff to discuss the Capital assessment |
| 22-23 October 2008 | Discussion with States — 2010 Review Revenue and expenses category assessment |
| 3-4 December 2008 | Location Working Party Meeting — discussion on interstate wages and non wage costs; and staff level meeting — health and welfare |
| 18 February 2009 | Teleconference with States to discuss assessments for the 2009 Update Report |
| 16 March 2009 | Teleconference with Queensland Treasury officials to discuss the assessment of water, in particular the use of community service obligations |
| 19 March 2009 | Meeting with Victoria to discuss cultural and linguistic diversity data and the Capital assessment |
| 26 March 2009 | South Australia meeting with Commission to discuss the Capital assessment |
| 2-3 April 2009 | Commission meeting with State officers to discuss assessment items relating to the 2010 Review |
| 28 May 2009 | Commission meeting with States before release of the 2010 Review Draft Report |

Reports

9 The reports produced during 2008-09 were the:

- *Report on State Revenue Sharing Relativities 2009 Update.*

Discussion and information papers

10 The purpose of the Commission's issuing of discussion, position 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.

11 In 2008-09 the Commission issued the following papers:

2009 Update:

- *CGC 2008/19 New issues for the 2009 Update* (Commission position paper);

2010 Review:

- *CGC 2008/04 2010 Review — Overview* (Commission position paper);
- *CGC 2008/05 Payroll* (Commission position paper);
- *CGC 2008/06 Land tax* (Commission position paper);
- *CGC 2008/07 Stamp duty on conveyances* (Commission position paper);
- *CGC 2008/08 Insurance taxation* (Commission position paper);
- *CGC 2008/09 Motor taxation* (Commission position paper);
- *CGC 2008/10 Mining revenue* (Commission position paper);
- *CGC 2008/11 Miscellaneous revenue* (Commission position paper);
- *CGC 2008/12 Administrative scale* (Commission position paper);
- *CGC 2008/13 Disabilities mainly affecting the ACT* (Commission position paper);
- *CGC 2008/14 Location — wage costs* (Commission position paper);
- *CGC 2008/15 Location — non-wage costs* (staff discussion paper);
- *CGC 2008/16 Schools education* (Commission position paper);
- *CGC 2008/17 Post-secondary education* (Commission position paper);
- *CGC 2008/18 Admitted patient services* (Commission position paper);
- *CGC 2008/20 Community and other health services* (Commission position paper);
- *CGC 2008/21 Welfare and housing* (Commission position paper);
- *CGC 2008/22 Services to communities* (staff discussion paper);
- *CGC 2008/23 Justice services* (Commission position paper);
- *CGC 2008/24 Public safety* (Commission position paper);
- *CGC 2008/25 Roads* (Commission position paper);
- *CGC 2008/26 Transport services* (Commission position paper);

- *CGC 2008/27 Services to industry* (Commission position paper);
- *CGC 2008/28 Other services* (Commission position paper);
- *CGC 2008/29 Capital* (Commission position paper);
- *CGC 2008/30 The adjusted budget* (Commission position paper);
- *CGC 2009/01 Treatment of Commonwealth payments to the States* (staff discussion paper); and
- *CGC 2009/02 Native title and land rights* (Commission position paper).

Papers presented to conferences and seminars

- 12 During 2008-09, Commission representatives presented papers on intergovernmental financial arrangements to the following conferences and seminars:
- Managing Government Finances Class, University of Canberra, ACT, 30 September 2008;
 - National Conference of Local Government Grants Commissions, Charleville, Queensland, 7-9 October 2008;
 - ACT Economic Students, Narrabundah College, 18 November 2008; and
 - Central Party Chinese Delegation, Central Party School Workshop, Canberra, ACT, 24 June 2009.

Participation in interdepartmental committees

- 13 During 2008-09, Commission staff participated in the following Commonwealth working groups:
- steering committee and development group for the Report on Indigenous Expenditures for the Council of Australian Governments; and
 - steering committee for the development of baseline mapping for Remote Service Delivery National Partnership.

Visitors to the Commission

- 14 International, academic and official visitors to the Commission included:
- Professor Ian McLean, Oxford University, England, meeting with Commission staff 24 July 2008;
 - presentation to Chinese Central and Local Treasury Delegation, 8 December 2008;
 - Hon Troy Buswell, Treasurer of Western Australia, meeting with Commission staff, 26 March 2009; and
 - Ms Mary Ann O'Loughlin, COAG Reform Council, meeting with Commission staff, 30 March 2009.

Compliance with Senate Orders

- 15 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 website: <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 website: <http://www.cgc.gov.au>.

ATTACHMENT D

CORPORATE PLAN

1 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: 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 E

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 2008-09 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 2008-09. 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 Act allows the Commission to inform itself 'in such ... manner as it sees fit'. All Commonwealth 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 and most of the State submissions received in response, working papers prepared by the Commission, some consultancy reports and some transcripts of meetings between the Commission and interested parties. The documents are uploaded to, and remain on, the website as 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 Treasury, Commonwealth Government agencies, 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 8821

- 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 2008-09.

ATTACHMENT F

OCCUPATIONAL HEALTH AND SAFETY

- 1 The Commission operated under the occupational health and safety (OH&S) policy of the Department of Finance and Deregulation until it was transferred to the Department of the Treasury in January 2008. After that, the Commission developed its own health and safety management arrangements.
- 2 The Commission adopted the Department of Finance and Deregulation rehabilitation policy with Comcare for employees injured at work while under that department. Since moving to the Department of the Treasury, the Commission has continued to use the specialist services of SRC Solutions, the outsourced service provider, to administer its compensation cases. Separate arrangements are being made for the Commission to continue to use those services.
- 3 The Commission is a Designated Work Group under the *Occupational Health and Safety Act 1991*. Commission employees have an OH&S representative.
- 4 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.
- 5 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.
- 6 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.
- 7 Two appropriately trained employees are appointed as first aid officers. The required number of fire wardens was appointed and training provided where appropriate.

- 8 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.
- 9 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 G

COMMONWEALTH DISABILITY STRATEGY

- 1 The Commonwealth disability strategy recognises that the Commonwealth has an impact on the lives of people with disabilities. The Commission plays a role in assisting the Commonwealth 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 programmes to the wider Australian community, no new policies or programmes were developed and/or implemented by the Commission in 2008-09. 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 For 2008-09, the Commission is aware that eight per cent of employees have 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 programme 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 H

CONSULTANCY CONTRACTS LET DURING 2008-09

- 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 — December 2008* 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; and
 - provision of advice and assistance in industrial relations matters.

5 Consultancy contracts let by the Commission during 2008-09 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)
Adelaide Research and Innovation	Redevelop state 'ARIA' classifications.	\$28 600	Select Tender	C
Australian National University	Community and other health services assessment.	\$10 000	Select Tender	C
Blake Dawson	Examination of interstate differences on stamp duty in conveyancing.	\$35 200	Select Tender	C
Iron Mountain Australia P/L	Records management project.	\$38 954	Select Tender	A
McGrath Nicol and Partners	Audit of calculation system and compliance with QA procedures for 2009 Update.	\$50 000	Open Tender	B
Pitney Bowes Mapinfo	Conduct local roads measurement.	\$13 585	Select Tender	C
University of Melbourne	Report on modelling of post compulsory school enrolments 2010 Review	\$52 583	Select Tender	C
University of South Australia	Development of transport services assessment.	\$50 000	Select Tender	C

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

6 One additional contract has also been let to KPMG Australia for an audit of the Commission's assessment system to the value of \$36 830 but as at 30 June 2009 no expenditure has been incurred.

ATTACHMENT I

AGENCY RESOURCE STATEMENT 2008-09

1 The following table provides information on the Commission's relative funding sources in cash terms.

Agency Resource Statement 2008-09

	Actual Available Appropriations for 2008-09	Payments Made 2008-09 \$'000	Balance Remaining
	(a)	(b)	(a-b)
Ordinary Annual Services¹ Departmental appropriation			
Prior year departmental appropriation	\$6 000	\$0	\$6 000
Departmental appropriation	\$7 809	\$6 686	\$1 123
S 31 Relevant agency receipts	\$15	\$0	\$15
Total ordinary annual services	\$13 824	\$6 686	\$7 138

¹ Appropriation Bill (No.1) 2008-09.

Agency Resource Statement 2008-09 (cont'd)

	Actual Available Appropriations for 2008-09	Payments Made 2008-09 \$'000
Special Accounts		
Opening Balance	\$0	
Non-appropriation receipts	\$26	
Payments made		\$26
Closing Balance	\$0	
Total Resourcing and Payments	\$13 824	\$6 686

ATTACHMENT J

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

- 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 Treasurer

Scope

I have audited the accompanying financial statements of Commonwealth Grants Commission for the year ended 30 June 2009, which comprise: a Statement by the Chief Executive; Income Statement; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies and Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies.

The Responsibility of the Chief Executive Officer for the Financial Statements

The Commonwealth Grants Commission's Chief Executive 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*, including the Australian Accounting Standards (which include the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls 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. I have conducted my audit 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 these 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

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19 National Circuit SULLIVAN ACT 2600
Phone (02) 6213 7100 Fax (02) 6213 7337

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 Chief Executive, 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 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*, including the Australian Accounting Standards; 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 2009 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Carla Jago

Executive Director

Delegate of the Auditor-General

Canberra

1 September 2009

Attachment J Financial Statements for the year ended 30 June 2009

Commonwealth Grants Commission
Statement by the Chief Executive

In our opinion, the attached financial statements for the year ended 30 June 2009 are 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. Spasojevic
Secretary

1 September 2009



P. Parkins
Chief Finance Officer

1 September 2009

Commonwealth Grants Commission

INCOME STATEMENT

for the period ended 30 June 2009

	Notes	2009	2008
		<u>\$'000</u>	<u>\$'000</u>
INCOME			
Revenue			
Revenue from Government	3A	7 809	7 989
Sale of goods and rendering of services	3B	15	345
<i>Total revenue</i>		<u>7 824</u>	<u>8 334</u>
Gains			
Other gains	3C	26	24
<i>Total gains</i>		<u>26</u>	<u>24</u>
Total Income		<u>7 850</u>	<u>8 358</u>
EXPENSES			
Employee benefits	4A	5 315	5 324
Suppliers	4B	1 490	1 576
Depreciation and amortisation	4C	169	139
Losses from asset sales	4D	-	6
Total Expenses		<u>6 974</u>	<u>7 045</u>
Surplus (Deficit) attributable to the Australian Government		<u>876</u>	<u>1 313</u>

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

Commonwealth Grants Commission

BALANCE SHEET

as at 30 June 2009

	Notes	2009 <u>\$'000</u>	2008 <u>\$'000</u>
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	138	70
Trade and other receivables	5B	7 010	6 015
<i>Total financial assets</i>		<u>7 148</u>	<u>6 085</u>
Non-Financial Assets			
Buildings	6A,C	95	160
Infrastructure, plant and equipment	6B,C	122	211
Other non-financial assets	7A	55	49
<i>Total non-financial assets</i>		<u>272</u>	<u>420</u>
Total Assets		<u><u>7 420</u></u>	<u><u>6 505</u></u>
LIABILITIES			
Payables			
Suppliers	8A	55	122
Other payables	8B	79	62
<i>Total payables</i>		<u>134</u>	<u>184</u>
Provisions			
Employee provisions	9A	1 515	1 426
Other provisions-Lease make-good		78	78
<i>Total provisions</i>		<u>1 593</u>	<u>1 504</u>
Total Liabilities		<u><u>1 727</u></u>	<u><u>1 688</u></u>
Net Assets		<u><u>5 693</u></u>	<u><u>4 817</u></u>
EQUITY			
Contributed equity		917	917
Reserves		159	159
Retained surpluses (accumulated deficits)		4 617	3 741
Total Equity		<u><u>5 693</u></u>	<u><u>4 817</u></u>
Current Assets		7 203	6 134
Non-current Assets		217	371
Current Liabilities		1 483	1 467
Non-current Liabilities		244	221

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

Commonwealth Grants Commission

STATEMENT of CHANGES in EQUITY

as at 30 June 2009

	Retained Earnings		Asset Revaluation Reserve		Contributed Equity/Capital		Total Equity	
	2009	2008	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance								
Balance carried forward from previous period	3 741	2 428	159	159	917	917	4 817	3 504
Adjustment for errors	-	-	-	-	-	-	-	-
Adjustment for changes in accounting policies	-	-	-	-	-	-	-	-
Adjusted Opening Balance	3 741	2 428	159	159	917	917	4 817	3 504
Income and Expense Surplus (Deficit) for the period								
	876	1 313	-	-	-	-	876	1 313
Total Income and Expenses	876	1 313	-	-	-	-	876	1 313
Transactions with Owners	-	-	-	-	-	-	-	-
Contribution by Owners	-	-	-	-	-	-	-	-
Closing Balance at 30 June	4 617	3 741	159	159	917	917	5 693	4 817

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

Commonwealth Grants Commission

CASH FLOW STATEMENT

for the period ended 30 June 2009

	Notes	2009 <u>\$'000</u>	2008 <u>\$'000</u>
OPERATING ACTIVITIES			
Cash received			
Appropriations		7 809	7 989
Goods and services		19	446
Net GST received		151	132
Total cash received		<u>7 979</u>	<u>8 567</u>
Cash used			
Employees		5 209	5 145
Suppliers		1 688	1 656
Return to OPA		1 000	1 600
Total cash used		<u>7 896</u>	<u>8 401</u>
Net cash from or (used by) operating activities	10	<u>82</u>	<u>166</u>
INVESTING ACTIVITIES			
Cash received			
Other cash		1	2
Total cash received		<u>1</u>	<u>2</u>
Cash used			
Purchase of property, plant and equipment		15	138
Total cash used		<u>15</u>	<u>138</u>
Net cash from or (used by) investing activities		<u>(14)</u>	<u>(136)</u>
Net Increase or (decrease) in cash held		68	30
Cash at beginning of the reporting period		<u>70</u>	40
Cash at the end of the reporting period	5A	<u>138</u>	<u>70</u>

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

Commonwealth Grants Commission

SCHEDULE OF COMMITMENTS

as at 30 June 2009

	2009	2008
	<u>\$'000</u>	<u>\$'000</u>
BY TYPE		
Commitments Receivable		
GST recoverable on commitments	(59)	(99)
Total Commitments Receivable	<u>(59)</u>	<u>(99)</u>
Other Commitments		
Operating leases ¹	610	1 041
Other commitments	39	52
Total Other Commitments	<u>649</u>	<u>1 093</u>
Net Commitments by Type	<u>590</u>	<u>994</u>
BY MATURITY		
Commitments Receivable		
Other Commitments Receivable		
One year or less	(59)	(99)
Total Other Commitments Receivable	<u>(59)</u>	<u>(99)</u>
Commitments Payable		
Operating Lease Commitments		
One year or less	523	463
From one to five years	87	578
Total Operating Lease Commitments	<u>610</u>	<u>1 041</u>
Other Commitments		
One year or less	39	52
Total Other Commitments	<u>39</u>	<u>52</u>
Net Commitments by Maturity	<u>590</u>	<u>994</u>

NB: Commitments are GST inclusive where relevant.

¹ 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 were subject to market review in Sept. 2008. The initial periods of office accommodation leases are still current.
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 2009

	2009	2008
	<u>\$'000</u>	<u>\$'000</u>
CONTINGENCIES	Nil	Nil

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 2008-09, the Commission was structured to meet one outcome:

Outcome 1: Informed Government decisions on fiscal equalisation between the States and Territories through advice and recommendation on the distribution 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 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 2008; 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.

Unless alternative treatment is specifically required by an accounting standard, income 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 Changes in Australian Accounting Standards

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

The following new standards, amendments to standards or interpretations for the current financial year have no material financial impact on the Commission [AASB 1, AASB 3, AASB 5, AASB 7, AASB 101, AASB 114, AASB 116, AASB 127, AASB 137, AASB 139, AASB 1004, AASB 1048, AASB 1049, AASB 1050, AASB 1051 & AASB 1052].

AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139].

AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AASBs 27, 29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137].

AASB 2008-10 Amendments to Australian Accounting Standards – Reclassification of Financial Assets.

AASB 2008-12 Amendments to Australian Accounting Standards – Reclassification of Financial Assets – Effective date of Transition [AASB 7, AASB 139, & AASB 2008-10].

AASB 2009-3 Amendments to Australian Accounting Standards – Embedded Derivatives [AASB 139 & Interpretation 9].

Interpretation 4-Determining whether an arrangement contains a Lease.

Interpretation 12-Service Concessions Arrangements (Feb 2007).

Interpretation 13-Customer Loyalty Programmes.

Interpretation 14-AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction.

Interpretation 129-Service Concessions Arrangements: Disclosures.

Interpretation 1038-Contributions by Owners made to Wholly-Owned Public Sector Entities.

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

1.3 Changes in Australian Accounting Standards (cont.)

Future Australian Accounting Standard requirements

Of the new standards, amendments to standards and interpretations issued by the Australian Accounting Standards Board that are applicable to future reporting periods, it is estimated that the following will not have a material financial impact on the Commission.

AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting*.

AASB 3 *Standards (May 2009) and Business Combinations (Mar 2008)*.

AASB 8 *Operating Segments* and 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]*.

AASB 101 *Presentation of Financial Statements (Sep 2007)*.

AASB 123 *Borrowing costs*.

AASB 127 *Consolidated and Separate Financial statements (Mar 2008)*.

AASB 1039 *Concise Financial Reports*.

AASB 2007-03 *Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5,6,102,107,119,127,130,136,1023 & 1038]*

AASB 2007-06 *Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]*.

AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*.

AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101*.

AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2]*.

AASB 2008-2 *Amendments to Australian Accounting Standard – Puttable Financial Instruments and Obligations arising on Liquidation [AASB 7, AASB 101, AASB 132, AASB 139 & Interpretation 2]*.

AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127.[AASB 1,2,4,5,7,101,112,114,116,121,128,131,132,133,134,136,137,138, & 139 and Interpretations 9 & 107]*.

AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5,7,101,102,107,108,110,116,118,119,120,123,127,128,129,131, 132,133,134,136,137,138,139, 140, 141, 1023 & 1038]*.

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

1.3 Changes in Australian Accounting Standards (cont.)

Future Australian Accounting Standard requirements (cont.)

AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from Annual Improvements Project [AASB 1 and AASB 5].*

AASB 2008-7 *Amendments to Australian Accounting Standards-Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 and AASB 136].*

AASB 2008-8 *Amendments to Australian Accounting Standards-Eligible Hedged Items [AASB 139].*

AASB 2008-9 *Amendments to AASB 1049 for Consistency with AASB 101.*

AASB 2008-11 *Amendments to Australian Accounting Standard-Business Combinations among Not-for-Profit Entities [AASB 3].*

AASB 2008-13 *Amendments to Australian Accounting Standards-arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110].*

AASB 2009-1 *Amendments to Australian Accounting Standards-Borrowing Costs of Not-for-Profit Public Sector Entities [AASB 1, AASB 111 & AASB 123].*

AASB 2009-2 *Amendments to Australian Accounting Standards-Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038].*

AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16].*

AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5,8,101,107,117,118,136 & 139].*

AASB 2009-6 *Amendments to Australian Accounting Standards.*

AASB 2009-7 *Amendments to Australian Accounting Standards [AASB 5,7,107,112,136, & 139 & Interpretation 17].*

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

1.3 Changes in Australian Accounting Standards (cont.)

Future Australian Accounting Standard requirements (cont.)

Other

The following interpretations have been issued but are not applicable to the operations of the Commission.

Interpretation 1-*Changes in Existing Decommissioning, Restoration and Similar Liabilities.*

Interpretation 12-*Service Concessions Arrangements (June 2007).*

Interpretation 15-*Agreements for the Construction of Real Estate.*

Interpretation 16-*Hedges of a Net Investment in a Foreign Operation.*

Interpretation 17-*Distribution of non-cash Assets to Owners.*

Interpretation 18-*Transfer of Assets from Customers.*

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 when the Commission gains control of the appropriation, 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 associated with the transaction will flow to the Commission.

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

1.5 Gains

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 2008-09.

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.)

This liability is reported by the Department of Finance and Deregulation as an administered item.

The Commission makes employer contributions to the employee's superannuation scheme at rates determined by an actuary to be sufficient to meet the current 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 and cash equivalents includes notes, coins, and any deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

1.10 Financial assets

The Commission classifies its financial assets in the following category:

- Loans and receivables.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for maturities greater than 12 months after the Balance Sheet date. These are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest rate method less impairment. Interest is recognised by applying the effective interest rate.

1.11 Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Supplier and other payables

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

1.12 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 asset or liability in respect of which 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

1.13 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.

1.14 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' recognised.

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 operating result. 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

1.14 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:

	2009	2008
Leasehold improvements	Lease term	Lease term
Plant and equipment	2 to 4 years	2 to 4 years

Impairment

All assets were assessed for impairment at 30 June 2009. 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.

1.15 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.

1.16 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.

1.17 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

1.18 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.

	2009	2008
	<u>\$'000</u>	<u>\$'000</u>

Note 3: Income

Revenue

Note 3A: Revenue from Government

Appropriations:

Departmental outputs	7 809	7 989
	7 809	7 989

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	-	329
Rendering of services-external entities	15	16
<i>Total rendering of services</i>	15	345
<i>Total sale of goods and rendering of services</i>	15	345

Gains

Note 3C: Other gains

Resources received free of charge	25	22
Other gains	1	2
Total other gains	26	24

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

	2009	2008
	<u>\$'000</u>	<u>\$'000</u>
Note 4: Expenses		
<u>Note 4A: Employee benefits</u>		
Wages and salaries	4 069	4085
Superannuation		
Defined contribution plans	484	506
Defined benefit plans	204	191
Leave and other entitlements	558	542
<i>Total employee benefits</i>	5 315	5 324
<u>Note 4B: Suppliers</u>		
Provision of goods - external parties	161	80
Rendering of services - related entities	206	201
Rendering of services - external parties	638	837
Operating lease rentals	465	421
Workers compensation premium	20	37
<i>Total supplier expenses</i>	1 490	1 576
<u>Note 4C: Depreciation and amortisation</u>		
Depreciation		
Infrastructure, plant and equipment	104	74
Building-leasehold improvements	65	65
<i>Total depreciation and amortisation</i>	169	139
<u>Note 4D: Losses from sale of assets</u>		
Plant and equipment		
Proceeds from sale	-	-
Carrying value of assets sold	-	6
Selling expense	-	-
Total losses from asset sales	-	6

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

	2009	2008
	<u>\$'000</u>	<u>\$'000</u>
Note 5: Financial Assets		
<u>Note 5A: Cash and cash equivalents</u>		
Cash at Bank	137	69
Cash on Hand	1	1
<i>Total cash and cash equivalents</i>	<u>138</u>	<u>70</u>
<u>Note 5B: Trade and other receivables</u>		
Goods and services	-	-
GST receivable from the Australian Taxation Office	10	15
Other receivable	-	-
Appropriation receivable for existing outputs	7 000	6 000
<i>Total trade and other receivables (net)</i>	<u>7 010</u>	<u>6 015</u>
All receivables are current assets.		
Receivables are aged as follows:		
Not overdue	<u>7 010</u>	<u>6 015</u>

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

	2009	2008
	<u>\$'000</u>	<u>\$'000</u>
Note 6: Non-Financial Assets		
<u>Note 6A: Buildings</u>		
Leasehold improvements		
- fair value	372	372
- accumulated depreciation	<u>(277)</u>	<u>(212)</u>
Total buildings (non-current)	<u>95</u>	<u>160</u>

Note 6B: Infrastructure, plant and equipment

Plant and equipment		
- gross carrying amount (at fair value)	406	407
- accumulated depreciation	<u>(284)</u>	<u>(196)</u>
Total infrastructure, plant and equipment (non-current)	<u>122</u>	<u>211</u>

No indicators of impairment were found for buildings or Infrastructure, plant and equipment.

All revaluations 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 (2008-09)

	Buildings- Leasehold Improvements \$'000	Infrastructure Plant and Equipment \$'000	Total \$'000
As at 1 July 2008			
Gross book value	372	407	779
Accumulated depreciation/ impairment	(212)	(196)	(408)
Net book value 1 July 2008	160	211	371
Additions			
by purchase	-	15	15
Depreciation/amortisation expense	(65)	(104)	(169)
Disposals:	-	-	-
Other disposals	-	-	-
Net book value 30 June 2009	95	122	217
Net book value 30 June 2009 represented by:			
Gross book value	372	406	778
Accumulated depreciation/ impairment	(277)	(284)	(561)
	95	122	217

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 (2007-08)

	Buildings- Leasehold Improvements \$'000	Other Infrastructure Plant and Equipment \$'000	Total \$'000
As at 1 July 2007			
Gross book value	366	295	661
Accumulated depreciation/impairment	(147)	(136)	(283)
Net book value 1 July 2007	219	159	378
Additions			
by purchase	6	132	138
Depreciation/amortisation expense	(65)	(74)	(139)
Disposals:		(6)	(6)
Other disposals		-	
Net book value 30 June 2008	160	211	371
Net book value 30 June 2008 represented by:			
Gross book value	372	407	779
Accumulated depreciation/impairment	(212)	(196)	(408)
	160	211	371

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

	2009	2008
	<u>\$'000</u>	<u>\$'000</u>
Note 7A: Other Non-Financial Assets		
Prepayments		
Lease rental	40	35
Other	15	14
Total other non-financial assets	55	49

All other non-financial assets are current assets.

No indicators of impairment were found for other non-financial assets.

Note 8: Payables

Note 8A: Suppliers

Trade creditors	55	122
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Supplier payables are represented by:

Current	55	122
Non-current	-	-
Total supplier payables	55	122

Note 8B: Other payables

Other payable	2	-
Salaries and wages	66	54
Superannuation	11	8
Total Other Payables	79	62

Note 9: Provisions

Note 9A: Employee provisions

Annual leave	603	572
Long service leave	912	854
Total employee provisions	1 515	1 426

Employee provisions are represented by:

Current	1 349	1 283
Non-current	166	143
Total employee provisions	1 515	1 426

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

Note 9: Provisions (cont.)

Note 9A: Employee provisions (cont.)

The classification of current employee provisions includes amounts for which there is not an unconditional right to defer settlement by one year, hence in the case of employee provisions the above classification does not represent the amount to be settled within one year of reporting date.

Employee provisions expected to be settled in twelve months from the reporting date is \$662,000.00 (2008: \$634,000.00), in excess of one year \$853,000.00 (2008: \$792,000.00)

Note 10: Cash Flow Reconciliation	2009	2008
	<u>\$'000</u>	<u>\$'000</u>

Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement

Report cash and cash equivalents as per:

Cash Flow Statement	138	70
Balance Sheet	138	70

Reconciliation of operating result to net cash from operating activities:

Operating result	876	1 313
Depreciation / amortisation	169	139
Other Gains	(1)	(2)
Loss on disposal of assets	-	6
(Increase) / decrease in net receivables	(995)	(1 557)
(Increase) / decrease in prepayments	(6)	(1)
Increase / (decrease) in employee provisions	89	186
Increase / (decrease) in make good provision	-	-
Increase / (decrease) in supplier provisions and payables	(50)	82
<i>Net cash from/(used by) operating activities</i>	82	166

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

Note 11: Contingent Liabilities and Assets

Quantifiable Contingency

The Commission has no contingencies for 2008-2009.

Note 12: Senior Executive Remuneration

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

	2009	2008
\$190 000 - \$204 999	-	1
\$205 000 - \$219 999	1	1
\$220 000 - \$234 999	1	-
\$295 000 - \$309 999	-	1
\$310 000 - \$324 999	1	-
Total	<u>3</u>	<u>3</u>

The aggregate amount of total remuneration of senior executives shown above **\$742 655** \$705 042

No redundancy payments were made to executives during the year.

Note 13: Remuneration of Auditors

	<u>2009</u>	<u>2008</u>
	\$	\$
Financial statement audit services are provided free of charge by the Auditor-General. The fair value of the service provided was:	<u>25 200</u>	<u>22 200</u>

No other services were provided by the Auditor-General.

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

Note 14: Act of Grace Payments, Waivers and Defective Administration Scheme

	<u>2009</u>	<u>2008</u>
No 'Act of Grace' payments were made during the reporting period. (2008: 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> . (2008: no payments made)	Nil	Nil
No payments were made under the Defective Administration Scheme during the reporting period. (2008: no payments made)	Nil	Nil
No payments were made under s73 of the <i>Public Service Act 1999</i> during the reporting period. (2008: no payments made)	Nil	Nil
No ex-gratia payments were made during the reporting period. (2008: no payments made)	Nil	Nil

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

Note 15: Financial Instruments

Note 15A: Categories of Financial Instruments

	2009	2008
	\$'000	\$'000
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	138	70
Trade receivables	-	-
<i>Carrying amount of financial assets</i>	138	70
Financial Liabilities		
At amortised cost:		
Trade creditors	55	122
Other payables	79	-
<i>Carrying amount of financial liabilities</i>	134	122

Note 15B: Credit Risk

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 15: Financial Instruments (cont.)

Note 15C: Liquidity Risk

The Commission's financial liabilities are payables of \$57 000 (2008:\$122 000). The exposure is based on the notion that the Commission will encounter difficulty in meeting its obligations associated with financial liabilities.

This is highly unlikely due to appropriation funding and mechanisms available to the Commission and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

Note 15D: Market Risk

The Commission holds basic financial instruments that do not expose it to certain market risks. The Commission is not exposed to 'Currency risk' or 'Other price risk'.

Note 16: 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	
	2009	2008
	\$'000	\$'000
Balance brought forward from previous period	5 965	4 335
Appropriation Act (No.1) 2008-2009 as passed	7 809	7 909
Departmental appropriations reduced (Appropriation Act Section 10)	0	(36)
Appropriations to take account of recoverable GST (FMA s 30A)	151	120
Relevant agency receipts (FMA Act s 31)	20	448
Total Appropriations available for payments	13 945	12 776
Cash payments made during the year (GST inclusive)	6 912	6 811
Balance of authority to draw cash from the CRF for ordinary annual services appropriations and as represented by:	7 033	5 965
Cash at bank and on hand	138	70
Departmental appropriations receivable	6 895	5 895
Total	7 033	5 965

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

Note 16: Appropriations (cont.)

Note 16B: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund (CRF) for Other than Ordinary Annual Services Appropriations

	Non-operating	
	Previous Years Outputs	
	2009	2008
	\$'000	\$'000
Balance carried from previous period	105	105
Appropriation Act (No. 2) 2008-2009	-	116
Appropriations to take account of recoverable GST (FMA s 30A)	-	12
Total appropriations available for payments	105	233
Cash payments made during the year (GST inclusive)	-	128
Balance of authority to draw cash from the CRF for other than ordinary annual services appropriations and as represented by:	105	105
Cash at Bank and on hand	-	-
Appropriation receivable	105	105
Total	105	105

Note 17: Special Accounts

Other Trust Monies Special Account	2009	2008
	\$'000	\$'000
Legal Authority: <i>Financial Management and Accountability Act 1997, s20</i>		
<i>Purpose:</i> for expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth		
Balance carried from previous year	-	-
Other receipts	26	27
Available for payments	26	27
Payments made	26	27
Total balance carried to the next period	-	-

Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

Note 18: Reporting of Outcomes

Note 18A: Net Cost of Outcome Delivery

	Outcome 1	
	2009 \$'000	2008 \$'000
Expenses		
Departmental	6 974	7 045
Total expenses	6 974	7 045
Costs recovered from provision of goods and services to the non-government sector		
Departmental	15	16
Other external revenues		
Goods and Services Revenue from Related Entities	-	329
Other	1	2
Total other external revenues	16	347
Net cost/(contribution) of outcome	6 958	6 698

Outcome 1 is described in Note 1.1.

Note 18B — Major Classes of Departmental Revenues and Expenses by Output Group and Outputs

OUTCOME 1	Output Group 1	
	Output 1.1.1	
	2009 \$'000	2008 \$'000
Departmental expenses		
Employees	5 315	5 324
Suppliers	1 490	1 576
Depreciation and amortisation	169	139
Other expenses	-	6
Total departmental expenses	6 974	7 045
Funded by		
Revenues from government	7 809	7 989
Sale of goods and services	15	345
Other gains	26	24
Total departmental revenues	7 850	8 358

All assets and liabilities are attributable to Outcome 1.

GLOSSARY

TERMS USED IN FISCAL EQUALISATION

- 1 The Commission aims to keep the language it uses as simple as possible to make its reports and other documents more accessible. That said, there will always be a need for special terms to describe some concepts. This attachment provides a list of the main terms that have a meaning that is unique to the Commission.
- 2 Note: The term ‘State(s)’ includes the Australian Capital Territory and the Northern Territory. The term ‘average’ refers to the average of all the States as defined.

assessed differences (also known as *needs*)

The financial impact on a State’s budget of its disabilities. They are measured, for example, as the difference between assessed expenses and average expenses (expense assessed differences or needs), average revenue and assessed revenue (revenue assessed differences or needs). Assessed differences can be either positive or negative.

horizontal fiscal equalisation

A distribution of GST revenue to State governments such that, after allowing for material factors affecting revenues and expenditures, each would have the fiscal capacity to provide services and their associated infrastructure at the same standard, if each made the same effort to raise revenue from its own sources and operated at the same level of efficiency.

Goods and Services Tax (GST)

The funds made available by the Commonwealth Government for transfer to the *States* as untied financial assistance.

national partnership payments (NPPs)

Commonwealth payments to States that support the delivery of specified projects, facilitate reforms, or reward those jurisdictions that deliver on nationally-significant reforms. Some specific purpose payments under the previous Commonwealth financial arrangements have become national partnership payments.

relativity

A per capita weight assessed by the Commission for use by the Treasury in calculating the share of the GST revenue a State requires to achieve horizontal fiscal equalisation. The average relativity is 1.0.

review

The process in which the Commission reconsiders the methods used to calculate State relativities, according to terms of reference given to it. From 1988 onwards, reviews have usually been done every five years. By contrast, an update is conducted every year other than a review year and updates the relativities using the methods determined in the last review and the latest financial data.

specific purpose payments (SPPs)

Commonwealth payments to States for specific purposes which enable national policy objectives to be achieved in areas that may be administered by States.

update

The annual assessment of State relativities undertaken by the Commission between reviews. Update assessments incorporate new budgetary developments and the most recent available data. In general, the methods used to calculate the relativities are those adopted in the most recent review.

ACRONYMS

AASB	Australian Accounting Standards Board
APS	Australian Public Service
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
NPP	National partnership payment
OH&S	Occupational health and safety
PSS	Public Sector Superannuation Scheme
PSSap	Public Sector Superannuation Scheme accumulation plan
SPP	Specific purpose payment

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