



**Australian Government**

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**Commonwealth Grants Commission**

**COMMONWEALTH  
GRANTS COMMISSION**

**Annual Report**

**2009-10**

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The Hon Wayne Swan MP  
Treasurer  
Parliament House  
CANBERRA ACT 2600

Dear Treasurer

As Chairperson of the Commonwealth Grants Commission appointed under the *Commonwealth Grants Commission Act 1973*, I present you with the Commission's Annual Report for 2009-10. The report covers inquiries and other activities undertaken by the Commission during the year ended 30 June 2010.

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 G Henderson', written in a cursive style.

Alan G Henderson

28 September 2010

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# OVERVIEW

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## MAJOR OUTCOMES AND COMMISSION PERFORMANCE — 2009-10

- 1 Under the outcome reporting framework for the 2009-10 Budget, the Commission had only one outcome — fiscal equalisation.
- 2 The major achievement during the year was the presentation to the Treasurer of the *Report on GST Revenue Sharing Relativities 2010 Review*. Its recommendations on the methods to be used in sharing the Goods and Services Tax (GST) between the States and Territories<sup>1</sup> over the next four or five years and the revenue sharing relativities for the 2010-11 financial year were accepted by the Ministerial Council for Federal Financial Relations held 26 March 2010.

## THE FINANCIAL RESULTS FOR 2009-10

- 3 The Commission's financial results for 2009-10 are summarised below.

**Table 1** Financial results, 2009-10

Outcome	2009-10 Allocation	2009-10 Expenses	Variance
	\$m	\$m	\$m
Fiscal equalisation	7.34	6.72	0.62
Total	7.34	6.72	0.62

## THE OUTLOOK FOR 2010-11

- 4 The Commission expects to receive terms of reference for an update of GST revenue sharing relativities for the 2011-12 financial year, with a report required by February 2011. The methods used will largely be those set out in the 2010 Review Report. Some consideration of the treatment of the National Health Reforms agreed between the Commonwealth and all States but Western Australia will be required as these changes commence in 2010-11. Any

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

changes in methods adopted will be determined by the requirements of the terms of reference and by the principle of horizontal fiscal equalisation (equalisation). The Australian and State Treasuries will be consulted.

- 5 The Commission also expects to receive further terms of reference this year asking it to commence a review of the methods used to calculate the GST sharing relativities to be applied in 2014-15 or 2015-16. The Ministerial Council has yet to make decisions on the general parameters for that review.
- 6 The Commission is currently developing a work plan in conjunction with the Australian and State Treasuries. Until terms of reference are received, this will focus on data improvement.

# CHAPTER 1

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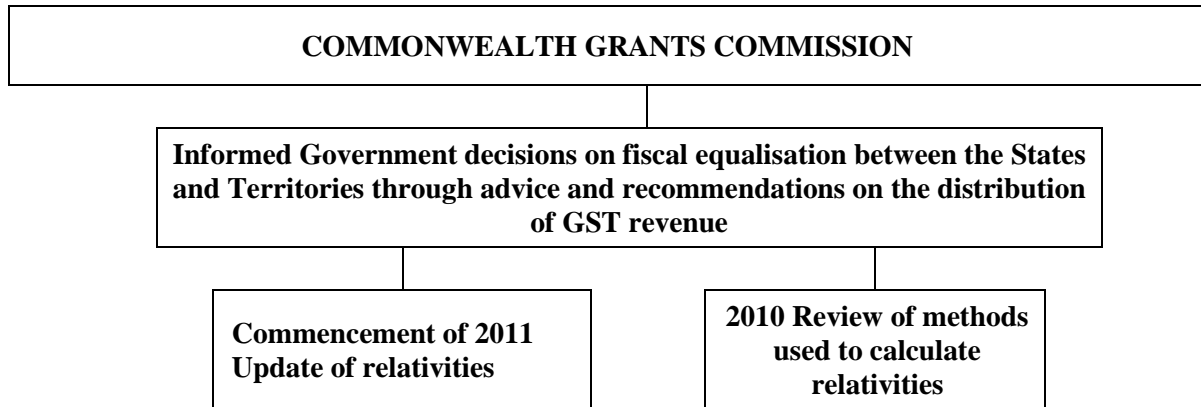
## THE COMMISSION AND ITS WORK

- 1 The Commission operates under the *Commonwealth Grants Commission Act 1973*. It is a statutory authority whose role is to provide advice to the Australian Government in response to terms of reference from the 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 Australian Government agencies and the reports are considered by their Ministers.

### **Outcome groups**

- 4 In 2009-10, 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 2009-10, the Commission completed the latest review of methods. It consulted Heads of Treasuries on a draft report issued in July 2010 and presented the final report to the Treasurer on 26 February 2010. The results were accepted by the Ministerial Council for Federal Financial Relations on 26 March 2010 and the relativities contained in the report have been used to share the GST among the States in 2010-11.
- 6 Between reviews, the shares are updated annually using the most recent data. An update is expected to be required in February 2011 and work has commenced on that. States have been consulted on Commission data requirements and a paper on the treatment of new issues relevant to State fiscal capacities that have arisen during this year has been prepared for State consideration.
- 7 Figure 1-1 provides a diagrammatic representation of the work of the Commission in 2009-10.

**Figure 1-1 Outcomes and outputs structure 2009-10**



## CHAPTER 2

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# PERFORMANCE OF THE COMMISSION IN 2009-10

- 1 The Commission's outcome in 2009-10 was fiscal equalisation. The outputs relating to this outcome are reports, or progress towards the completion of reports, containing advice for the Australian 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 2009-10. These are:
  - the timeliness of reports;
  - the extent to which parties and the public generally are given opportunities to place their views before the Commission;
  - the technical quality of the analytical work underlying and supporting the reports;
  - the degree of acceptance of the reports by the Australian and State Governments; and
  - the extent to which the Commission operates within its budget.

### **Outcome — fiscal equalisation**

- 3 In 2009-10, the outputs relating to the fiscal equalisation outcome were:
  - completion of the *Report on State Revenue Sharing Relativities, 2010 Review*; and
  - commencement of work relating to the 2011 Update of GST sharing relativities.

### **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 a review of its methods were received on 26 May 2005. They required the Commission to simplify its methods, develop a program of continuous improvement, and consider improving quality assurance processes, providing

that to do so is consistent with the principle of horizontal fiscal equalisation. They required a final report on the inquiry by 26 February 2010.

- 6 In early July 2009, the Commission circulated a draft report in response to the terms of reference and provided parties to the inquiry with opportunities to put their views before the Commission. Commission staff visited the States in July to discuss this report and the Commission sought the views of Heads of Treasuries at a conference held in August. Final State submissions on the draft report were received in September and October.
- 7 A final report was presented to the Treasurer in February 2010, satisfying the requirements of the terms of reference in a timely manner.
- 8 The Ministerial Council for Federal Financial Relations accepted the findings on methods and the GST sharing relativities for 2010-11 at a meeting on 26 March 2010. Heads of Treasuries have since indicated that the methods set out in the report were simpler and underpinned by quality analytical work.

#### **2011 Update of State revenue sharing relativities**

- 9 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.
- 10 The Commission has not yet received terms of reference asking it to provide advice on State shares of the GST revenue for 2011-12. However, the Commission has commenced its consultation processes relating to this update involving the collection of the latest data and the treatment of new developments relevant to State fiscal capacities.

#### **Information dissemination**

- 11 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 B. Commission reports and discussion papers can be found on the Commission's website: <http://www.cgc.gov.au>.

#### **Resources**

- 12 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 \$626,000 for the 2009-10 financial year. There was a surplus in 2008-09 and 2007-08. 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.
- 13 The Commission received revenue from other sources in 2009-10 from charges for car parking to staff.

**Table 2-1 Financial resources for outcome — fiscal equalisation**

Price of Departmental outputs	Budget <sup>(a)</sup> 2009-10	Actual expenses 2009-10	Variation	Budget 2010-11
	\$'000	\$'000	\$'000	\$'000
Output 1.1 - Reports on fiscal equalisation				
Revenue from Government (Appropriations) for departmental outputs	7 302	6 716	586	5 445
Revenue from other sources	40	0	40	
Total price of outputs				
<b>TOTAL FOR OUTCOME 1</b>	<b>7 342</b>	<b>6 716</b>	<b>626</b>	<b>5 445</b>

(a) Budget allocation to the Commission.

**Table 2-2 Staffing resources**

	2009-10	2010-11 <sup>(a)</sup>
Average staffing level	41.5	50

(a) Estimated as at June 2011.

### Financial results

- 14 The Commission's audited financial statements for the year ended 30 June 2010 are in Attachment I.

### The Commission's performance and social justice

- 15 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.
- 16 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

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# MANAGEMENT AND ACCOUNTABILITY

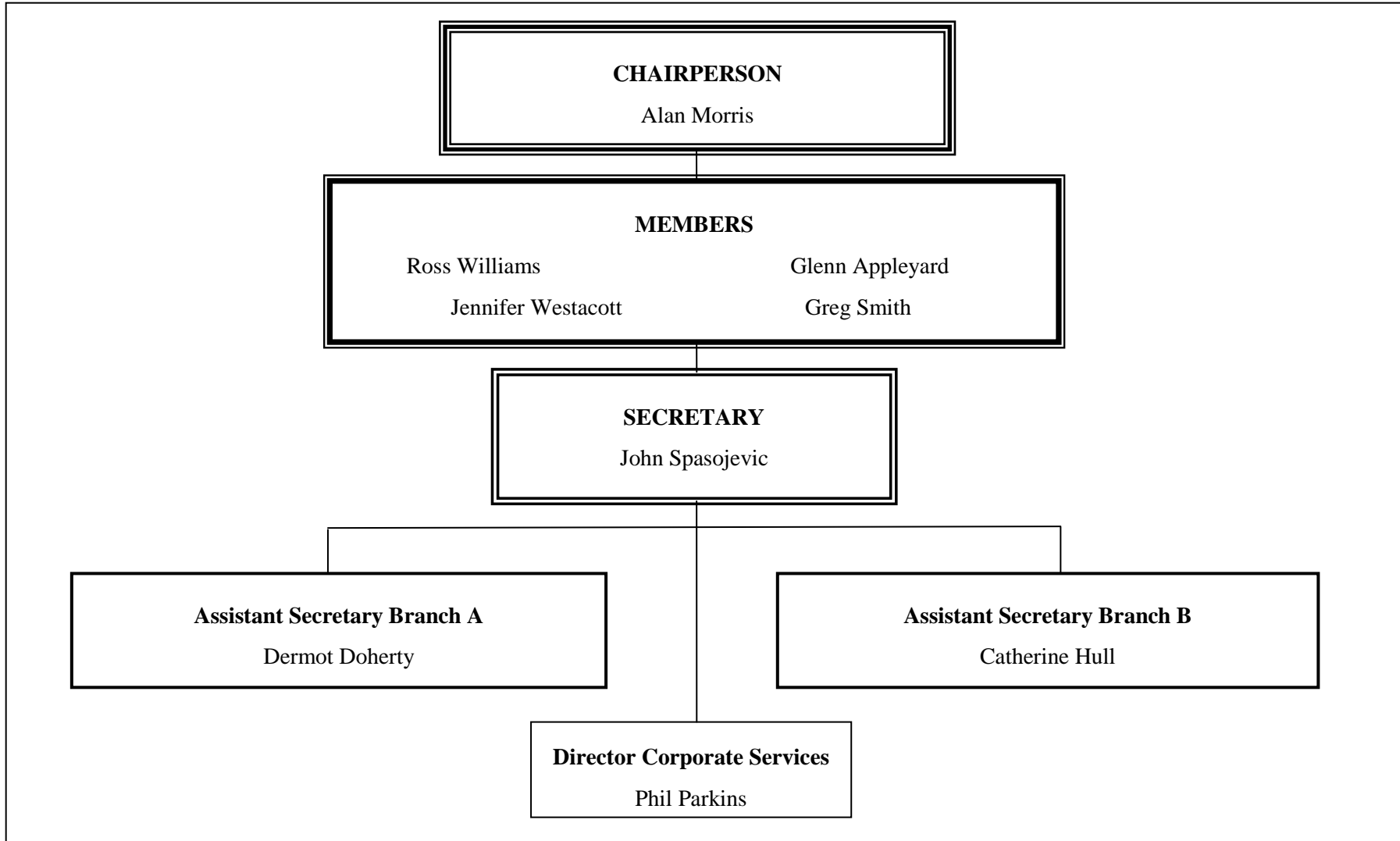
### CORPORATE GOVERNANCE

#### 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 2009-10, 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 Nine 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 Officer, is responsible for their day-to-day activities.
- 5 During 2009-10, the average staffing level was 41.5 people compared with 45 in 2008-09. 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 Commission's organisation structure at 30 June 2010.

Figure 3-1 Commonwealth Grants Commission — organisation structure as at 30 June 2010



### **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 C.
- 10 Operational plans for the branches and sections are established for each inquiry and reviewed each year. The strategic planning program also calls for the periodic review of the Commission's human resources management plan, information management plan, and IT contingency and work plans.

### **Committees**

- 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. Corporate Services' 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 2008-2009 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 Australian Government and State Treasury officials.
  - *External administrative bodies.* The Commission is subject to external scrutiny by bodies such as Parliamentary Committees, the Ombudsman, and the Administrative Appeals Tribunal.
  - *Audit.* An internal audit committee monitors the Commission's administrative activities. The annual financial statements of the Commission are examined and approved by the Australian National Audit Office. A copy of the statements for 2009-10 is at Attachment I.
  - *Performance audits.* During 2009-10, Australian National Audit Office performance audit reports did not comment on the Commission.
- 21 Information on freedom of information is provided at Attachment D.

**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 Commonwealth Fraud Control Guidelines. Annual fraud data has been collected and reported to Australian Institute of Criminology.
- 24 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 or hold paper files classified above the in-confidence level.

## MANAGING AND DEVELOPING HUMAN RESOURCES

25 Table 3-2 contains details of Members and employees at 30 June 2010.

**Table 3-2 The Commission and its employees, by classification and gender, 30 June 2010**

Classification	Persons	Full time	Part time	Full-time equivalents		
				Male	Female	Total
<b>Commission</b>						
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
<b>Persons employed under Public Service Act, 1999</b>						
Senior Executive Service Band 3	1	1	-	1	-	1
Senior Executive Service Band 1	2	2	-	1	1	2
Executive Level 2	10	9	1	9	0.8	9.8
Executive Level 1	15	9	6	7.5	5.7	13.2
APS 6	6	4	2	1.8	3.8	5.6
APS 5	1	0	1	-	0.6	0.6
APS 4	4	3	1	1	2.9	3.9
APS 2	-	-	-	-	-	-
Total — employees	39	28	11	21.3	14.8	36.1
Total — Commission and employees	44	28	16	23.2	15.2	38.4

- 26 At 30 June 2010, the Commission consisted of a Chairperson and four Members who were statutory appointees. They were all appointed on a part-time basis. It employed 39 people under the *Public Service Act 1999*<sup>1</sup>, 28 of whom were full-time, and 17 of whom were female.
- 27 Table 3-3 summarises Commission and employee movements during 2009-10. Overall, there was an increase in the female employee proportion — 43.6 per cent at 30 June 2010.
- 28 In the Executive level classifications, at 30 June 2010, 32 per cent of employees were female (28 per cent at June 2009) and in the APS 5 and 6 group, 71.5 per cent were female (66 per cent at June 2009).

<sup>1</sup> Excludes the Chairperson and four Members of the Commission who are statutory appointees.

**Table 3-3 Commission and employee movements during 2009-10<sup>(a)</sup>**

	In	Out	Total
<b>1 July 2009</b>			<b>50</b>
Appointments	1		+1
Promotions/transfers	1	-4	-3
Resignations/retirements		-2	-2
Appointment ended		-2	-2
Deaths			
Dismissals			
<b>30 June 2010</b>	<b>2</b>	<b>-8</b>	<b>44</b>

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

### **Certified/Collective agreement**

- 29 Conditions of employment for non-senior executive employees in 2009-10 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 2009-10.

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

- 30 During 2009-10, conditions of employment for Senior Executive Service employees at the Commission and non-SES employees were specified in AWAs and Determinations under section 24(1) of the *Public Service Act 1999*.

### **Salary ranges**

- 31 Table 3-4 shows the salary ranges payable at 30 June 2010 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 3-4 Salary ranges payable**

Classification	As at 30 June 2010
	\$
APS 1	31 515 – 34 751
APS 2	35 566 – 44 315
APS 3	40 406 – 43 549
APS 4	44 946 – 56 300
APS 5	50 046 – 64 500
APS 6	56 148 – 74 800
Executive Level 1	68 360 – 94 500
Executive Level 2	83 238 – 126 500

**Performance pay**

- 32 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.
- 33 Table 3-5 shows lump sum bonus payments to eligible employees during 2009-10. The total amount of lump sum payments was \$141 597.

**Table 3-5 Lump sum bonus payments to employees, 2009-10**

Classification	Number of employees	Average bonus paid	Range of bonuses paid
		\$	\$
APS 4/5/6 <sup>(a)</sup>	7	857	500 - 1 250
Executive Level 1	13	2 517	750 - 5 000
Executive Level 2	12	5 208	2 000 - 10 000

(a) Combined for confidentiality.

- 34 All Senior Executives were assessed under the Commission's performance feedback scheme. Lump sum bonus payments totalling \$40 364 were paid during 2009-10.

**Table 3-6 Retention bonus payments to employees, 2009-10**

Classification	Number of employees	Average bonus paid	Range of bonuses paid
		\$	\$
Executive Level 1	4	9 250	3 000 – 16 000
Executive Level 2	3	10 666	6 000 - 20 000
Total			\$69 000

- 35 Retention bonuses were paid to key personnel to ensure that their particular skills and expertise were not lost to the 2010 Review. Early risk assessment had identified loss of highly specialised expertise and lack of continuity as major risks.

#### **Remuneration of Senior Executives**

- 36 The aggregate remuneration paid to all Senior Executives during 2009-10 was \$745 179. Full details of the components of Executive remuneration are in Attachment I — Financial Statements.

#### **Training and development strategies**

- 37 During 2009-10, a number of training activities were conducted for Commission employees and notices were circulated to keep employees aware of training and development opportunities. The performance feedback scheme is used to identify employees' training needs and this information forms the basis of the annual training and development program. The program is discussed and endorsed through the Management and Senior Executive group meetings.
- 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 Australian Government systems.
- 40 A commercial on-line training package for general management skills has been trialled and the results are being assessed.

#### *Studies assistance*

- 41 The Commission encourages and assists employees undertaking tertiary studies relevant to their employment at the Commission. Two employees received study assistance during 2009-10.

#### *Induction*

- 42 Employees new to the Commission undergo an induction program. The program introduces new employees to the APS, the Commission, and their task. It has several layers of information and training, including information on: the structure, history, culture and work program of the Commission; the general APS environment; and the necessary operational skills and tools, for example Word and Excel.

*Resources*

- 43 Resources allocated to training in 2009-10, amounting to 1 per cent of the salary expenditure, are shown in Table 3-7.

**Table 3-7 Resources allocated to training 2009-10**

Total pay-roll for 2009-10 <sup>(a)</sup>	\$4 820 676
Net training expenditure <sup>(b)</sup>	\$44 560
Training expenditure as a percentage of pay-roll	1%
Number of Commission employees at 30 June 2010 <sup>(a)</sup>	39
Number of full-time equivalent person days spent on training	44.9
Number of employees who participated in training activities	21

(a) Excluding Members of the Commission.

(b) Includes salaries for participants and training administrators, on-line 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 E. Details of the Commonwealth disability strategy are at Attachment F.

**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 Deregulation 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 2010 was \$68 040. 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 2009-10, 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 Deregulation. Details of the consultancies that cost \$10 000 or more are in Attachment G. Information on expenditure on contracts and consultancies is also available on the AusTender website: [www.tenders.gov.au](http://www.tenders.gov.au).
- 50 Table 3-8 provides a summary of consultancy contracts that were active in 2009-10.

**Table 3-8 Summary of consultancy contracts active in 2009-10**

New consultancy service contracts let	11
Total actual expenditure on all new consultancy contracts let (GST included)	\$83 120
Active, ongoing consultancy contracts, from 2008-09	1
Total actual expenditure on ongoing consultancy contracts (GST included)	\$36 830

**Competitive tendering and contracting**

- 51 There were no independent competitive tendering and contracting activities at the Commission during 2009-10.
- 52 The Commission was previously included in contractual arrangements entered into by the Department of Finance and Deregulation for personnel services. Human resource services are now provided by Aurion Corporation and SRC Solutions. Table 3-9 shows the services received from outsourced providers during 2009-10.

**Table 3-9 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 programs.

**Advertising and market research**

54 The Commission did not conduct any advertising or market research during 2009-10.

55 During 2009-10, the Commission used the services of media advertising organisations for the purpose of recruitment advertising. Three payments ranging from \$55 to \$725 and totalling \$1 045 were made to Adcorp Australia 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:

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

**Postal address**

First Floor, Phoenix House  
86-88 Northbourne Avenue  
BRADDON ACT 2612

**Internet address**

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

# ATTACHMENT A

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## TERMS OF REFERENCE FOR THE 2010 METHODOLOGY REVIEW

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

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

Dear Mr Morris

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

At the meeting of the Ministerial Council for 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



**TREASURER**

**PARLIAMENT HOUSE**

**CANBERRA ACT 2600**

**Telephone: 02 6277 7340**

**Facsimile: 02 6273 3420**

**[www.treasurer.gov.au](http://www.treasurer.gov.au)**

14 October 2009

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

Dear Mr Morris

I enclose a supplementary Terms of Reference for the Commission's 2010 Methodology Review of State Revenue Sharing Relativities.

The Terms of Reference provides advice on the treatment of payments under the Federal Financial Relations framework, agreed by the Council of Australian Governments in November 2008, and provides direction in relation to the treatment of payments that the Commonwealth has previously advised should not affect the calculation of relativities.

Yours sincerely

WAYNE SWAN

**Terms of Reference for the 2010 Commonwealth Grants Commission Methodology Review 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 26 February 2010, the question of the per capita relativities which the Commission would regard as appropriate to apply after 2009-10 for the distribution of Goods and Services Tax (GST) revenue among the States, the Northern Territory and the Australian Capital Territory (collectively referred to as the States).

2. This supplementary information is to be read in conjunction with the terms of reference provided by Dr Sharman Stone on 26 May 2005.
3. 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.
4. The Commission should prepare its assessments on the basis that:
  - (a) National SPPs and National Partnership project payments should affect the relativities, 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 should not affect the relativities, 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 affect the relativities, recognising that these payments are available to provide untied general budget support to a State or Territory.
5. Notwithstanding paragraph 4, 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.
6. The Commission should ensure that those payments which the Commission was directed to treat so they had no direct influence on the per capita relativities in the 2004 Review or subsequent Updates, should continue to be treated in that way. Where those payments are ongoing, their treatment should not change. Where they are replaced, the treatment of the new payment should be guided by (4) and (5) above, unless otherwise directed.
7. 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.

WAYNE SWAN

# ATTACHMENT B

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## 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 2009-10.

## Activities

- 6 *2010 Review*. The Commission received terms of reference for this review in May 2005 and October 2009.
- 7 Consistent with the work program of the review, formal discussions with States during 2009-10 were as follows:
- |                   |   |
|-------------------|---|
| 3 July 2009       | Teleconference with States to discuss the handling of the 2010 Review Draft Report  |
| 20-31 July 2009   | Staff visit with all State Treasury representatives to discuss the 2010 Review  |
| 31 July 2009      | Commission meeting with ACT Treasury Officers — discussion on assessment items relating to 2010 Review                            |
| 13 August 2009    | Commission meeting with Heads of Treasuries at Australian Treasury offices, Canberra  |
| 11 September 2009 | Commission and staff meeting with Northern Territory Treasury Officers — 2010 Review assessment items                             |
| 16 October 2009   | Staff meeting with Australian Treasury Officers — 2010 Review assessment items  |
| 27 October 2009   | Teleconference with State Treasury Officers — 2010 Review submissions   |
| 12 May 2010       | Staff meeting with Tasmanian and Victorian Treasury representatives — feedback on 2010 Review                                     |
| 19 May 2010       | Staff meeting with Queensland and New South Wales Treasury representatives — feedback on 2010 Review                              |
| 24 May 2010       | Staff meeting with ACT Treasury representatives — feedback on 2010 Review   |
| 2-4 June 2010     | Staff meeting with Northern Territory, Western Australian and South Australian Treasury representatives — feedback on 2010 Review |

## Reports

- 8 The reports produced during 2009-10 were the:
- *Annual Report 2008-09; and*
  - *Report on State Revenue Sharing Relativities 2010 Review, Volume 1— Main Report; Volume 2 — Assessment of State Fiscal Capacities; and Volume 3 — Supporting Information.*

## Discussion and information papers

- 9 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.
- 10 In 2009-10 the Commission issued the following 2010 Review papers:

- *CGC 2009/03 — Treatment of Commonwealth payments to the States* (Commission position paper);
- *CGC 2009/04 — Services to Communities — assessment of water subsidies* (Commission position paper);
- *CGC 2009/05 — Email requesting State views on data options for the Land Taxes Assessment* (Commission position paper); and
- *CGC 2010-01-S — 2010 Review changes to methods since the draft report* (Commission information paper).

#### **Papers presented to conferences and seminars**

- 11 During 2009-10, Commission representatives presented papers on intergovernmental financial arrangements to the following conferences and seminars:
- Local Government Grants Commission Annual Conference, Hobart, 11 November 2009.

#### **Participation in interdepartmental committees**

- 12 During 2009-10, Commission staff participated in the following working groups:
- Steering committee and development group for the Report on Indigenous Expenditures for the Council of Australian Governments.

#### **Visitors to the Commission**

- 13 International, academic and official visitors to the Commission included:
- Mr Serge Dupont, Deputy Intergovernmental Affairs Canada, meeting with Commission staff, 3 February 2010;
  - Indonesian Ministry delegation, meeting with Commission staff, 12 April 2010 ;
  - Mr Daniel Beland, Canadian Official on Public Policy, meeting with Commission staff, 28 April 2010; and
  - Presentation to Indonesian Ministry of Finance delegation, followed by the placement of two Indonesian officers from the Ministry of Finance with the Commission for four weeks from 25 May 2010.

#### **Compliance with Senate Orders**

- 14 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 C

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## 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 Australian 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;

- Australian 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 D**

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### ***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 2009-10 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 2009-10. 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 Treasurer 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 Australian and State Governments 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.
- 6 Commission reports are 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.
- 7 Other documents held by the Commission include:
  - submissions from interested parties (including the States, the Treasury, Australian 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.
- 8 The Commission also holds:
  - manuals on IT and records management procedures (prepared by employees of the Commission);
  - a manual on document styles 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**

- 9 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**

- 10 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  
First Floor, Phoenix House  
86-88 Northbourne Avenue  
BRADDON ACT 2612

Telephone (02) 6229 8800  
Facsimile (02) 6229 8821

- 11 Business hours are 8.30 am to 5.00 pm, Monday to Friday.
- 12 There were no requests for access to documents under the *Freedom of Information Act 1982* during 2009-10.

# ATTACHMENT E

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## OCCUPATIONAL HEALTH AND SAFETY

- 1 The Commission maintains an occupational health and safety (OH&S) policy and *Occupational Health and Safety Act 1991* compliant health and safety management arrangements.
- 2 The Commission maintains a rehabilitation policy with Comcare for employees injured at work. The Commission continues to use the specialist services of SRC Solutions, the outsourced service provider, to administer its compensation cases.
- 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, three 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 F

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## 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 programs to the wider Australian community, no new policies or programs were developed and/or implemented by the Commission in 2009-10. However, the Commission operates a public website and web entry points that reflect the accessibility requirements of the Government on-line strategy and Web content accessibility guidelines 2.0.

### **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 2009-10, the Commission is aware that five 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 program offered by an external provider, which assists

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

# ATTACHMENT G

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## CONSULTANCY CONTRACTS LET DURING 2009-10

- 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 2009-10 at a cost of \$10 000 or more are shown in Table G-1.

**Table G-1 Consultancy contracts let, 2009-10**

<b>Name of consultant</b>	<b>Description</b>	<b>Contract price (including GST)</b>	<b>Selection process</b>	<b>Justification<sup>(a)</sup></b>
Robert Wills	Auditing of Commission Assessment Calculations for the 2010 Review	\$15 660	Direct Tender	C
Dr Arthur McHugh	Audit of decision making processes in the 2010 Review	\$24 000	Direct Tender	C
Blake Dawson	Legal Advice on interstate differences in land tax	\$14 162	Direct Tender	B

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

# ATTACHMENT H

## AGENCY RESOURCE STATEMENT 2009-10

1 Table H-1 provides information on the Commission's relative funding sources in cash terms.

**Table H-1 Agency Resource Statement, 2009-10**

	<b>Actual Available Appropriations for 2009-10</b>	<b>Payments Made 2009-10 \$'000</b>	<b>Balance Remaining</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a-b)</b>
<b>Ordinary Annual Services <sup>1</sup> Departmental appropriation</b>			
Prior year departmental appropriation	\$7 000	\$0	\$7 000
Departmental appropriation	\$7 302	\$6 793	\$509
S 31 Relevant agency receipts	\$13	\$0	\$13
<b>Total ordinary annual services</b>	<b>\$14 315</b>	<b>\$6 793</b>	<b>\$7 522</b>
<b>Special Accounts</b>			
Opening Balance	\$0		
Non-appropriation receipts	\$27		
Payments made		\$27	
Closing Balance	\$0		
<b>Total Resourcing and Payments</b>	<b>\$14 315</b>	<b>\$6 793</b>	

<sup>1</sup> Appropriation Bill (No.1) 2009-10.

# **ATTACHMENT I**

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## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

- 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 2010, which comprise: the Statement by the Chief Executive and Chief Financial Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Asset Additions; and notes to and forming part of the Financial Statements including a Summary of Significant Accounting Policies.

#### *The Responsibility of the Chief Executive 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

GPO Box 707 CANBERRA ACT 2601  
19 National Circuit BARTON ACT  
Phone (02) 6203 7300 Fax (02) 6203 7777

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commonwealth Grants Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth Grants Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Commonwealth Grants Commission's 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 2010 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Carla Jago  
Executive Director

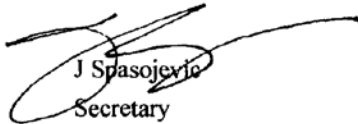
Delegate of the Auditor-General

Canberra

24 September 2010


**Commonwealth Grants Commission**  
**Statement by the Chief Executive and Chief Financial Officer**

In our opinion, the attached financial statements for the year ended 30 June 2010 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

23 September 2010



P Parkins  
Chief Financial Officer

23 September 2010

**Commonwealth Grants Commission**

**STATEMENT OF COMPREHENSIVE INCOME**

*for the period ended 30 June 2010*

	Notes	<b>2010</b> <b>\$'000</b>	2009 <b>\$'000</b>
<b>EXPENSES</b>			
Employee benefits	3A	<b>5 379</b>	5 315
Supplier expenses	3B	<b>1 188</b>	1 490
Depreciation and amortisation	3C	<b>149</b>	169
<b>Total Expenses</b>		<b>6 716</b>	6 974
<b>LESS:</b>			
<b>OWN-SOURCE INCOME</b>			
<b>Own-source revenue</b>			
Sale of goods and rendering of services	4A	<b>13</b>	15
<b>Total Own-source revenue</b>		<b>13</b>	15
<b>Gains</b>			
Other gains	4B	<b>27</b>	26
<b>Total gains</b>		<b>27</b>	26
<b>Total own-source income</b>		<b>40</b>	41
<b>Net cost of services</b>		<b>6 676</b>	6 933
Revenue from Government	4C	<b>7 302</b>	7809
<b>Surplus (Deficit) attributable to the Australian Government</b>		<b>626</b>	876

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

## Commonwealth Grants Commission

### BALANCE SHEET

as at 30 June 2010

	Notes	2010 <u>\$'000</u>	2009 <u>\$'000</u>
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	5A	22	138
Trade and other receivables	5B	7 509	7 010
<b>Total financial assets</b>		<u>7 531</u>	<u>7 148</u>
<b>Non-Financial Assets</b>			
Buildings	6A,C	31	95
Property, plant and equipment	6B,C	37	122
Other non-financial assets	6D	69	55
<b>Total non-financial assets</b>		<u>137</u>	<u>272</u>
<b>Total Assets</b>		<u><u>7 668</u></u>	<u><u>7 420</u></u>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	7A	45	55
Other payables	7B	86	79
<b>Total payables</b>		<u>131</u>	<u>134</u>
<b>Provisions</b>			
Employee provisions	8A	1 701	1 515
Other provisions-Lease make-good	8B	78	78
<b>Total provisions</b>		<u>1 779</u>	<u>1 593</u>
<b>Total Liabilities</b>		<u><u>1 910</u></u>	<u><u>1 727</u></u>
<b>Net Assets</b>		<u><u>5 758</u></u>	<u><u>5 693</u></u>
<b>EQUITY</b>			
Contributed equity		356	917
Reserves		159	159
Retained surpluses (accumulated deficits)		5 243	4 617
<b>Total Equity</b>		<u>5 758</u>	<u>5 693</u>
<b>Current Assets</b>		<b>7 600</b>	7 203
<b>Non-current Assets</b>		<b>68</b>	217
<b>Current Liabilities</b>		<b>1 574</b>	1 483
<b>Non-current Liabilities</b>		<b>336</b>	244

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

## Commonwealth Grants Commission

### STATEMENT of CHANGES in EQUITY

*For the period ended 30 June 2010*

	Retained Earnings		Asset Revaluation Reserve		Contributed Equity/Capital		Total Equity	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening Balance</b>								
Balance carried forward from previous period	4 617	3 741	159	159	917	917	5 693	4 817
Adjustment for errors		-	-	-	-	-	-	-
Adjustment for changes in accounting policies		-	-	-	-	-	-	-
<b>Adjusted Opening Balance</b>	<b>4 617</b>	<b>3 741</b>	<b>159</b>	<b>159</b>	<b>917</b>	<b>917</b>	<b>5 693</b>	<b>4 817</b>
<b>Income and Expense</b>								
Surplus (Deficit) for the period	626	876	-	-	-	-	626	876
<b>Total Income and Expenses</b>	<b>626</b>	<b>876</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>626</b>	<b>876</b>
<b>Transactions with Owners</b>								
		-	-	-	(561)	-	(561)	-
<b>Contribution by Owners</b>								
		-	-	-	-	-	-	-
<b>Closing Balance at 30 June</b>	<b>5 243</b>	<b>4 617</b>	<b>159</b>	<b>159</b>	<b>356</b>	<b>917</b>	<b>5 758</b>	<b>5 693</b>

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

## Commonwealth Grants Commission

### CASH FLOW STATEMENT

*for the period ended 30 June 2010*

	Notes	2010 <u>\$'000</u>	2009 <u>\$'000</u>
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations		7 302	7 809
Goods and services		13	19
Net GST received		110	151
<b>Total cash received</b>		<u>7 425</u>	<u>7 979</u>
<b>Cash used</b>			
Employees		5 184	5 209
Suppliers		1 296	1 688
Return to OPA		1 061	1 000
<b>Total cash used</b>		<u>7 541</u>	<u>7 897</u>
<b>Net cash from or (used by) operating activities</b>	9	<u>(116)</u>	<u>82</u>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Other cash		0	1
<b>Total cash received</b>		<u>0</u>	<u>1</u>
<b>Cash used</b>			
Purchase of property, plant and equipment		0	15
<b>Total cash used</b>		<u>0</u>	<u>15</u>
<b>Net cash from or (used by) investing activities</b>		<u>0</u>	<u>(14)</u>
<b>Net Increase or (decrease) in cash held</b>		<b>(116)</b>	68
Cash at beginning of the reporting period		<u>138</u>	70
<b>Cash at the end of the reporting period</b>	5A	<u>22</u>	<u>138</u>

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

## Commonwealth Grants Commission

### SCHEDULE OF COMMITMENTS

as at 30 June 2010

	<b>2010</b>	2009
	<u><b>\$'000</b></u>	<u><b>\$'000</b></u>
<b>BY TYPE</b>		
<b>Commitments Receivable</b>		
GST recoverable on commitments	(224)	(59)
<b>Total Commitments Receivable</b>	<u><b>(224)</b></u>	<u><b>(59)</b></u>
<b>Other Commitments</b>		
Operating leases <sup>1</sup>	2 252	610
Other commitments	216	39
<b>Total Other Commitments</b>	<u><b>2 468</b></u>	<u><b>649</b></u>
<b>Net Commitments by Type</b>	<u><u><b>2 244</b></u></u>	<u><u><b>590</b></u></u>
<b>BY MATURITY</b>		
<b>Commitments Receivable</b>		
<b>Other Commitments Receivable</b>		
One year or less	(224)	(59)
<b>Total Other Commitments Receivable</b>	<u><b>(224)</b></u>	<u><b>(59)</b></u>
<b>Commitments Payable</b>		
<b>Operating Lease Commitments</b>		
One year or less	399	523
From one to five years	1 853	87
<b>Total Operating Lease Commitments</b>	<u><b>2 252</b></u>	<u><b>610</b></u>
<b>Other Commitments</b>		
One year or less	216	39
<b>Total Other Commitments</b>	<u><b>216</b></u>	<u><b>39</b></u>
<b>Net Commitments by Maturity</b>	<u><u><b>2 244</b></u></u>	<u><u><b>590</b></u></u>

NB: Commitments are GST inclusive where relevant.

<sup>1</sup> Operating Leases included are effectively non-cancellable and comprise:

Nature of lease	General description of leasing arrangement
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 ASSET ADDITIONS

*for the period ended 30 June 2010*

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The following non-financial non-current assets were added in 2009-2010

	Other property, plant and equipment \$'000
By purchase-appropriation ordinary annual services	-
<b>Total additions</b>	<b>-</b>

The following non-financial non-current assets were added in 2008-2009

	Other property, plant and equipment \$'000
By purchase - appropriation ordinary annual services	15
<b>Total additions</b>	<b>15</b>

## 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 2009-10, 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.

#### 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 2009; 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

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### 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 to AASB 8, AASB 101, AASB 102, AASB 107, AASB 108, AASB 110, AASB 111, AASB 112, AASB 116 to AASB 121, AASB 123, AASB 127 to AASB 129, AASB 131 to AASB 134, AASB 136 to AASB 141, AASB 1023, AASB 1031, AASB 1038, AASB 1039, AASB 1048 & AASB 1049].

Interp.1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities - June 2009.*

Interp.2 *Members' Shares in Co-operative Entities and Similar Instruments - June 2009.*

Interp.4 *Determining whether an Arrangement contains a Lease - June 2009.*

Interp.5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds - September 2007.*

Interp.6 *Liabilities arising from participating in a Specific Market – Waste Electrical and Electronic Equipment - September 2007.*

Interp.7 *Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies - October 2009.*

Interp.8 *Scope of AASB 2 - September 2007.*

Interp.9 *Reassessment of Embedded Derivatives - May 2009.*

Interp.10 *Interim Financial Reporting and Impairment - October 2009.*

Interp.11 *AASB 2 – Group and Treasury Share Transactions – September.*

Interp.12 *Service Concession Arrangements - June 2009.*

Interp.13 *Customer Loyalty Programmes - September 2007.*

Interp.14 *AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - June 2009.*

Interp.15 *Agreements for the Construction of Real Estate - August 2008.*

Interp.16 *Hedges of a Net Investment in a Foreign Operation - May 2009.*

Interp.17 *Distributions of Non-cash Assets to Owners – June 2009.*

Interp.18 *Transfers of Assets from Customers - March 2009.*

Interp.107 *Introduction of the Euro - June 2009.*

## Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

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### 1.3 Changes in Australian Accounting Standards (cont.)

#### Adoption of new Australian Accounting Standard requirements (cont.)

- Interp.110 *Government Assistance – No Specific Relation to Operating Activities - September 2007.*
- Interp.112 *Consolidation – Special Purpose Entities - September 2007.*
- Interp.113 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers - September 2007.*
- Interp.115 *Operating Leases – Incentives – June 2009.*
- Interp.121 *Income Taxes – Recovery of Revalued Non-Depreciable Assets - September 2007.*
- Interp.125 *Income Taxes – Changes in the Tax Status of an Entity or its Shareholders - June 2009.*
- Interp.127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease - June 2009.*
- Interp.129 *Service Concession Arrangements: Disclosures - June 2009.*
- Interp.131 *Revenue – Barter Transactions Involving Advertising Services - September 2007.*
- Interp.132 *Intangible Assets – Web Site Costs - September 2007.*
- Interp.1019 *The Superannuation Contributions Surcharge - December 2007.*
- Interp.1030 *Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods - September 2007.*
- Interp.1031 *Accounting for the Goods and Services Tax (GST) - December 2007.*
- Interp.1039 *Substantive Enactment of Major Tax Bills in Australia – December 2007.*
- Interp.1042 *Subscriber Acquisition Costs in the Telecommunications Industry - December 2007.*
- Interp.1047 *Professional Indemnity Claims Liabilities in Medical Defence Organisations - December 2007.*
- Interp.1052 *Tax Consolidation Accounting - December 2007.*
- Interp.1055 *Accounting for Road Earthworks - December 2007.*

## Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

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### 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* February 2010.

AASB 2 *Share-based Payment* - July 2009.

AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* - December 2009.

AASB 7 *Financial Instruments: Disclosures* - February 2010

AASB 8 *Operating Segments* - December 2009

AASB 9 *Financial Instruments* - December 2009

AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* - December 2009

AASB 110 *Events after the Reporting Period* - December 2009

AASB 112 *Income Taxes* - December 2009

AASB 118 *Revenue* - May 2009

AASB 119 *Employee Benefits* - December 2009

AASB 124 *Related Party Disclosures* - December 2009

AASB 132 *Financial Instruments: Presentation* - October 2009

AASB 133 *Earnings per Share* - December 2009.

AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* - December 2009.

AASB 139 *Financial Instruments: Recognition and Measurement* - December 2009.

AASB 1053 *Application of Tiers of Australian Accounting Standards* - June 2010.

AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]* - 07 Dec 2009.

AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* - 30 Jun 2010.

## Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

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### 1.3 Changes in Australian Accounting Standards (cont.)

#### Future Australian Accounting Standard requirements (cont.)

AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139] - 23 Jun 2010.*

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] - 23 Jun 2010.*

Interp.2 *Members' Shares in Co-operative Entities and Similar Instruments - December 2009.*

Interp.4 *Determining whether an Arrangement contains a Lease - December 2009.*

Interp.14 *AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - December 2009.*

Interp.16 *Hedges of a Net Investment in a Foreign Operation - December 2009.*

Interp.19 *Extinguishing Financial Liabilities with Equity Instruments - December 2009.*

Interp.1039 *Substantive Enactment of Major Tax Bills in Australia - December 2009.*

Interp.1052 *Tax Consolidation Accounting - December 2009.*

## Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

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### 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

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### 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. In 2009-10 as part of Operation Sunlight \$561,000 was returned to Government.

### 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

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### 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 cash on hand, cash held with outsiders and any demand 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

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### 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.

The Commission has no contingent assets or contingent liabilities.

## 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

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### 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:

	2010	2009
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 2010. 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
- 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

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### **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 Reporting Period

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

	<b>2010</b>	2009
	<b><u>\$'000</u></b>	<b><u>\$'000</u></b>

### Note 3: Expenses

#### **Note 3A: Employee benefits**

Wages and salaries	4 005	4 069
Superannuation		
Defined contribution plans	445	484
Defined benefit plans	195	204
Leave and other entitlements	734	558
<b><i>Total employee benefits</i></b>	<b>5 379</b>	<b>5 315</b>

#### **Note 3B: Suppliers**

##### **Goods and services**

Consultant and Outsourcing	173	361
Data	35	68
Other Administrative Services	980	1061
<b><i>Total goods and services</i></b>	<b>1 188</b>	<b>1 490</b>

Goods and services are made up of

Provision of goods - external parties	108	161
Rendering of services - related entities	170	206
Rendering of services - external parties	418	638
Operating lease rentals	475	465
Workers compensation expenses	17	20
<b><i>Total goods and services</i></b>	<b>1 188</b>	<b>1 490</b>

#### **Note 3C: Depreciation and amortisation**

Depreciation

Infrastructure, plant and equipment	85	104
Building-leasehold improvements	64	65
<b><i>Total depreciation and amortisation</i></b>	<b>149</b>	<b>169</b>

## Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

	<b>2010</b>	2009
	<u><b>\$'000</b></u>	<u><b>\$'000</b></u>
<b>Note 4: Income</b>		
<b>REVENUE</b>		
<b><u>Note 4A: Sale of goods and rendering of services</u></b>		
Provision of goods-related entities	-	-
Provision of goods- external parties	-	-
Rendering of services-related entities	-	-
Rendering of services-external parties	<u>13</u>	<u>15</u>
<b><i>Total sale of goods and rendering of services</i></b>	<u><b>13</b></u>	<u><b>15</b></u>
<b>GAINS</b>		
<b><u>Note 4B: Other gains</u></b>		
Resources received free of charge	27	25
Other gains	<u>-</u>	<u>1</u>
<b><i>Total other gains</i></b>	<u><b>27</b></u>	<u><b>26</b></u>
<b>REVENUE FROM GOVERNMENT</b>		
<b><u>Note 4C: Revenue from Government</u></b>		
Appropriations:		
Departmental outputs	<u>7 302</u>	<u>7 809</u>
<b><i>Total revenue from Government</i></b>	<u><b>7 302</b></u>	<u><b>7 809</b></u>

## Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

	<b>2010</b>	2009
	<b><u>\$'000</u></b>	<u>\$'000</u>
<b>Note 5: Financial Assets</b>		
<b><u>Note 5A: Cash and cash equivalents</u></b>		
Cash at Bank	<b>21</b>	137
Cash on Hand	<b>1</b>	1
<b><i>Total cash and cash equivalents</i></b>	<b><u>22</u></b>	<u>138</u>
<b><u>Note 5B: Trade and other receivables</u></b>		
Goods and services	-	-
GST receivable from the Australian Taxation Office	<b>9</b>	10
Other receivable	-	-
Appropriation receivable for existing outputs	<b>7 500</b>	7 000
<b><i>Total trade and other receivables (net)</i></b>	<b><u>7 509</u></b>	<u>7 010</u>
Receivables are expected to be recovered in:		
No more than 12 months		
Receivables are aged as follows:		
Not overdue	<b><u>7 509</u></b>	<u>7 010</u>

## Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

	<b>2010</b>	2009
	<b><u>\$'000</u></b>	<u>\$'000</u>
<b>Note 6: Non-Financial Assets</b>		
<b><u>Note 6A: Buildings</u></b>		
Leasehold improvements		
- fair value	372	372
- accumulated depreciation	(341)	(277)
<b><i>Total buildings</i></b>	<b><u>31</u></b>	<u>95</u>

### **Note 6B: Property, plant and equipment**

Property, plant and equipment		
- gross carrying amount (at fair value)	406	406
- accumulated depreciation	(369)	(284)
<b><i>Total Property, plant and equipment</i></b>	<b><u>37</u></b>	<u>122</u>

No indicators of impairment were found for buildings or property, 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 — Reconciliation of the opening and closing balances of property, plant and equipment (2009-10)**

	<b>Buildings- Leasehold Improvements \$'000</b>	<b>Property, Plant and Equipment \$'000</b>	<b>Total \$'000</b>
<b>As at 1 July 2009</b>			
Gross book value	372	406	778
Accumulated depreciation/ impairment	(277)	(284)	(561)
<b>Net book value 1 July 2009</b>	<b>95</b>	<b>122</b>	<b>217</b>
Additions			
by purchase			
Depreciation/amortisation expense	(64)	(85)	(149)
Disposals:			
Other disposals			
<b>Net book value 30 June 2010</b>	<b>31</b>	<b>37</b>	<b>68</b>
<b>Net book value 30 June 2010 represented by:</b>			
Gross book value	372	406	778
Accumulated depreciation/ impairment	(341)	(369)	709
	<b>31</b>	<b>37</b>	<b>68</b>

## Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

**Note 6: Non-Financial Assets (cont.)**

**Note 6C — Reconciliation of the opening and closing balances of property, plant and equipment (2008-09)**

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

## Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

	<b>2010</b>	2009
	<u><b>\$'000</b></u>	<u><b>\$'000</b></u>
<b>Note 6D: Other Non-Financial Assets</b>		
Prepayments	69	55
<b><i>Total other non-financial assets</i></b>	<b>69</b>	<b>55</b>

Total other non-financial assets are expected to be recovered in:

No More than 12 months	69	55
<b><i>Total other non-financial assets</i></b>	<b>69</b>	<b>55</b>

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

### **Note 7: Payables**

#### **Note 7A: Suppliers**

Trade creditors and accruals	45	55
<b><i>Total supplier payables</i></b>	<b>45</b>	<b>55</b>

Supplier payables expected to be settled within 12 months:

Related entities	45	55
------------------	----	----

#### **Note 7B: Other payables**

Superannuation	12	11
Salaries and wages	74	66
Other payable	0	2
<b><i>Total Other Payables</i></b>	<b>86</b>	<b>79</b>

Total other payables are expected to be settled in:

No more than 12 months	86	79
<b><i>Total Other Payables</i></b>	<b>86</b>	<b>79</b>

## Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

	<b>2010</b>	2009
	<u><b>\$'000</b></u>	<u><b>\$'000</b></u>

**Note 8: Provisions**

**Note 8A: Employee provisions**

Annual leave	688	603
Long service leave	1 013	912
<b><i>Total employee provisions</i></b>	<b><u>1 701</u></b>	<b><u>1 515</u></b>

Employee provisions are expected to be settled in:

No more than 12 months	755	662
More than 12 months	946	853
<b><i>Total employee provisions</i></b>	<b><u>1 701</u></b>	<b><u>1 515</u></b>

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 \$755,000.00 (2009: \$662,000.00), in excess of one year \$946,000.00 (2009: \$853,000.00)

**Note 8B: Other provisions**

Provision for restoration obligations	78	78
<b><i>Total other provisions</i></b>	<b><u>78</u></b>	<b><u>78</u></b>

Other provisions are expected to be settled in:

No more than 12 months	78	78
<b><i>Total other provisions</i></b>	<b><u>78</u></b>	<b><u>78</u></b>

## Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

	<b>2010</b>	2009
<b>Note 9: Cash Flow Reconciliation</b>	<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
<b>Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement</b>		
<b>Cash and cash equivalents as per:</b>		
Cash Flow Statement	<b>22</b>	138
Balance Sheet	<b>22</b>	138
<b>Difference</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of net cost of services to net cash from operating activities:</b>		
Net cost of services	<b>6 676</b>	6 933
Add Revenue from Government	<b>7 302</b>	7 809
<b>Adjustment for non-cash items:</b>		
Depreciation / amortisation	<b>149</b>	169
<b>Changes in assets/liabilities:</b>		
(Increase) / decrease in net receivables	<b>(499)</b>	(995)
(Increase) / decrease in prepayments	<b>(14)</b>	(6)
Increase / (decrease) in employee provisions	<b>186</b>	89
Increase / (decrease) in supplier payables	<b>(10)</b>	(68)
Increase / (decrease) in other payables	<b>7</b>	17
Decrease in appropriation receivable –Return to Govt	<b>(561)</b>	-
<b><i>Net cash from/(used by) operating activities</i></b>	<b><u>116</u></b>	<b><u>82</u></b>

## Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

### Note 10: Contingent Liabilities and Assets

#### Quantifiable Contingency

The Commission has no contingencies for 2009-2010 or 2008-2009.

### Note 11: Senior Executive Remuneration

#### Note 11A: Actual Remuneration Paid to Senior Executives

The number of senior executives who received:

	2010	2009
\$205 000 - \$219 999	2	1
\$220 000 - \$234 999	-	1
\$310 000 - \$324 999	1	1
Total	<u>3</u>	<u>3</u>

#### Total expense recognised in relation to Senior Executive Employment

Short-term employee benefits	\$	\$
Salary (including annual leave taken)	459 291	456 940
Changes in Annual leave provisions	40 469	38 388
Performance Bonus	40 364	30 781
Other <sup>(1)</sup>	59 467	59 217
Total Short-term employee benefits	<u>599 591</u>	585 326
Superannuation (post employment benefit)	127 377	140 053
Other long-term benefits	18 211	17 275
Total	<u>745 179</u>	742 654

Notes

<sup>1</sup> "Other" includes motor vehicle allowances and other allowances

No redundancy payments were made to executives during the year.

## Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

### Note 11B: Salary packages for Senior Executives

Average annualised remuneration packages for substantive senior executives as at 30 June:

Total Remuneration*	Remuneration packages as at 30 June 2010			Remuneration packages as at 30 June 2009		
	No SES	Base Salary (including annual leave)	Total remuneration package <sup>(1)</sup>	No SES	Base salary (including annual leave)	Total remuneration package <sup>(1)</sup>
\$220,000 to \$234,999	2	155 052	223 605	2	149 120	226 228
\$350,000 to \$364,999	-	-	-	1	240 788	352 221
\$380,000 to \$399,999	1	258 166	381 417	-	-	-
<b>Total</b>	<b>3</b>			<b>3</b>		

\* Excluding acting arrangements and part year service

Notes

<sup>1</sup> Non-salary elements available to Senior Executive include:

- (a) Performance Bonus;
- (b) Motor vehicle allowances;
- (c) Superannuation (post-employment benefits); and
- (d) Includes Long service Leave

#### **Major difference between Note 11A and 11B**

Note 11A discloses senior executive remuneration based upon:

- (a) Actual salary paid during the year (including payment for leave taken);
- (b) Movement in annual leave and long service leave provisions (including revaluations of provisions);
- (c) Superannuation (post-employment benefits);
- (d) Motor vehicle and other allowances; and
- (e) Reportable fringe benefits.

These amounts may differ to the remuneration package disclosed in Note 11B depending upon: the amount of leave taken during the year; part-year service; periods of leave without pay; acting arrangements; changes to base salary, salary for superannuation purposes and allowances during the year; and revaluations of employee provisions.

Note 11B reflects only substantive senior executive packages in existence as at 30 June.

## Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

<b>Note 12: Remuneration of Auditors</b>	<u>2010</u>	<u>2009</u>
	\$	\$
Financial statement audit services are provided free of charge by the Auditor-General. The fair value of the service provided was:	<u>26 800</u>	<u>25 200</u>

No other services were provided by the Auditor-General.

### Note 13: Act of Grace Payments, Waivers and Defective Administration Scheme

	<u>2010</u>	<u>2009</u>
No 'Act of Grace' payments were made during the reporting period. (2009: 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> . (2009: no payments made)	Nil	Nil
No payments were made under the Defective Administration Scheme during the reporting period. (2009: no payments made)	Nil	Nil
No payments were made under s73 of the <i>Public Service Act 1999</i> during the reporting period. (2009: no payments made)	Nil	Nil
No ex-gratia payments were made during the reporting period. (2009: no payments made)	Nil	Nil

## Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

### Note 14: Financial Instruments

#### Note 14A: Categories of Financial Instruments

	2010	2009
	\$'000	\$'000
<b>Financial Assets</b>		
Loans and receivables:		
Cash and cash equivalents	22	138
<i>Carrying amount of financial assets</i>	<b>22</b>	138
<b>Financial Liabilities</b>		
At amortised cost:		
Trade creditors	45	55
Other payables	86	79
<i>Carrying amount of financial liabilities</i>	<b>131</b>	134

#### Note 14B: Credit Risk

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

The Commission holds no collateral to mitigate against credit risk.

#### **Credit quality of financial instruments not past due or individually determines as impaired**

	Not past due nor impaired	Not past due nor impaired
	2010	2009
	\$'000	\$'000
Cash and cash equivalents	22	138

## Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

### Note 14: Financial Instruments (cont.)

#### Note 14C: Liquidity Risk

The Commission's financial liabilities are payables of \$131 000 (2009:\$134 000). 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 14D: 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', 'Other price risk' or 'Interest rate risk'.

### Note 15: 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	
	2010	2009
	\$'000	\$'000
Balance brought forward from previous period (Appropriation Acts)	7 033	5 965
Appropriation Act (No.1) 2009-2010 as passed	7 339	7 809
Appropriations reduced ( <i>Appropriation Act 1</i> section 10)	(37)	0
Appropriations reduced ( <i>Appropriation Act 3</i> section 14)	(561)	0
Appropriations to take account of recoverable GST (FMA s 30A)	110	151
Relevant agency receipts (FMA Act s 31)	13	20
Total Appropriations available for payments	13 897	13 945
Cash payments made during the year (GST inclusive)	6 480	6 912
Balance of authority to draw cash from the CRF for ordinary annual services appropriations and as represented by:	7 417	7 033
Cash at bank and on hand	22	138
Departmental appropriations receivable	7 395	6 895
<b>Total</b>	<b>7 417</b>	<b>7 033</b>

## Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

**Note 15: Appropriations (cont.)**

**Note 15B: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund (CRF) for Other than Ordinary Annual Services Appropriations**

	Non-operating	
	Previous Years Outputs	
	2010	2009
	\$'000	\$'000
Balance brought forward from previous period (Appropriation Acts)	105	105
Appropriation Act (No. 2) 2009-2010	-	-
Appropriations to take account of recoverable GST (FMA s 30A)	-	-
Total appropriations available for payments	105	105
Cash payments made during the year (GST inclusive)	-	-
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
<b>Total</b>	<b>105</b>	<b>105</b>

**Note 16: Special Accounts**

<b>Other Trust Monies Special Account</b>	<b>2010</b>	2009
	\$'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	27	26
<b>Available for payments</b>	<b>27</b>	<b>26</b>
Payments made	27	26
<b>Total balance carried to the next period</b>	<b>-</b>	<b>-</b>

## Commonwealth Grants Commission

Notes to and forming part of the Financial Statements

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**Note 17: Reporting of Outcomes**

**Note 17A: Net Cost of Outcome Delivery**

	<b>Outcome 1</b>	
	<b>2010 \$'000</b>	2009 \$'000
<b>Expenses</b>		
Departmental	<b>6 716</b>	6 974
<b>Total</b>	<b>6 716</b>	6 974
<b>Income from non-government sector</b>		
Departmental		
Goods and services income	<b>13</b>	15
Other	-	1
<b>Total Departmental</b>	<b>13</b>	16
<b>Net cost of outcome delivery</b>	<b>6 703</b>	6 958

Outcome 1 is described in Note 1.1.

This table includes income which is not subject to competitive neutrality.

In accordance with the Finance Minister's Orders 121.53P the Commission has chosen to omit preparing Table B 'Major Classes of Departmental Expenses, Income, Assets and Liabilities by Outcome'.

# GLOSSARY

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- 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 terms that have a meaning unique to the Commission. The complete list of terms may be found in the Commission's latest review and update reports, available on the website: <http://www.cgc.gov.au>.
- 2 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.

## TERMS

### **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, average revenue and assessed revenue (revenue assessed differences or needs). Assessed differences can be either positive or negative.

### **Goods and Services Tax (GST)**

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

### **horizontal fiscal equalisation (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, operated at the same level of efficiency and maintained the average per capita net financial worth.

### **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 federal financial arrangements have become National partnership payments.

**relativity**

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

**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

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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
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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