



ACT
Government

COMMONWEALTH GRANTS COMMISSION 2024 UPDATE OF GST REVENUE SHARING RELATIVITIES

NEW ISSUES PAPER

ACT Government Submission

ACT GOVERNMENT SUBMISSION
NOVEMBER 2023

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ABBREVIATIONS

Term	Definition
ABS	Australian Bureau of Statistics
ADF	Australian Defence Force
CGC	Commonwealth Grant Commission
GST	Goods and Services Tax
IRSEO	Indigenous Relative Socio-Economic Outcomes index
NISEIFA	Non-Indigenous Socio-Economic Index for Areas
SEIFA	Socio-Economic Indexes for Areas
ToR	Term of Reference
2024 Update	2024 Update of GST relativities
2025 Review	2025 Methodology Review

INTRODUCTION

The Commonwealth Grants Commission (CGC) has released a Discussion Paper, *New Issues in the 2024 Update* to the states and territories for comments. The paper sets out the new issues and Commonwealth payments identified by the CGC as relevant to the 2024 Update of GST relativities (2024 Update).

The ACT welcomes the opportunity to comment on the issues and CGC's recommendations outlined in the paper. The ACT notes that these issues and recommendations have been prepared in the absence of the Term of Reference (ToR) for the 2024 Update.

Overall, the ACT is broadly supportive of CGC's recommendations for the 2024 Update. The ACT's position on each issue and the CGC's recommendations are provided below.

ISSUES FOR THE 2024 UPDATE

UPDATED DATA FOR INFORMATION

The 2021 Census was conducted in August 2021, with 2021 Census data progressively released by the Australian Bureau of Statistics (ABS). The CGC will make several updates to the census data used in the assessments for the 2024 Update.

FIRST NATIONS POPULATION

As the ABS has not yet updated the First Nations population projections based on the 2021 Census, the CGC proposes to adjust the population projections (by state and age) based on the ratio between actual and projected First Nations populations for 2021. This is based on the same approach used in the 2018 Update, before the projections based on the 2016 Census were available.

ACT Position

The ACT supports the proposed approach by the CGC. The ACT notes that the estimates and projections for First Nations population are likely to be released in the second half of 2024, which is after the finalisation of the 2024 Update.

REMOTENESS AND SOCIO-ECONOMIC STATUS

Remoteness is a key aspect affecting the use of services and the cost of delivering services in several expense assessments. The remoteness of certain areas in the ABS remoteness classification has changed in the 2021 Census, mainly because some urban centres and their surrounding areas have grown and become more accessible. In the 2024 Update, the remoteness classifications used by the CGC have been updated to account for these changes in the 2021 Census.

Socio-economic status is another element of the socio-demographic composition assessment used in expense assessments. The CGC relies on data classified by Indigenous Relative Socio-Economic Outcomes index (IRSEO), Non-Indigenous Socio-Economic Index for Areas (NISEIFA) and Socio-Economic Indexes for Areas (SEIFA) to measure socio-economic status. In the 2024 Update, the measures of IRSEO, NISEIFA and SEIFA used to classify these data have been updated with new data from the 2021 Census.

ACT Position

The ACT supports the CGC's proposal to update its measure of remoteness areas to account for changes in the 2021 Census in the 2024 Update.

The ACT also supports the CGC's recommendation to update its measure of socio-economic status (SES) based on 2021 Census data. The ACT notes that the measures of IRSEO, NISEIFA and SEIFA used to classify data have been updated with new data from the 2021 Census in the 2024 Update.

We note, as shown in the 2020 Methodology Review, that SEIFA is likely to not capture the disadvantaged in the ACT's population appropriately as the ACT has a much greater than average diversity in SES at the SA1 level, which masks the level of individual disadvantage.

As per the 2020 Methodology Review, it would be preferable, were the required data available, to replace area-based measures of SES with individual or household-based measures, removing the need for indexes such as SEIFA, IRSEO and NISEIFA.

However, while the SEIFI (Socio Economic Index for Individuals) does, we note the data the CGC receives does not have any specific information to help them understand the relative SES other than postcode.

The ACT also notes that IRSEO/NISEIFA based data will be available for the health assessment, which will allow the non-state sector adjustment calculations to shift from SEIFA based data. This would bring the health assessment in line with all other assessments that use IRSEO/NISEIFA.

DISCRETE FIRST NATIONS COMMUNITIES

ACT Position

The ACT supports the CGC's proposal to update the population of discrete First Nations communities based on 2021 Census data.

OTHER GEOGRAPHIC CLASSIFICATIONS

ACT Position

The ACT supports the CGC's recommendation to update ABS data on significant urban areas and urban centres using 2021 Census geographies in the transport and services to communities assessments. The ACT notes that the assessment of rural roads will be considered in the 2025 Review.

DATA ISSUES FOR CONSIDERATION

JUSTICE

In the justice assessment, the CGC uses estimates of First Nations population based on ABS census data, combined with use weights supplied by states and territories to determine a policy neutral number of justice service users. As the composition of First Nations populations differ significantly between Census', applying existing use rates to 2021 Census estimates would likely incorrectly estimate the number of justice service users. This is because data used to derive existing use rates are sourced from 2015–17. Until the 2025 Review is finalised the Commission will not have data on the use of justice services of the First Nations population from the 2021 Census. The Commission's preliminary view is to apply 2016 Census based use

weights to 2016 Census based population estimates for First Nations people in the 2024 Update justice assessment.

ACT Position

Noting the data availability issue, the ACT supports the CGC's proposal to apply 2016 Update use weights to 2016 Census based population estimates for First Nations people in the 2024 Update justice assessment. The ACT notes that the CGC anticipates incorporating 2021 Census First Nations population and use rates consistent with 2021 Census estimates into the justice assessment as part of the 2025 Review.

TRANSPORT

In the transport assessment, the CGC proposes using the 2021 Census data and new average slope data from Geoscience Australia to update the characteristics of urban areas applied to the regression coefficients for the urban transport assessment. 2016 Census data will continue to be used to model passenger numbers until 2026 Census data become available as 2021 Census data were impacted by COVID-19 restrictions and unfit for the assessment.

ACT Position

The ACT supports the CGC's proposal to update the urban transport assessment with 2021 Census data and the updated Geoscience Australia average slope data. The ACT also supports the continued use of 2016 Census passenger data by the CGC to model passenger numbers in the urban transport assessment, however with an adjustment to account for new transport modes during the intercensal period. For the ACT, this is the introduction of light rail services from 2019.

PAYROLL TAX

In the payroll tax assessment, the CGC proposes to use public sector wages and salaries data sourced from the Australian Taxation Office's single touch payroll data instead of the discontinued ABS Survey of Employment and Earnings. As these new data include wages and salaries of Australian Defence Force (ADF) personnel and employees of Australian embassies overseas, the remuneration of these employees can now be excluded from public sector compensation of employees data directly using a taxable proportion of public sector wages and salaries.

ACT Position

The ACT supports the CGC's proposal to discontinue the separate adjustment to remove the remuneration of ADF personnel and Australian embassy employees from the measure of the payroll tax base from the 2022-23 assessment year. The ACT shares the CGC's view that this adjustment is no longer necessary due to changes in the scope of ABS public sector wages and salaries data.

OTHER ISSUES FOR CONSIDERATION

NATIONAL CAPITAL

The Commission will consider suspending the national capital assessment from the calculation of GST relativities, if the ACT's assessed GST needs for this assessment are negative in the 2024 Update. As this

assessment is designed to recognise the additional costs incurred by the ACT to be a national capital, the ACT's negative assessed GST needs would be inconsistent with the 2020 Review methodology.

ACT Position

The ACT supports the CGC's proposal to suspend the national capital assessment from the calculation of GST relativities, if the ACT's assessed GST needs for the assessment are negative in the 2024 Update. The ACT notes that the future of the national capital assessment will also be discussed as part of the 2025 Review.

MINING REVENUE

The CGC has determined a separate assessment of nickel to be material, as Western Australia's 2023-24 budget papers forecast over \$150 million per annum in nickel royalties for the foreseeable future.

ACT Position

The ACT supports a separate assessment of nickel in the mining revenue assessment for the 2024 Update.

NEW COMMONWEALTH PAYMENTS

The CGC has examined new Commonwealth payments commencing in 2022-23, as listed in the Commonwealth Final Budget Outcome.

ACT Position

The ACT supports the proposed treatment of Commonwealth payments that commenced in 2022-23. The ACT notes the Commonwealth's intention to exempt the \$2 billion *Social housing accelerator program* payment from the GST distribution calculation. The ACT also notes the Terms of Reference for the 2024 Update also exempts payments to the states under the Energy Bill Relief Fund.