

Forward work program

- 1 As noted in the relevant assessment chapters, several issues were identified during consultations with states where it was considered further detailed work should be undertaken following the 2025 Review in preparation for the next review.
- 2 As outlined in the justice chapter, given the time needed to analyse and consult on the latest state data, the justice assessment will be completed following the release of the 2025 Review Final Report, and any changes will be incorporated in the 2026 Update.
- 3 States will be kept informed of the progress on the Commission's forward work program and will have the opportunity to provide input. Recognising that many states 'staff up' just for review periods, the Commission will be mindful of the burden on state officials of consultation arrangements as part of the forward work program. There will be full consultation with the states on any proposed changes coming from the forward work program as part of the next methodology review arrangements.
- 4 Topics on the Commission's proposed forward work program are listed below. More information is included in the relevant assessment chapters. The Commission will look to use its Research Paper series to report on the progress of work on these topics.
- 5 In addition to the specific topics identified as part of its proposed forward work program, the Commission will continue to examine all assessment methods in preparation for the next review. This includes examining the framework for its methodologies, developments that may impact methods and potential improvements. The Commission will liaise with states to capture changes in what states do.

Urban transport

- 6 Some states expressed concerns with the model used for the urban transport assessment, while other states were supportive. The Commission considers that the proposed changes to the urban transport assessment in the 2025 Review will address many of the states' concerns. However, given the assessment's complexity and the degree of unease amongst some states, the Commission considers it would be appropriate to seek external advice on the assessment prior to the next methodology review, including retesting the urban centre characteristics regression model. Data from the Australian Bureau of Statistics (ABS) 2026 Census are needed to inform the advice, and are expected to be available progressively in 2027 and 2028.

Health

- 7 Several states questioned the conceptual basis and approach for the non-state sector adjustment in the health assessment. This is a complex area, and the Commission agrees with the proposal by some states to explore in detail the evidence on the relationship between the provision of health services by the private sector and the Commonwealth government, and the amount spent by state governments on health services. This work will also consider alternative approaches to recognising the substitutability between state and non-state sectors.
- 8 There were also concerns that the Commission's approach to assessing health expense needs, based on national average spending on health services by socio-demographic group, does not account for state differences in the health status of people in similar socio-demographic groups. Given the concerns of some states, the Commission proposes to explore in detail the evidence on health service needs of people in similar socio-demographic groups across states.
- 9 More broadly, the Commission notes that the health assessment currently relies on a number of judgements (in part due to data availability) which adds to its complexity. As such, the Commission considers that a review of the health assessment framework in preparation for the next methodology review would be beneficial. The Commission intends to engage with the states on the potential improvements to the health assessment framework ahead of the commencement of the next review.

Administrative scale

- 10 In the 2020 Review, the Commission developed the underlying basis for the administrative scale assessment by constructing a hypothetical organisational chart reflecting the minimum staffing structures for each state function. Several states called for this work to be updated. It was, however, a comprehensive and time-consuming exercise, and it was impractical to repeat it in the time available for the 2025 Review. To ensure the assessment remains contemporary, the Commission proposes to undertake a similar comprehensive analysis before the next review.

Cultural and linguistic diversity

- 11 Three states said several of the Commission's expenditure assessments should include culturally and linguistically diverse populations as a cost driver of state service provision. The Commission accepts there is a conceptual case that various culturally and linguistically diverse population groups can drive higher costs in providing some state services. However, significant challenges stand in the way of reliably defining, identifying and assessing how such groups affect costs across the range of state services. In preparation for the next review, the Commission proposes to work with the states and relevant data providers to consider the basis for

culturally and linguistically diverse drivers, and appropriate definitions and data, in the context of the Commission's various expense assessments.

Net zero

- 12 As part of global efforts to decarbonise, all Australian governments have committed to achieving net zero emissions by no later than 2050. The Commission has identified this as an area of state spending that is expected to grow significantly and may need to be assessed. Several states have highlighted the challenges of isolating spending specific to the net zero transition and identifying policy neutral drivers of the different spending needs of the states. The Commission proposes to monitor policies in this area, identify relevant expenses, and examine whether reliable policy neutral drivers of spending across states can be identified.

Elasticity adjustments

- 13 Two states proposed that elasticity adjustments be incorporated in revenue assessments where material, while other states opposed this on the basis of resulting complexities and measurement issues. The Commission acknowledges there is a conceptual case for including elasticity adjustments and recognises that if differences in state tax rates have material effects on their observed revenue bases, incorporating elasticity adjustments (provided they can be reliably measured) would improve the policy neutrality of assessments. The Commission proposes to continue to consider how the complexities and uncertainties can be addressed in preparation for the next review.

Data

- 14 Data challenges remain a significant issue for many assessments, and the Commission proposes to work with the states and data providers, including the ABS, to explore opportunities to obtain improved data. Specific data issues are discussed in the relevant assessment chapters, including health, welfare, payroll tax, roads and socio-economic status.