



ACT
Government

COMMONWEALTH GRANTS COMMISSION 2025 METHODOLOGY REVIEW OF GST REVENUE SHARING RELATIVITIES

DRAFT REPORT

ACT Government Submission

AUGUST 2024

THIS PAGE LEFT BLANK INTENTIONALLY

CONTENT

CONTENT.....	3
ABBREVIATIONS.....	5
EXECUTIVE SUMMARY.....	7
REVENUE ASSESSMENTS.....	9
PAYROLL TAX.....	9
LAND TAX.....	9
STAMP DUTY ON CONVEYANCES.....	9
INSURANCE TAX.....	9
MOTOR TAXES.....	9
MINING REVENUE.....	9
OTHER REVENUE.....	9
EXPENSE ASSESSMENTS.....	10
SCHOOLS.....	10
POST-SECONDARY EDUCATION.....	10
HEALTH.....	10
HOUSING.....	10
WELFARE.....	10
SERVICES TO COMMUNITIES.....	11
JUSTICE.....	11
ROADS.....	11
TRANSPORT.....	11
SERVICES TO INDUSTRY.....	12
NATURAL DISASTER RELIEF.....	12
NATIVE TITLE AND LAND RIGHTS.....	12

ADMINISTRATIVE SCALE	12
WAGE COSTS	12
GEOGRAPHY	12
SOCIO-ECONOMIC STATUS.....	12
NATIONAL CAPITAL.....	12
OTHER EXPENSES.....	13
CAPITAL ASSESSMENTS.....	13
INVESTMENT	13
NET BORROWING	13
OTHER	13
COMMONWEALTH PAYMENTS.....	13
ADJUSTED BUDGET	13
FLEXIBILITY TO CONSIDER METHOD CHANGES BETWEEN REVIEWS.....	14
FORWARD WORK PROGRAM	14

ABBREVIATIONS

Term	Definition
ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
AFP	Australian Federal Police
AIHW	Australian Institute Health and Welfare
APC	Actual per capita
CGC	Commonwealth Grants Commission or Commission
CIT	Canberra Institute of Technology
COFOG	Classification of the Functions of Government
HFE	Horizontal fiscal equalisation
NCA	National Capital Authority
NCP	National Capital Plan
NCVER	National Centre for Vocational Educational Research
NSW	New South Wales
RoGS	Report on Government Services
2025 Review	2025 Methodology Review

THIS PAGE LEFT BLANK INTENTIONALLY

EXECUTIVE SUMMARY

In July 2024, the Commonwealth Grants Commission (CGC) released the Draft Report for the 2025 Methodology Review (the Draft Report). The Draft Report sets out the CGC's draft positions on each assessment category and seeks views from states and territories on the draft proposals.

The ACT welcomes the opportunity to comment and provide a Submission on the Draft Report. This Submission outlines the ACT's positions to the CGC's proposals presented in the Draft Report.

The ACT does not support the discontinuation of the National Capital assessment in the 2025 Review and requests the CGC to continue assessing the Planning component and the Police Services component.

The ACT also does not support a separate assessment for Homelessness Services due to data and methodology concerns, nor does it support the application of the 12.5 per cent discount to the Wage Cost assessment to compensate for the use of private sector wages as proxy for public sector wages.

The ACT broadly supports the GCG proposals for all other assessment categories, with a particular note on land tax. The ACT considers that the removal of aggregation adjustment in the Land Tax assessment better represents the ACT's land tax regime.

The ACT also supports providing the CGC with additional flexibility to consider method changes in between reviews under limited circumstances, and we support the proposed CGC forward work program with additional matters to consider.

THIS PAGE LEFT BLANK INTENTIONALLY

REVENUE ASSESSMENTS

PAYROLL TAX

The ACT supports the CGC's proposal for no method changes for this assessment.

LAND TAX

The ACT supports the CGC's proposal, particularly the removal of the aggregation adjustment to the ACT's taxable land values due to immateriality. This appropriately reflects the ACT's land tax regime which applies a fixed charge.

STAMP DUTY ON CONVEYANCES

The ACT supports the CGC's proposal.

The ACT also supports the inclusion of the elasticity adjustment work on stamp duty and other revenue lines as part of the CGC's forward work program.

INSURANCE TAX

The ACT supports the CGC's proposal for no method changes for this assessment.

MOTOR TAXES

The ACT supports the CGC's proposal for no method changes for this assessment.

The ACT notes that the CGC forward work program includes monitoring electric vehicle incentives, as well as monitoring the materiality of motor vehicle stamp duty.

MINING REVENUE

The ACT supports the CGC's proposal to split Coal Mining Revenue assessment by price band. However, this is subject to the availability of reliable data to support the split and whether the result is material, which are yet to be provided in the Mining Revenue Addendum.

The ACT does not support the split of Coal assessment by coal type due to data concerns and complexity with the approach.

The ACT shares and supports the CGC's view that the mineral-by-mineral approach is the best method to assess revenue raising capacities as it directly links revenue capacity for each state with the royalty rates applied to different minerals. Given this, the ACT considers that there is no need for a dominant-state adjustment to be included in the assessment.

OTHER REVENUE

The ACT supports the CGC's proposal for no method changes for this assessment.

EXPENSE ASSESSMENTS

SCHOOLS

The ACT supports the CGC proposals.

The ACT notes that data from the Nationally Consistent Collection of Data on School Students with Disability is insufficient to support the inclusion of disability needs in the Schools assessment.

POST-SECONDARY EDUCATION

The ACT supports the CGC's proposal.

The ACT notes that the New South Wales (NSW) Department of Education and Canberra Institute of Technology (CIT) has signed a Smart and Skilled Contract for the second term, covering the activity period from 1 July 2024 to 30 June 2025. Under this contract, NSW will pay subsidies and loadings to CIT for enrolled students under any Smart and Skilled Program or the School Based Apprenticeships and Traineeships Program. The NSW Government may offer CIT a new contract for the next activity period from 1 July 2025 to 30 June 2026.

The ACT anticipates data on activity and payments from the Smart and Skilled Contract to CIT for updating the cross-border adjustment can be provided by both the ACT and NSW should this be unidentifiable in the National Centre for Vocational Educational Research (NCVER) report.

HEALTH

The ACT supports all CGC proposals, including the proposed change to the indicator used for the non-sector in the Admitted Patients assessment as well as the split of Community and Public Health assessment into ambulatory community mental health services and other services (the balance component).

The ACT considers that it is appropriate to assess the National Partnership on COVID-19 on an actual per capita (APC) basis, noting that the driver of COVID-19 is beyond states and territories' control. The National Partnership on COVID-19 ceased in 2022-23 and will only continue to affect the assessment until the 2027 Update, *that is* when the 2022-23 data drops out of the assessment.

HOUSING

The ACT supports the CGC's proposal, noting that the ACT has concerns with the proposed Homelessness Services assessment.

WELFARE

The ACT does not support a separate assessment for Homelessness Services but supports the CGC's other proposals.

The ACT provided in-principle support for the development of a Homelessness Services assessment, subject to the availability of new data to support this assessment. However, the ACT has concerns with the data proposed as it does not reflect consistency of use and expenditure across the states and territories. The use of services reflected in the Australian Institute Health and Welfare (AIHW) Specialist homelessness services

data may not align with expenditure in the Report on Government Services (RoGS) data on homelessness services. There are also issues around the coverage of RoGS homelessness services data across states and territories as outlined in the Draft Report. It notes that the RoGS data on homelessness services does not include spending on temporary accommodation programs in NSW and South Australia. Our further investigation shows that spending on the emergency and temporary accommodation programs is included in the RoGS data for the ACT.

Further, the ACT has concerns with the proposed 50/50 split of states and territories' expenditure into social housing and welfare in the corresponding Classification of the Functions of Government (COFOG). This is suggested to be applied when a state or territory is unable to provide detailed data on homelessness services by COFOG classifications. The proposed split seems arbitrary and would unlikely represent the actual composition of states and territories' spending under the two categories, noting the issues around the coverage of the RoGS data above. Consequently, this would affect the accuracy of the Housing assessment and Other Welfare assessment, respectively.

Additionally, the drivers proposed for the assessment are too broad and more reflective of needs for social and public housing services in general rather than the specific needs for homelessness services. The ACT notes the proposed drivers were chosen as the more appropriate drivers – proposed by states and territories and conceptually valid – are not supported by the available data. The ACT considers that data limitations do not justify the proposed drivers and recommends the CGC delays a separate assessment for Homelessness Services until nationally consistent data is available.

SERVICES TO COMMUNITIES

The ACT supports the CGC's proposals and intent to monitor policy developments around national disasters as well spending on natural disaster mitigation and spending to support the transition to net zero emissions.

JUSTICE

The ACT supports the CGC's proposal to retain the 2020 methodology for the Justice assessment and to update it in the 2026 Update.

The ACT notes that data for 2023-24 is not yet available. Hence, the CGC will consult states and territories on any proposed method changes in the Justice assessment and provide details of the indicative distribution impacts prior to the 2026 Update.

ROADS

The ACT supports the proposal, noting that the CGC will investigate the suitability of using the National Service Level Standards data in the Roads assessment when the data becomes available.

TRANSPORT

The ACT will provide a separate Submission to address the addendum to the Draft Report on Transport.

SERVICES TO INDUSTRY

The ACT supports the CGC's proposal.

The ACT also supports the CGC's intent to work with states and territories to develop a consistent definition of net-zero spending. The work includes identifying net-zero business development (and non-business development) spending as well as monitoring net-zero transition spending, which the ACT expects to increase significantly in the future.

NATURAL DISASTER RELIEF

The ACT supports the CGC's proposal for no method changes for this assessment.

NATIVE TITLE AND LAND RIGHTS

The ACT supports the CGC's proposal for no method changes for this assessment.

ADMINISTRATIVE SCALE

The ACT supports the CGC's proposal for no method changes for this assessment, noting that the CGC proposes to undertake a comprehensive analysis before the next review as part of its forward work program.

WAGE COSTS

The ACT does not support the application of the 12.5 per cent discount to the Wage Cost assessment, but supports the other CGC's proposals.

The application of the 12.5 per cent discount to the Wage Cost assessment would unnecessarily reduce the differences in wage structures across states and territories after improvements done to the model. The discount also does not provide sufficient justification for the use of private sector proxy data, given the CGC analysis shows that this is the only data considered appropriate for the assessment and direct 'policy-neutral' public sector wages data is unavailable.

GEOGRAPHY

The ACT supports the CGC's proposal.

SOCIO-ECONOMIC STATUS

The ACT supports the CGC's proposal for no method changes for this assessment.

NATIONAL CAPITAL

The ACT does not support the CGC's proposal to discontinue the National Capital assessment in the 2025 Review and requests the CGC to continue to assess the Planning component and the Police Services component.

National capital allowances recognise the unavoidable extra costs incurred by the ACT because of Canberra's status as the national capital or because of legacies inherited from the Commonwealth at self-government.

At self-government, the Commonwealth established the National Capital Authority (NCA) to manage its continuing interest in the strategic planning and development of Canberra as the nation's capital. It did so, in part, through the development and management of the National Capital Plan (NCP). This places restrictions on some of the planning and development decisions in the ACT and can lead to higher costs for the ACT Government, which are not incurred by other States.

The ACT will work with the CGC to identify further additional costs incurred due to the National Capital Planning requirement when the actual costs of Light Rail Stage 2A and the Redevelopment of Canberra Theatre become available.

The CGC has long accepted that the ACT has no practical alternative but to use the Australian Federal Police (AFP) as the provider of its policing services. The ACT remains in its view that the average actual police salary in the ACT may revert from time to time to be above the assessed average police salary in the future, which may result in the overall assessment to be material again.

OTHER EXPENSES

The ACT supports the CGC's proposal.

CAPITAL ASSESSMENTS

INVESTMENT

The ACT is still reviewing the CGC's positions and supporting details on the Transport assessment provided in the addendum to the Draft Report on the Transport assessment.

NET BORROWING

The ACT supports the CGC's proposal for no method changes for this assessment.

OTHER

COMMONWEALTH PAYMENTS

The ACT supports the proposal, noting that the CGC will consult with states and territories should there be uncertainty or lack of clarity surrounding certain Commonwealth payments.

ADJUSTED BUDGET

The ACT supports the CGC's proposal.

FLEXIBILITY TO CONSIDER METHOD CHANGES BETWEEN REVIEWS

The ACT supports the CGC to have additional flexibility to consider alternative methods between reviews in very limited circumstances, and in full consultation with states and territories. The additional flexibility should be operationalised in standing terms of reference and accompanied by a written guidelines document.

The ACT notes that while the CGC has proposed broad guidance around the circumstances that would trigger the CGC to exercise such flexibility, the guidance must be elaborated further, in particular to include a definition regarded as major events and scope of fiscal impact.

FORWARD WORK PROGRAM

The ACT supports the CGC forward work program, particularly the investigation to incorporate elasticity adjustments in revenue assessments and recommends the work on net-zero to include the investigation of its impact in relation to electric vehicles as a differential assessment within the Motor Taxes assessment.

On data investigation, the ACT recommends the CGC to also consider outcomes from the Life Course Data Initiative to be released by the Australian Bureau of Statistics (ABS) in 2026-27 to review the use of socio-economic status as the driver across the expense assessment categories.

The ACT notes that the forward work program in preparation for the next review will support the improvement of horizontal fiscal equalisation (HFE) outcomes and is consistent with the latest developments around the federal financial relations and climate change policies.