



**Government  
of South Australia**

Department of Treasury  
and Finance

## **2025 METHODOLOGY REVIEW**

## **NEW ISSUES DISCUSSION PAPER**

Submission from the South Australian Department of  
Treasury and Finance

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November 2024

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## Introduction

1. The South Australian Department of Treasury and Finance welcomes the opportunity to provide feedback on the Commonwealth Grants Commission's proposed treatment of new issues arising in the calculation of 2025-26 GST distribution relativities, as outlined in the Commission's *New Issues Discussion Paper*.

## Data issues

### Welfare – Update to estimated resident population

2. South Australia supports the Commission's proposal to update the estimated resident population (ERP) used in the child protection and family services assessment to include people aged 15-17.
3. Sociodemographic characteristics (SDC) in the child protection and family services component are assessed based on Australian Institute of Health and Welfare (AIHW) data on child protection service use by 0-17 year olds and ERP data from the Australian Bureau of Statistics.
4. In the 2020 Review, ERP data for 15-17 year olds was included in a combined 15-24 year old age group and not separately available. The Commission therefore decided to use 0-14 ERP data as a proxy for the full 0-17 year old cohort.
5. Separate ERP data on 15-17 year olds is now available. On this basis, we consider that the Commission's proposal to include this data in the assessment is appropriate, as it would align the ERP data with the AIHW service use data used in the assessment.

### Insurance tax – Missing data for September quarter 2023

6. South Australia notes the Commission's proposal to impute insurance premium data for the September quarter 2023 based on state average shares of taxable September quarter premiums over the previous five years.
7. The Commission's proposal reflects that Australian Prudential Regulation Authority (APRA) data for the September quarter 2023 does not include a state-by-state breakdown of insurance premiums, following a revision in APRA's reporting framework. We note that state breakdowns are available for the December quarter 2023 onwards.
8. The Commission's proposal to use data from as far back as 2018 in the calculation of 2025-26 GST relativities risks creating contemporaneity issues. In addition, given historical data is based on a different reporting framework, it may not be an appropriate representation of the September quarter 2023.
9. An alternative approach could be to impute the missing data based on state shares of total premiums in the three quarters of 2023-24 for which state data is available (i.e. December quarter 2023 to June quarter 2024). We recommend that the Commission consider this approach as it would capture both the new APRA reporting framework and emerging trends in insurance premiums.

## Assessment issue

### Mining revenue – Separate assessment of nickel royalties

10. South Australia supports the Commission exercising its judgement on whether equalisation would be improved by assessing nickel royalties separately or in the other minerals component.

## Commonwealth payments

### State budget treatment of selected Commonwealth payments

11. South Australia confirms that the expense data provided to the Commission includes state costs associated with two Commonwealth payments: private hospital viability payments and disadvantaged independent schools payments.

### Revised treatment of existing Commonwealth payments

#### *COVID-19 related Commonwealth payments*

12. South Australia notes the potential changes to the treatment of COVID-19 related Commonwealth payments and their associated components should the method changes proposed in the Draft Report be implemented.
13. We reiterate our comments made in response to the Draft Report that South Australia does not support any changes to the treatment of COVID-19 state expenditure in the 2025 Review. Commonwealth payments for the COVID-19 public health response and for the support of businesses impacted by COVID-19 should be treated as non-impacting and the associated expenditure removed from the relevant expense categories, consistent with the treatment in the 2024 Update.
14. Evidence indicates that the impact and severity of COVID-19 on jurisdictions, and thus the associated state expenditures, were influenced by both state circumstances and policy decisions. As a result, no policy neutral driver of COVID-19 state expenditure has been identified. Therefore, any adjustments to the approach used in the 2024 Update for treating COVID-19 expenditures and related Commonwealth payments would be inappropriate.
15. On 25 October 2024, the Commonwealth Government released the final report of its COVID-19 Response Inquiry (the Report).<sup>1</sup> The terms of reference for the Report limited consideration to the health and non-health responses to the pandemic that were the responsibility of the Commonwealth Government or undertaken jointly with the states and territories. It examined the roles and responsibilities of governments in managing pandemic responses, the interaction between tiers of government, and the overall cohesiveness of the national response.
16. Although the Report was not focused on the policy decisions and actions taken by individual states and territories, a number of references were made to states and

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<sup>1</sup> Department of the Prime Minister and Cabinet, *COVID-19 Response Inquiry Report*, <https://www.pmc.gov.au/resources/covid-19-response-inquiry-report>

territories taking different approaches. These include the following comments and references.

In relation to a unified pandemic management approach:

- *.....over time, the unified direction and national leadership began to deteriorate and cracks in the system started to emerge. Decisions became less cohesive and coordinated as the pandemic continued. Differences in levels of local risk and response capacity led to different responses across the country. (Page 67)*
- *Australia's federated system meant states and territories could pursue different approaches to respond to the crisis. These approaches were influenced by differing public health system robustness, capability, capacity and resilience across states and territories. (Page 76)*
- *Their (National Cabinet) message was further undermined when it was observed that the states and territories were managing similar risk settings with different levels of stringency. (Page 102)*
- *As the situation evolved, states and territories made more unilateral decisions for example, decisions about lockdowns, curfews, school closures, closure of outdoor play equipment and state border closures. (Page 102)*
- *.....implementation pressures associated with the lack of pre-existing planning structures, especially for complex logistical matters such as state border closures and vaccine rollouts; and perceived inconsistency in the states' responses, sometimes reflective of their local risk levels and other times not. (Page 110)*
- *Trust and confidence in government decision-making was negatively impacted by a number of factors, including inconsistency in response by different jurisdictions, lack of clarity or acceptance of evidence supporting key decisions, misinformation and disinformation, perceived 'politics' being played and perceived unfairness of responses. (Page 115).*
- *States and territories were largely responsible for implementing public health measures following National Cabinet decisions. Through public health orders, directions and legislative instruments, they imposed state border closures, lockdowns, school closures, and vaccine and mask mandates. As the pandemic continued, individual states and territories became more divergent, taking unilateral response measures with varying levels of restrictions. (Page 122)*
- *One of the greatest challenges to trust in science was when jurisdictions took different approaches in similar situations while telling the public they were listening to the science. The Australian Government encouraged national consistency, but by mid-2020 it had become increasingly difficult to achieve. (Page 126)*
- *During the suppression phase, state and territory public health directions and orders began to vary across jurisdictions. Local variation did not always align with*

*overt differences in outbreak control challenges or risks. Restrictions sometimes changed frequently, becoming more complex and difficult for the community to understand. (Page 128)*

- *Each state and territory also had their own definition of 'close contact' under state legislation for the purposes of contact tracing from early in the pandemic. Different jurisdictions had different ways of implementing contact tracing and different self-quarantine periods for close contacts. (Page 221)*
- *States and territories adopted individual approaches with varying rules on both the mandatory and recommended or voluntary use of masks – rules and exemptions were set out in state and territory public health orders. (Page 223)*

In relation to business support measures:

- *However, industry stakeholders noted that the inconsistent protocols, different support measures and their rules of implementation across jurisdictions created much confusion for employers and workers. (Page 573)*

17. These references support the view consistently expressed by South Australia that COVID-19 expenditure incurred by states and territories was not solely due to differences in circumstances, but also heavily influenced by differences in policy positions and jurisdiction specific responses.
18. In situations where there is no policy consistency between jurisdictions, an actual per capita assessment is not appropriate. Expenditure reported under the COVID-19 public health response National Partnership and for COVID-19 business support agreements were heavily policy influenced and cannot be assessed on an actual per capita basis.
19. If the Commission were inclined to consider an actual per capita assessment as outlined in the Draft Report, the maximum level of discount should be applied to reflect the impact of policy choices.

#### *Homelessness services related Commonwealth payments*

20. South Australia acknowledges the changes to the treatment of homelessness services related Commonwealth payments and their associated components should a separate assessment of homelessness services be implemented.

#### **Treatment of new Commonwealth payments**

21. South Australia supports the proposed treatment of Commonwealth payments that commenced in 2023-24, including the *Protecting Our Communities (Disaster Resilience) Program* payment, on which the Commission consulted with the states and territories separately after the release of the New Issues paper.

#### *Energy Bill Relief payment*

22. South Australia understands that the Energy Bill Relief payment has been quarantined in the 2024 Update Terms of Reference. However, this payment is co-funded by the Commonwealth Government and state and territory governments on

a 50:50 basis. South Australia considers the Commission should clarify whether the 50% funded by states will be assessed in the Concessions component of the Welfare assessment and, consequently, be assessed based on current drivers.