

# Forward work program

## Review outcomes

- The Commission will establish a forward work program comprising the following topics:
  - health
  - urban transport
  - cultural and linguistic diversity
  - administrative scale
  - transition to net zero emissions
  - elasticity adjustments
  - First Nations socio-economic status
  - a dominant state adjustment in mining.
- The forward work program will provide an opportunity for the Commission and states to undertake analysis on a selection of more complex issues in preparation for the next methodology review.
- The Commission recognises that there will be resourcing constraints and competing priorities that may impact a state's level of involvement in the forward work program.
- While the forward work program will inform the next review, it will not replace the usual detailed consultation on potential method changes that would occur in a review. As part of the forward work program, the Commission will not make decisions on assessment methods prior to the next review.
- The Commission will establish a Data Working Group with the states ahead of the next review to consider the availability of reliable, fit-for-purpose data across a range of assessments.
- The Commission has separately identified some specific issues it will continue to monitor ahead of the next review.

## Introduction

- 1 On 6 July 2024, the Commission published the 2025 Methodology Review [Draft Report](#).
- 2 In the Draft Report the Commission proposed to undertake a forward work program, involving detailed research to inform the next methodology review.
- 3 State submissions on the Draft Report, including on the Commission's proposed forward work program, can be viewed [here](#).

- 4 This chapter includes:
- state views on the establishment of the Commission’s forward work program
  - state views on the forward work program topics proposed in the Draft Report
  - other topics suggested by states
  - the Commission’s response and decision.

## Establishing a forward work program

- 5 The Commission identified several topics where it considered further detailed research should be undertaken in preparation for the next review. Some involve emerging topics, while others require detailed additional analysis building on issues identified during the 2025 Review. These topics would constitute the Commission’s forward work program.

### State views

- 6 All states supported the Commission’s proposal to establish a forward work program. New South Wales, Victoria, Queensland, Western Australia and the ACT provided general feedback on the Commission’s approach to the forward work program.
- 7 New South Wales noted a concern that the forward work program could be used as a tool to defer difficult decisions.
- 8 Victoria said that, given the consistency in terms of reference for methodology reviews over time, the Commission should not wait for terms of reference before beginning work on the next review. Queensland said that reviews should be treated as a continuous and ongoing process.
- 9 Victoria said the forward work program proposed by the Commission contained too many significant topics to meaningfully examine ahead of the next review. Victoria noted that states ‘resource up’ for reviews and may have limited capacity to engage with the Commission. Western Australia suggested that the forward work program would encourage states to maintain dedicated resources for horizontal fiscal equalisation between method reviews.
- 10 Victoria asked the Commission to provide states with a work program including timelines, milestones and the use of external consultants. Victoria and Queensland recommended that the Commission use more external consultants during reviews and that these consultants be engaged in advance of the next methodology review.
- 11 Victoria and Western Australia noted that states’ priorities following the 2025 Review will be influenced by the Productivity Commission’s forthcoming review of GST distribution reforms and associated deadlines. Victoria also said that work on the justice assessment will likely require states’ post-review resources and may affect the forward work program.

- 12 The ACT said that the forward work program will support horizontal fiscal equalisation outcomes and is consistent with the latest developments around federal financial relations and climate change policies.

## Topics proposed in the Draft Report.

### Health

- 13 Noting the number of judgements used in the health assessment, along with its complexity, the Commission proposed a review of the health assessment framework to identify any potential improvements and simplification. The Commission proposed to specifically examine the non-state sector adjustments and potential differences in the health service needs of people in similar socio-economic groups.

### State views

- 14 New South Wales, Queensland, Victoria, Western Australia and South Australia said the Commission should explore state and non-state sector interactions in the non-state sector adjustment. They also suggested further consideration of different methods to recognise substitutability between state and non-state sectors.
- 15 New South Wales, Queensland and the Northern Territory agreed the Commission should explore the evidence on health service needs of people in similar socio-economic groups across states.
- 16 Queensland and the Northern Territory asked the Commission to engage with states on potential improvements to the broader health assessment framework. The Northern Territory wanted the Commission to review admitted patients and the community health services assessment as a priority.
- 17 New South Wales suggested that the Commission continue to monitor uncertainty about the extent to which patient transport costs are captured by National Weighted Activity Units in the non-hospital patient transport assessment.
- 18 Western Australia asked that the Commission specifically examine emergency department non-state sector substitutability by remoteness areas. Western Australia also asked the Commission to look into variation in private health insurance benefit payments per separation for admitted patients.
- 19 South Australia said the Commission should investigate the appropriateness of using national weighted activity units and continue engaging with the Independent Health and Aged Care Pricing Authority to test the appropriateness of the non-hospital patient transport assessment.

### Urban transport

- 20 The Commission acknowledged the complexity of the urban transport assessment and the significant degree of unease among some states with the assessment

method. Given this, the Commission proposed to seek external advice on the assessment prior to the next methodology review. This will include retesting the urban centre characteristics regression model. 2026 Census data, available progressively in 2027 and 2028, will inform this work.

## State views

- 21 New South Wales and Victoria did not support the Commission seeking further external advice on the urban transport assessment. New South Wales considered the model to be robust and only implemented in the 2020 Review. Victoria said re-examining the urban transport assessment before the next review would be impractical due to relevant data not being available.
- 22 Following the proposed changes to the measure of population-weighted density outlined in the Draft Report, New South Wales asked the Commission to investigate the optimal measure of population-weighted density as part of the forward work program.
- 23 Queensland and Western Australia thought the Commission should seek further external advice on the urban transport assessment.
- 24 Queensland said that the external advisor should have a broad scope to scrutinise and recommend changes to the urban transport assessment as a whole. It asked that the consultant be able to investigate the historical and economic factors underpinning the value and volume of urban transport capital in Australian cities and the extent to which Commission transport assessments have incentivised and disincentivised urban transport expenditure and capital investment. Queensland proposed that the external advisor be a respected transport economist, preferably working as an academic at an Australian university.
- 25 Western Australia proposed that the external advice on the urban transport assessment should have a broader scope than retesting the urban centre characteristics model and suggested the inclusion of a separate assessment of student transport costs. In particular, Western Australia sought an investigation into how best to capture the increased costs from the use of dedicated student buses in remote areas.
- 26 South Australia and Tasmania thought the Commission should conduct further work on the urban transport assessment. South Australia said that this would be an appropriate opportunity to consider conceptual concerns with the model. South Australia raised concerns that ongoing changes to the transport assessment between reviews have the potential to introduce a high level of volatility in the GST distribution. South Australia and Tasmania supported seeking external advice on the model prior to the next review.
- 27 South Australia noted that the impact of urban density on the cost and demand for transport provision could be explored further as part of the forward work program. It also asked the Commission to consider whether population squared or population

is more appropriate for blending the investment assessment in the urban transport model.

## **Cultural and linguistic diversity (CALD)**

- 28 The Commission proposed to work with states and relevant data providers to consider the potential to use cultural and linguistic diversity as a driver of expense assessments, as well as appropriate definitions and data.

### **State views**

- 29 New South Wales and Victoria saw value in the Commission's proposal. New South Wales acknowledged there may be difficulty in establishing nationally consistent definitions and measurements, and that not all cultural and linguistic diversity individuals require the same level of assistance or individual support. Victoria said this is a key issue in the health and welfare assessments.
- 30 South Australia queried the overall case for cultural and linguistic diversity as a cost driver but supported examining it as a cost driver in the health assessment.
- 31 Queensland said it did not oppose the proposal, noting that there are significant limitations around available data.

## **Administrative scale**

- 32 In the 2020 Review, the Commission developed the underlying basis for the assessment by constructing a hypothetical organisational chart reflecting the minimum staffing structure for each state function. This was a time-consuming task and given that it was not practical to perform as part of the 2025 Review, the Commission proposed to undertake a similar comprehensive analysis ahead of the next review to ensure the assessment remains contemporary.

### **State views**

- 33 Victoria and Queensland suggested reconsidering the conceptual basis of the assessment method.
- 34 New South Wales and the ACT noted the Commission's proposal.
- 35 New South Wales and Victoria said the Commission should also consider potential diseconomies of scale for more populous states.

## **Transition to net zero emissions**

- 36 Noting that this is an emerging issue, the Commission proposed to monitor net zero policies, identify relevant expenses, and examine whether reliable policy neutral drivers of spending can be identified.

## State views

- 37 New South Wales noted the potential difficulties of tracking expenses related to the net zero transition. South Australia suggested the Commission develop a definition for in-scope expenses and investigate an appropriate policy neutral measure of needs.
- 38 Victoria and Queensland agreed this area should be considered, noting the need for policies to settle and data to be available.
- 39 Western Australia agreed with the Commission's proposal.
- 40 The ACT also agreed with the proposal, and recommended investigating electric vehicles as a differential assessment within the motor taxes assessment.

## Elasticity adjustments

- 41 The Commission proposed to continue to consider how the complexities and uncertainties of incorporating elasticity adjustments in revenue assessments can be addressed.

## State views

- 42 Victoria, Western Australia and the ACT agreed the Commission should consider elasticity adjustments in the lead-up to the next review. Western Australia said the Commission's investigation should include identifying policy inconsistencies and influences in observed revenue bases more broadly.
- 43 New South Wales said elasticity adjustments should be implemented in the 2025 Review, and did not support the inclusion of this work in the forward work program.
- 44 Queensland and South Australia did not support the introduction of elasticity adjustments. Queensland said the adjustments would add a further level of complexity to assessments and would likely be of questionable reliability. South Australia said it was not aware of any robust way of estimating appropriate adjustments to assessments or differentiating the impact of behavioural changes from the impact of state circumstances and general market conditions.

## Other data issues

- 45 The Commission acknowledged that data challenges remain a significant issue for many assessments and proposed to work with the states and data providers to obtain improved data.

## State views

- 46 Three states supported a review into First Nations socio-economic status and disadvantage being included as a separate item in the forward work program.

- Queensland suggested the Commission investigate whether First Nations population data remain accurate, noting the impact of non-demographic population changes on measures of First Nations disadvantage. Queensland also sought further reviews of Person Level Integrated Data Asset based measures, compounding factors of socio-demographic disadvantage and Commonwealth payments related to socio-demographic disadvantage.
  - Tasmania supported the Commission’s continued investigation into the appropriate measurement of First Nations and non-Indigenous socio-economic status.
  - The Northern Territory said it supported the Commission’s proposal, as outlined in the socio-economic status chapter of the Draft Report, to work with states to review the Indigenous Relative Socioeconomic Outcomes index (IRSEO).
- 47 Queensland supported continued development of the Commission’s data sources, noting it did not support changing data sources between reviews.
- 48 Queensland asked the Commission to consider the following: a way to capture the increased costs associated with certain geographies; explore how to improve the consistency of state Government Financial Statistics data; review the appropriateness of the Rawlinson’s index in the investment assessment along with value ranges in the land tax assessment; and examine the consistency of Australian Institute of Health and Welfare data across states in the housing assessment.
- 49 Queensland and Western Australia asked the Commission to consider adding a review of Accessibility/Remoteness Index of Australia Plus (ARIA+) to the forward work program. Queensland specifically asked the Commission to engage with the ABS to develop an alternative to the current ARIA+ measure. Western Australia also asked the Commission to explore alternative options to ARIA+.
- 50 Western Australia asked for an investigation into the additional costs associated with Western Australia’s isolation. Western Australia also asked for a review of reductions in First Nations cost weights due to increased self-identification.
- 51 The ACT recommended that the Commission consider outcomes from the Life Course Data Initiative, which will be released by the ABS in 2026–27, to review the use of socio-economic status as the driver across expense assessments.

## Other topics suggested by states

- 52 Most states asked for more topics to be added to the forward work program.

### Mining revenue – a dominant state adjustment

- 53 While not proposed as a specific topic in the forward work program in the Draft Report, the Commission proposed to continue to examine a dominant state adjustment and consult with states on how it could be addressed in preparation for the next review.

- 54 Queensland said the Commission had not proposed any suitable method for mitigating the extreme policy influence that some states have on parts of the mining assessment. It said the Commission should work with states to develop effective methods for dealing with the policy contamination in the next methodology review. Western Australia said this was a longstanding issue and should remain a priority. It supported further consultation with states on the issue before the next review and proposed adding it to the forward work program.

## Other topics raised by states

- 55 Four states requested the proposed individual-based housing assessment be included in the forward work program. This was in response to an individual-based assessment proposed in the Draft Report.
- 56 Victoria identified several priority topics for the next methodology review. These included a re-examination of the administrative scale assessment, consideration of a congestion driver, a review of spending under treaties with First Nations people, an investigation of a housing stress or private market affordability driver for the housing and homelessness assessments, and an examination of additional infrastructure costs in dense areas or brownfields and the impact of higher land prices in major cities. However, Victoria accepted that while it considered these issues were priorities for the next review, there was not capacity to add them to the forward work program.
- 57 Queensland asked the Commission to add several additional topics to the forward work program. This included reviews of regional costs for socio-demographic use rates, the impact of physical factors in the roads assessment, the Commission's application of policy neutrality in mining, a disaggregation of the services to communities assessment, the development of a regional cost gradient in housing, and distinguishing between service accessibility issues and changes in need by use populations. Queensland asked that the mining assessment be considered as a priority area of the next review.
- 58 Western Australia proposed several additional topics, including investigations into water quality and availability, and observed revenue bases.
- 59 Tasmania encouraged the Commission to revisit its approach to the wages assessment.

## Commission response

- 60 The Commission notes the general support from states for the proposed topics in the forward work program.



- 61 Some states raised concerns about including urban transport, cultural and linguistic diversity and elasticity adjustments in the forward work program. The Commission considers it appropriate for these topics to be included for the following reasons.
- Urban Transport — The 2020 Review introduced significant changes to the urban transport assessment based on an external consultant’s report. The changes to the assessment method had a sizeable impact on the distribution of GST revenue. While 2 states considered the urban transport assessment was robust and did not require further review, a number of states expressed significant concerns with the results of the implementation of the assessment model and questioned its conceptual basis. The Commission considers the urban transport assessment model, incorporating the changes identified in the 2025 Review remains appropriate. However, given the complexity of the method and the concerns raised by several states, the Commission considers it will be beneficial to obtain external advice on the urban transport assessment method in preparation for the next review.
  - Cultural and linguistic diversity — The Commission accepts there is a conceptual case that some culturally and linguistically diverse population groups can drive higher costs in providing some state services. The Commission also notes the significant challenges with reliably defining, identifying and assessing how such groups affect costs across the range of state services. Given these challenges, the Commission considers it would be beneficial to work with the states and relevant data providers to consider the potential to use culturally and linguistically diverse drivers, as well as appropriate definitions and data. The complexity of this exercise and its potential application across multiple assessments makes it an appropriate addition to the forward work program.
  - Elasticity adjustments — The Commission acknowledges 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. Several states opposed introducing elasticity adjustments on the basis of additional complexity and the questionable reliability of any adjustment. Given the potential importance of elasticity adjustments, the Commission considers it appropriate to consult states on how the concerns, complexities and uncertainties could be addressed in preparation for the next review.
- 62 In considering state suggestions for additional topics to be added to the forward work program, the Commission was mindful of targeting the program to priority topics that could be meaningfully progressed in preparation for the next review. In identifying the topics for the forward work program, the Commission recognises that there will be resourcing constraints and competing priorities that may impact a state’s level of involvement - for example, the Productivity Commission’s forthcoming review of the GST distribution reforms, which is scheduled to be completed by the end of 2026.
- 63 Given the importance of First Nations socio-economic status in assessing state spending needs, the Commission agrees with states that this is a priority issue and has added it as a separate item in the forward work program. The Commission will seek to initiate a review of measures of socio-economic status for the First Nations population, including the Indigenous Relative Socioeconomic Outcomes index.

- 64 Given the importance of the dominant state issue in the mining assessment, the Commission will continue to seek to identify a practical dominant state adjustment in consultation with the states in preparation for the next review. The Commission has added it as an item in the forward work program.
- 65 The Commission has decided not to proceed with an individual-based housing assessment so this will not be included in the forward work program. Opportunities to improve the housing assessment through the identification and use of better data may be considered by the Data Working Group.
- 66 While the research and analysis undertaken through the forward work program will inform the next review, it will not replace the usual comprehensive and detailed consultation on potential method changes that occur in a methodology review. As part of the forward work program, the Commission will not make decisions related to assessment methods prior to the next review, nor will it indicate views as to how a method should change. All assessments will still be examined as part of the next methodology review.
- 67 States will be consulted on the scope of each of the forward work program topics and the timing of the work. The Commission will look to leverage its Research Paper series to discuss relevant issues where appropriate. States will have the opportunity to provide input to the Commission’s research. Recognising that some states may be constrained in their ability to provide input, the Commission notes that this research will feed into the next review, when all states will be fully consulted on possible method changes.
- 68 Several issues raised by states as priority topics have not been included in the forward work program. They may still be considered as part of the next methodology review.
- 69 The Commission has separately identified issues it will monitor following the 2025 Review. Attachment A provides a consolidated list of these issues.<sup>1</sup>

## Commission decision

- 70 The Commission will establish a forward work program comprising the following topics:
- health
  - urban transport
  - cultural and linguistic diversity
  - administrative scale

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<sup>1</sup> Following the completion of the 2025 Review, the Commission will seek state feedback to inform an evaluation of the 2025 Review process.

- transition to net zero emissions
- elasticity adjustments
- First Nations socio-economic status
- a dominant state adjustment in mining.

- 71 In the first half of 2025, the Commission will provide states with an outline of how it proposes to progress the forward work program. The Commission will also meet bilaterally with states to discuss its approach.
- 72 The Commission will establish a Data Working Group, including Commission staff and state officials, to identify data issues across assessments. The Data Working Group will examine where new or improved data may become available and existing datasets can be improved. The findings from the Data Working Group may inform other topics in the forward work program and sub-groups may be formed to examine individual data issues or datasets. The Commission will consult with states on the structure and governance of the Data Working Group from July 2025.
- 73 Given the time needed to analyse and consult on the latest state data, the review of the justice assessment will be completed after the 2025 Review, and any changes will be incorporated in the 2026 Update.

## Attachment A: Issues the Commission will monitor following the 2025 Review

Assessment	Issue
Payroll tax	Developments in the Australian Bureau of Statistics use of Single Touch Payroll data from the Australian Taxation Office
Payroll tax	Development of Business Longitudinal Analysis Data Environment and Person Level Integrated Data Asset datasets
Stamp duty on conveyances	Developments in elasticity effects from Victorian reforms
Motor taxes	Concessions provided by states regarding electric vehicles (where they are classified in Government Financial Statistics data)
Mining	State bans and restrictions on minerals
Schools	Comparability of data on school children with a disability
Schools	State spending on early childhood education
Schools	Measures associated with First Nations students
Health	Differences between the 2 data sources (Australian Prudential Regulation Authority and Australian Institute of Health and Welfare) for the non-state sector activity indicator for the admitted patients component
Housing	Developments in affordable housing support and exploration of a differential assessment of spending on housing support for people in private accommodation
Welfare	Improvements in the measurement of drivers including mental health conditions, family and domestic violence, disability and housing affordability
Welfare	Developments in the future Commonwealth-state framework for providing non-National Disability Insurance Scheme foundational supports
Welfare	Availability of evidence regarding service delivery scale for child protection and family services
Services to communities/ natural disaster relief	Developments in natural disaster mitigation and national disaster resilience policy. Specifically, outcomes of the Independent Review of Commonwealth Disaster Funding
Services to communities	Developments in Commonwealth-state commitments on water pricing
Roads	Development of the National Service Level Standards in roads
Transport	Non-urban transport assessment, including remote school transport.
Services to industry	A consistent definition of net-zero spending and identification of net-zero business development (and non-business development) spending
Native Title and land rights	Approaches to Native Title compensation and associated expenditure patterns. The impact of Treaty negotiations on Native Title and land rights expenditure in updates.
Investment	Appropriateness of Rawlinsons cost indices
Adjusted budget	The use of preliminary Australian Bureau of Statistics data to ensure it remains appropriate to use in assessment year 3