

# Other expenses

## Review outcomes

- The following changes were made to the assessment.
  - The approach for estimating expenses to which regional costs are applied will be based on a detailed examination of the type of service likely to be more expensive to deliver as remoteness increases.
  - The approach for estimating expenses to which wage costs are applied will correct for an error used in the previous approach and will be based solely on actual data provided by states on the wages component of expenses in the other expenses category.
- The Commission considered but did not change the following.
  - The type of expenses included in the other expenses category will not change, due to the absence of any significant developments that warrant a change.
  - The assessment of other expenses on an equal per capita basis will continue, as states' population remains the likely best driver of these expenses.

## Introduction

- 1 On 6 July 2024, the Commission published the [Draft Report](#) for the 2025 Methodology Review.
- 2 The Draft Report included a detailed analysis and response to issues raised by states and territories (states) in their [submissions](#) on the Commission's [consultation paper](#).
  - Natural disasters, administrative scale, and Native Title and land rights, which are part of the other expenses assessment, were consulted on separately. For details see the relevant consultation papers and Draft Report chapters.
- 3 State submissions on the Draft Report can be viewed [here](#).
- 4 This chapter includes:
  - an overview of the issues considered throughout the review
  - the Commission's response and decision on each issue
  - GST impacts of method changes.
- 5 A description of the assessment method, incorporating changes made in the 2025 Review, can be found in the other expenses chapter of the *Commission's Assessment Methodology*.

## Issues considered

### Expenses included in the category

6 The Commission proposed no changes to the list of expenses in the assessment.

#### State views

7 All states agreed that there have been no significant developments that warrant a change in the expenses classified in the other expenses category.

#### Commission decision

8 The Commission will not change the expenses classified to the other expenses category.

### Drivers of assessed expenses

9 The Commission proposed no change to the drivers of assessed.

#### State views

10 All states agreed to assessing other expenses on an equal per capita basis, as state population is likely to be the best driver of these expenses.

11 Victoria raised concerns with the application of regional and wage cost adjustments to a subset of expenses in the other expenses category. It said that the Commission had not explained the decision and it appeared arbitrary to make the adjustments to only a subset of expenses.

12 Victoria and South Australia supported the Commission's proposal to change the approach for estimating expenses to which regional and wage costs are applied.

#### Commission response

13 To determine if costs are likely to change with remoteness, the Commission reviewed information on service delivery arrangements for the services included in the other expenses category.

14 Where the nature of the service suggests service delivery would likely involve transporting equipment and/or public servants from less remote to more remote areas (with associated accommodation costs for the public servants), or service delivery would likely require more travel within a region on a regular basis, the Commission considers that costs are likely to increase with remoteness.

15 The general regional cost gradient is used because it is not practicable to directly measure the effect of remoteness on each of the service expenses for the category.

16 Differences in wage costs between states have a differential effect on the cost of providing services. The 2020 Review method contained an error in the application of wage costs. The Commission's revised approach is based only on the information

provided by states each year with their expense data, which provides a disaggregation of wage and non-wage costs.

### Commission decision

- 17 The Commission will retain an equal per capita assessment of expenses in the other expenses category.
- 18 The Commission will change the approach to estimating the share of expenses for which regional and wage costs are applied. For regional costs, the changed approach involves a more detailed examination of the type of services that are likely to be more expensive to deliver as remoteness increases. For wage costs, the changed approach uses only actual data provided by states on the wages component of expenses in the other expenses category.

## GST impacts of method changes

- 19 The impact on the GST distribution from the method changes is shown in Table 1.

**Table 1** Impact on GST distribution of method changes, other expenses, 2024-25 to 2025-26

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Reduction in proportion of expenses to which regional costs apply	11	11	-5	-7	-3	-1	1	-7	23
Correction of error in application of wages	22	-6	-19	21	-17	-8	5	2	50
<b>Total</b>	<b>34</b>	<b>5</b>	<b>-24</b>	<b>14</b>	<b>-20</b>	<b>-8</b>	<b>6</b>	<b>-6</b>	<b>58</b>
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Reduction in proportion of expenses to which regional costs apply	1	2	-1	-2	-2	-1	1	-28	1
Correction of error in application of wages	3	-1	-3	7	-9	-13	11	6	2
<b>Total</b>	<b>4</b>	<b>1</b>	<b>-4</b>	<b>4</b>	<b>-11</b>	<b>-14</b>	<b>12</b>	<b>-22</b>	<b>2</b>

Note: Changes to the wage costs assessment are not included. They are shown in wage costs chapter of *Review Outcomes*.

- 20 The reduction in expenses to which regional costs are applied increased the assessed GST needs of states with a larger share of their population in less remote areas. The increase in the share of expenses to which wage costs are applied, due to the correction of an error, increased the assessed GST needs of states with above-average wage costs.
- 21 The changes to the general regional cost gradient are explained in the geography chapter of *Review Outcomes*. The changes increased the assessed GST needs of states with a larger share of their population in more remote areas. This effect is not separately identified in Table 1.