



**Government  
of South Australia**

TRS19D2862

Hon Stephen Mullighan MP  
Member for Lee  
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Dear Mr Mullighan

### **APPLICATION UNDER THE *FREEDOM OF INFORMATION ACT 1991***

I refer to your application made under the *Freedom of Information Act 1991* (FOI Act), dated 15 October 2019.

Your application seeks access to:

*“All minutes, briefings and correspondence titled ‘Commonwealth Grants Commission 2019 Update’ as described on the Objective document management system, between 23 February 2019 and 15 October 2019.”*

The legislative prescribed timeframe to determine this application has expired and is now deemed to have refused you access to all documents relevant to your application. I refer to my letter dated 3 November 2019 where I sought additional time to make my determination.

The purpose of this letter is to advise you of my determination. An extensive search was conducted within this office. A total of 1 document was identified as answering the terms of your application.

I grant you part access to 1 document; a copy of which is enclosed.

### **Released in Part**

I have determined to release the briefing in part as the Report on GST Revenue Sharing Relativities is publicly available and therefore has not been provided to you.

Please note, in compliance with Premier and Cabinet Circular PC045 - *Disclosure Logs for Non-Personal Information Released through Freedom of Information* (PC045), the Department of Treasury and Finance is now required to publish a log of all non-personal information released under the *Freedom of Information Act 1991*.

In accordance with this Circular, any non-personal information determined for release as part of this application, may be published on the DTF website. A copy of PC045 can be found at the following address: <https://dpc.sa.gov.au/resources-and-publications/premier-and-cabinet-circulars>. Please visit the website for further information.

As I am determining this application as Principal Officer, Section 29(6) of the Act does not provide for an internal review. If you are dissatisfied with my determination you are entitled to exercise your rights of external review with the Ombudsman.

Alternatively, you can apply to the South Australian Civil and Administrative Tribunal. If you wish to seek a review, Section 39(3) of the Act states you must do so within 30 calendar days of receiving the determination.

If you require any further information, please contact Vicky Cathro on 8226 9769.

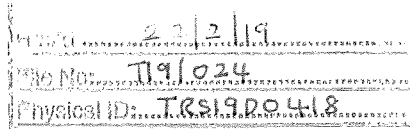
Yours sincerely



**Hon Rob Lucas MLC**  
*Principal Officer*

22 January 2020

MINUTE



Government  
of South Australia  
Department of Treasury  
and Finance

MINUTES forming ENCLOSURE

File T&F17/0779

Doc No A1045576

To The Treasurer

COMMONWEALTH GRANTS COMMISSION 2019 UPDATE

Timing: ROUTINE – UNDER EMBARGO UNTIL 28 FEBRUARY 2019

**Recommendations/Issues:** It is recommended that you:

- Note that the Commonwealth Grants Commission (CGC) has advised that South Australia's GST distribution relativity decreased to 1.46552 in the 2019 Update compared to 1.47727 in the 2018 Update. Based on these relativities, the CGC estimates that South Australia will receive 10.1 per cent of the GST pool in 2019-20, compared to 10.2 per cent in 2018-19.
- Note that the CGC estimates that South Australia will receive \$6.946 billion in GST revenue in 2019-20, which is **\$329 million lower than our 2018-19 Mid-Year Budget Review estimate of \$7.275 billion and \$165 million lower than the update provided to you post the Commonwealth MYEFO.**
- Note that the potential impact on GST revenue forecasts across the forward estimates will not be known until a complete analysis of the individual CGC assessments has been undertaken.
- Note that should you wish to advise your Cabinet Colleagues of the impacts of the CGC Update on GST revenue, the information contained in this minute can be used as speaking points for your discussion.

Noted

Hon Rob Lucas MLC  
Treasurer

26/2/19



### Key Points:

- The Commonwealth Grants Commission (CGC) has provided the states and territories with an embargoed copy of its *Report on GST Revenue Sharing Relativities – 2019 Update* (the 2019 Update) – Attachment 1.
- The 2019 Update contains the CGC's recommended relativities for the distribution of GST revenue grants among the states and territories in the 2019-20 financial year. The Commonwealth Treasurer usually accepts the recommended relativities without modification.
- The contents of the 2019 Update cannot be publicly discussed or released until the embargo has been lifted by the Commonwealth, which we have been advised will be 28 February 2019.
- The CGC has recommended that South Australia's GST relativity decreases to 1.46552 in the 2019 Update, compared to 1.47727 in the 2018 Update.
- It is estimated that South Australia will therefore receive 10.1 per cent of the GST pool in 2019-20, compared to around 10.2 per cent in 2018-19.

### Impact of the 2019 Update

- Based on the CGC recommendations South Australia will receive \$6.946 billion in GST revenue in 2019-20. This is significantly below estimates made as part of the 2018-19 MYBR and forecasts made following the release of the 2018-19 Commonwealth MYEFO. The table below outlines the change in South Australia's GST revenue estimates.

SA GST summary	2018-19	2019-20
	\$m	\$m
2018-19 SA MYBR	6 887	7 275
2018-19 CwltH MYEFO Update*	6 815	7 111*
CGC 2019 Update Report	6 815	6 946
<b>Change since 2018-19 SA MYBR</b>	<b>-72</b>	<b>-329</b>
<b>Change since MYEFO Update</b>	<b>-</b>	<b>-165</b>

\*The Commonwealth does not publish forward estimates in the MYEFO. The 2019-20 estimate presented in the table is the SA DTF estimate incorporating changes to the pool and population included in the MYEFO. This is consistent with information contained in an SA Government media release following the Commonwealth MYEFO.

- The impact of the 2019 Update on GST revenue across the forward estimates will not be known until a complete analysis of the individual CGC assessments has been undertaken.
- Actual GST revenue collections in 2019-20 will also be impacted by any changes to the national GST pool or South Australia's population share contained in the Commonwealth Budget.

- The media may quote an increase in South Australia's GST revenue of \$131 million in 2019-20 compared to 2018-19 when the Commonwealth lifts the embargo on the report. This figure reflects the net impact of growth in the GST pool between years (+\$241 million), offset by the impact of changes in South Australia's GST relativity (-\$56 million), and a decline in South Australia's share of the national population (-\$55 million).
- The changes in South Australia's GST revenue due to growth in the GST pool and population share reflect the outcomes shown in the Commonwealth MYEFO. However, the GST relativity impact in 2019-20 was \$165 million different to provisions made by Treasury and Finance.

#### Impact of the 2019 Update on states and territories

- The CGC's recommended GST relativity updates would redistribute \$727 million in GST revenue among the states and territories if applied in 2019-20, as shown below.

	Redistribution due to 2019 Update		GST relativities	
	\$ million	\$ per capita	2019 Update	2018 Update
New South Wales	331	40	0.87013	0.85517
Victoria	-72	-11	0.98273	0.98670
Queensland	-583	-114	1.05370	1.09584
Western Australia	324	123	0.51842	0.47287
<b>South Australia</b>	<b>-56</b>	<b>-32</b>	<b>1.46552</b>	<b>1.47727</b>
Tasmania	-16	-31	1.75576	1.76706
Australian Capital Territory	66	153	1.23759	1.18070
Northern Territory	6	24	4.26735	4.25816

#### South Australia

- The main factors that contributed to the change in South Australia's relativity between Updates (-\$56 million) are:
    - A greater share of Commonwealth payments in 2017-18 compared to 2014-15 (the year that dropped off the CGC assessment period). (-\$137 million).
    - Below average population growth (-\$49 million).
    - The combined impact of significant growth in national urban transport expenditure and South Australia's below average growth in urban transport investment needs in the investment assessment (-\$33 million).
- Partially offset by:
- An increase in the value of mining production in other states compared to South Australia (+\$74 million).
  - Slower than average growth in land values reducing South Australia's relative capacity to generate revenue (+\$32 million).

- Our estimates of GST revenue anticipated some but not all of these changes. The differences between the CGC 2019 Update and our MYBR estimates is discussed further below.
- South Australia continues to be assessed as having the third lowest fiscal capacity of the states and territories, mainly due to its below average revenue raising capacity, especially in respect of mining revenue, payroll tax and conveyance duty.

#### Other jurisdictions

- Queensland will experience the largest loss in GST revenue in both absolute and per capita terms (-\$583 million or -\$114 per capita), mainly due to a decline in its net disaster relief expenses. Queensland's relativity is also impacted by a one-off adjustment applied by the CGC to correct the effect of some states incorrectly including local government natural disaster expenses in their data.
- New South Wales will experience the largest absolute gain in GST revenue (+\$331 million), followed closely by Western Australia (+\$324 million). The increase in New South Wales' relativity mainly reflects a decline in its share of non-GST Commonwealth payments and downward revisions to its value of property sales. The increase in Western Australia's relativity also reflects a decline in the value of its property sales as well as lower relative mining revenue raising capacity compared to the 2018 Update.
- In per capita terms, the Australian Capital Territory will experience the largest increase in GST revenue (+\$153 per capita) mainly due to its above average wage growth, which increased its assessed cost of providing government services.
- The CGC's estimates do not take into account the Commonwealth's commitment to provide top-up funding to Western Australia and the Northern Territory to bring their relativities up to 0.70 and 4.66, respectively. This additional funding will be provided to these jurisdictions outside the GST distribution system as part of the 2019-20 Commonwealth Budget.

#### **Analysis of difference between CGC 2019 Update and DTF forecasts**

- Treasury and Finance attempts to model the impact of potential changes in relativities between years. Treasury and Finance had estimated that South Australia would receive 10.3 per cent of the GST pool in 2019-20, compared to the CGC estimate of 10.1 per cent.
- From an initial analysis of the variance between Treasury and Finance's forecast of the relativity impact and the CGC 2019 Update (-\$165 million) the differences appear to be due to:
  - Expenditure needs ~ -\$80 million
  - Commonwealth payment needs ~ -\$40 million
  - Investment needs ~ -\$30 million
- The change in expenditure and investment needs appear to be driven by a range of factors. This includes "urban centre size" where the national GST redistribution impact of this factor has nearly doubled in 2019-20 compared to 2018-19 (national GST redistribution of \$1.73 billion compared to \$0.98 billion) and has resulted in increased needs for NSW and Victoria at the expense of other jurisdictions, including South Australia.

- The expenditure and investment variances are being analysed further as more detailed assessment data is released by the CGC.
- The variance in Commonwealth payments needs appears to be largely due to the treatment of payments received for the Goodwood-Torrens rail junction. South Australia argued that Commonwealth payments for this project should be subject to a 50 per cent discount as they provided significant benefits to the national railway network (the HFE impact of Commonwealth funding for national transport projects is reduced by 50 per cent for HFE purposes). The CGC did not accept this view and have treated the payments as fully impacting.



Stuart Hocking  
DEPUTY CHIEF EXECUTIVE

22 February 2019

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