Inquiry into the outcomes of the 42nd meeting of the Council of Australian Governments held on 1 April 2016 2015-16

Prime Minister and Cabinet Portfolio

Department/Agency: Department of the Prime Minister and Cabinet

Outcome/Program: Outcome 1: Prime Minister and Cabinet

Topic: COAG meeting outcomes, 1 April 2016

Senator: Wong, Penny

Question reference number: PMC 1

Type of question: FPA Wednesday 27 April 2016, Page 20

Date set by the committee for the return of answer: 29 April 2016

Number of pages: 1

Question:

Senator WONG: Thank you. Moving to PM&C, when were the agenda papers finalised?

Mr Yeaman: As you would be aware, it is a very iterative process leading up to the COAG meeting, so different papers were finalised at different stages in the weeks leading up to the COAG meeting.

Senator WONG: Some of my colleagues might want to know when the health and education papers were finalised. Actually, can we get what the agenda papers were by topics?

Mr Yeaman: We could do that on notice. I do not have the full details now of when each paper was settled and circulated to the states.

Ms Larkins: We could get that on notice. We send them out in tranches as they are ready.

Senator WONG: Can you tell me what the topics of the agenda papers were?

Ms Larkins: Not off the top of my head.

Answer:

Agenda Papers	Circulated to states
Reducing violence against women and their children	22 March 2016
Economic and federation reform	
Competition reform	23 March 2016
Hospitals funding	30 March 2016
Indigenous economic development	24 March 2016
National Disability Insurance Scheme – Disability Care Australia	24 March 2016
Fund	
National Consistent Reportable Conduct Scheme (ACT paper)	29 March 2016

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Prime Minister and Cabinet Portfolio

Department/Agency: Department of the Prime Minister and Cabinet

Outcome/Program: Outcome 1: Prime Minister and Cabinet

Topic: COAG meeting outcomes, 1 April 2016

Senator: McKim, Nick

Question reference number: PMC 2

Type of question: FPA Wednesday 27 April 2016, Page 20

Date set by the committee for the return of answer: 29 April 2016

Number of pages: 1

Question:

Mr Yeaman: As I mentioned, there were a number of proposals in this space that had been put forward by premiers at different times and in other public documents—as I said, these had all been canvassed in the Commission of Audit and also in the Federation discussion paper. Coming out of the December COAG meetings we provided a range of advice on a range of options in that space, including the income tax issue.

Senator McKIM: Including the income tax levy proposal? Was it PM&C's decision to include that as one of the range of reforms in that brief, or did the PM's office get in touch and ask for it to be included?

Ms Larkins: To the best of my memory, we provided a fairly comprehensive briefing on what had happened in the Reform of the Federation work, which included this proposal, and I think that might have then led into further discussions with the Prime Minister's office and the Prime Minister. So we initiated a briefing on all of the work and all of the options.

Senator McKIM: Just to be clear, to the best of your knowledge, it was not included in that briefing note at the request of the Prime Minister's office?

Ms Larkins: Yes. To answer that specifically, I want to take that on notice. My memory is we provided to the new Prime Minister and the new office comprehensive briefings on what had occurred under the Reform of the Federation process, including a whole lot of historical documents. That will have included briefing on this particular measure.

Senator McKIM: I would appreciate it if you could take that on notice, and if there is anything different perhaps you could inform the committee.

Answer:

We provided a comprehensive briefing to the new Prime Minister on the Reform of the Federation work, which included the state income tax levy option.

Inquiry into the outcomes of the 42nd meeting of the Council of Australian Governments held on 1 April 2016 2015-16

Prime Minister and Cabinet Portfolio

Department/Agency: Department of the Prime Minister and Cabinet

Outcome/Program: Outcome 1: Prime Minister and Cabinet

Topic: COAG meeting outcomes, 1 April 2016

Senator: McKim, Nick

Question reference number: PMC 3

Type of question: FPA Wednesday 27 April 2016, Page 21

Date set by the committee for the return of answer: 29 April 2016

Number of pages: 1

Question:

Senator McKIM: Thanks. Ms Larkins, I have the same question to you. Are you able to assist the committee in real-time now or would you prefer to take that on notice?

Ms Larkins: Could you repeat the question?

Senator McKIM: Certainly. Post the briefing to the Prime Minister on the 22nd, was there any communication back to the department from the PM's office to ask that a greater body of work be done on the state income tax levy proposal?

Mr Yeaman: I think I need to take that on notice to check the details. As Mr Brennan said, briefing was provided and work continued across a range of options, so I would need to check that.

Senator McKIM: What I am trying to explore here is when and how the broad range of options were distilled down, if they were, and became advice or support materials for the PM to use in the announcement that he made. Just for clarity, that is the intent of that question.

Answer:

Yes, further work was requested by the Prime Minister's Office on the state income tax levy proposal. We provided this advice, along with advice on other options.

Inquiry into the outcomes of the 42nd meeting of the Council of Australian Governments held on 1 April 2016 2015-16

Prime Minister and Cabinet Portfolio

Department/Agency: Department of the Prime Minister and Cabinet

Outcome/Program: Outcome 1: Prime Minister and Cabinet

Topic: COAG meeting outcomes, 1 April 2016

Senator: McKim, Nick

Question reference number: PMC 4

Type of question: FPA Wednesday 27 April 2016, Page 21

Date set by the committee for the return of answer: 29 April 2016

Number of pages: 1

Question:

Senator McKIM: ... Ms Larkins, was there anything prepared by PM&C for the Prime Minister specifically to provide to state premiers and chief ministers around the state income tax levy proposal?

Ms Larkins: Do you mean written material that he could pass on?

Senator McKIM: Yes.

Ms Larkins: Not to my knowledge

Senator McKIM: Mr Brennan, the same question for you. Was there anything specifically

prepared for the Treasurer to provide to state and territory treasurers?

Mr Brennan: No, I do not believe so.

Senator McKIM: Could I ask you both to take that on notice to confirm those answers.

Thank you.

Answer:

No written material was prepared by PM&C for the Prime Minister specifically to provide to state Premiers and Chief Ministers around the state income tax levy proposal.

Inquiry into the outcomes of the 42nd meeting of the Council of Australian Governments held on 1 April 2016 2015-16

Prime Minister and Cabinet Portfolio

Department/Agency: Department of the Prime Minister and Cabinet

Outcome/Program: Outcome 1: Prime Minister and Cabinet

Topic: COAG meeting outcomes, 1 April 2016

Senator: Wong, Penny

Question reference number: PMC 5

Type of question: FPA Wednesday 27 April 2016, Page 22

Date set by the committee for the return of answer: 29 April 2016

Number of pages: 2

Question:

Senator WONG: As a result of that cabinet meeting, no-one at the Public Service level was told to go and talk to the states about this?

Mr Yeaman: My understanding is that the secretary of our department, Dr Parkinson, may have had some informal discussions with his counterparts in the lead-up to the COAG meeting. I think the Prime Minister referenced that in his public statements—

Senator WONG: Informal discussions or formal? I did not hear you.

Mr Yeaman: Informal discussions.

Senator WONG: What does 'informal' mean? You are talking about, 'Hey, we're going to drop a state income tax levy at the meeting of first ministers'—

Mr Yeaman: Not through a formal process meeting or set of papers, but he talked to his state counterparts.

Senator WONG: When were you aware that Dr Parkinson was having those discussions?

Mr Yeaman: I want to confirm this, but my understanding is that he spoke to them over the weekend prior to the COAG meeting.

Senator WONG: No, when did you become aware that he was having these discussions?

Mr Yeaman: I would need to take that on notice. **Senator WONG:** Before or after they occurred? **Mr Yeaman:** I would need to take that on notice.

Senator WONG: You do not remember whether you knew before or after the Prime Minister said that?

Mr Yeaman: I am not quite clear exactly when the secretary spoke to his counterparts, so I would need to take it on notice.

Senator WONG: When were you aware that Dr Parkinson was engaging with his counterparts on the state income tax levy?

Mr Yeaman: In the days preceding the COAG meeting.

Senator WONG: At the time you became aware, had those conversations occurred or not? **Mr Yeaman:** I suspect some of them may have occurred, but I would need to take that on notice.

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Senator WONG: Mr Yeaman, you said you would take on notice the details of this, but you think these discussions between Dr Parkinson and his state and territory counterparts occurred on the weekend?

Mr Yeaman: I would need to confirm that—but around that time, yes.

Answer:

Mr Yeaman became aware of discussions between Dr Parkinson and his state and territory counterparts prior to the Prime Minister's Statement on Federation on 30 March 2016.

Inquiry into the outcomes of the 42nd meeting of the Council of Australian Governments held on 1 April 2016 2015-16

Prime Minister and Cabinet Portfolio

Department/Agency: Department of the Prime Minister and Cabinet

Outcome/Program: Outcome 1: Prime Minister and Cabinet

Topic: COAG meeting outcomes, 1 April 2016

Senator: Wong, Penny

Question reference number: PMC 6

Type of question: FPA Wednesday 27 April 2016, Page 25

Date set by the committee for the return of answer: 29 April 2016

Number of pages: 1

Question:

Senator WONG: No, I did not ask that; when did you understand that that was the Commonwealth's position, to contemplate the states levying a differential rate of tax and increasing it beyond the amount that the Commonwealth had reduced its income tax?

Mr Yeaman: I would need to take that on notice.

Senator WONG: Was it before or after the Prime Minister said so?

Mr Yeaman: So, without going to the content of our briefing, our briefing had gone to this

issue across a range of issues.

Answer:

PM&C has no further information to provide on this matter to that given in evidence (pages 24 and 25 of Hansard refer).

Inquiry into the outcomes of the 42nd meeting of the Council of Australian Governments held on 1 April 2016 2015-16

Prime Minister and Cabinet Portfolio

Department/Agency: Department of the Prime Minister and Cabinet

Outcome/Program: Outcome 1: Prime Minister and Cabinet

Topic: COAG meeting outcomes, 1 April 2016

Senator: McKim, Nick

Question reference number: PMC 7

Type of question: FPA Wednesday 27 April 2016, Page 27

Date set by the committee for the return of answer: 29 April 2016

Number of pages: 2

Question:

Senator McKIM: ... The communiqué says that there will be \$2.9 billion to the states and territories, and the Heads of Agreement has now been signed. The Heads of Agreement does not itself contain a dollar figure. We have had two states, Queensland and Tasmania, publicly give an estimation as to the funds that would flow to them out of the \$2.9 billion, which I cannot make add up. Are you able to inform the committee of how much each state and territory will get under the formula contained in the Heads of Agreement?

Ms Larkins: No, I am not able to. I can take that on notice, but it is really a matter for Health to provide that level of detail, and I do not have that detail with me. But we can refer that to Health and come back to you.

Senator McKIM: I would appreciate that, Ms Larkins, if you were able to do that. Would you agree that, normally, Commonwealth grants are distributed to states and territories on a population basis? Would that be an accurate general statement?

Ms Larkins: I do not feel well enough informed to say 'normally' because I am aware of number of exceptions to that rule.

Senator McKIM: No worries. For example, in Tasmania the Premier has said that that state's estimate was \$54 million. But distributed on a population basis, Tasmania should receive \$63.8 million. So there is quite a big discrepancy—about a \$10 million discrepancy—in comparing what Tasmania would be due if those funds were to flow on a population basis to what the Tasmanian Premier has said publicly that he expected to get from this funding. In fact, Queensland's discrepancy is about \$138 million—comparing what the Queensland Premier has said in a media release of her estimate of what Queensland will receive to what Queensland would receive on a population basis, which is \$582.9 million. Are you aware of how the funds will be broken down on a state-by-state basis? I understand you cannot give a dollar figure, but are you aware of the model?

Ms Larkins: I am broadly aware of it. Again, it would be better for me to take it on notice. It is not entirely a population model. It is a model based on historic levels of hospital investment plus some consideration of particular disadvantage and costs of operating in

various states. But, again, for me to give you a precise answer, it would be better if I took that on notice.

Answer:

After COAG, the following figures were provided to the states and territories on 7 April 2016 outlining the estimated funding provided under the agreement:

Estimated funding (\$m)						
State	2016-17	2017-18	2018-19	2019-20		
NSW	5,523.0	5,887.2	6,275.4	6,687.9		
VIC	4,331.4	4,590.5	4,864.0	5,154.2		
QLD	3,451.4	3,669.7	3,901.3	4,147.7		
WA	1,955.5	2,113.1	2,283.9	2,468.2		
SA	1,238.0	1,305.2	1,376.3	1,451.2		
TAS	358.8	372.6	386.6	401.4		
ACT	342.9	370.3	399.8	431.7		
NT	192.7	215.7	241.2	268.7		

These projected results were based on the best available current data at that point in time, comprising:

- the published 2015-16 MYEFO funding position which includes the fully reconciled 2013-14 data for public hospital activity;
- long-range projections of the national efficient price for hospital services as advised by the Independent Hospital Pricing Authority (IHPA); and
- long-range projections of state hospital activity data (derived from long-term historical activity data provided by the Australian Institute of Health and Welfare (AIHW)).

The activity forecasts were based on state and territory advice for 2015-16, reverting to historical / long-term growth trends from 2016-17 onwards. Commonwealth funding projections for 2016-17 were as at the published 2015-16 MYEFO.

Inquiry into the outcomes of the 42nd meeting of the Council of Australian Governments held on 1 April 2016 2015-16

Prime Minister and Cabinet Portfolio

Department/Agency: Department of the Prime Minister and Cabinet

Outcome/Program: Outcome 1: Prime Minister and Cabinet

Topic: COAG meeting outcomes, 1 April 2016

Senator: McKim, Nick

Question reference number: PMC 8

Type of question: FPA Wednesday 27 April 2016, Page 29

Date set by the committee for the return of answer: 29 April 2016

Number of pages: 3

Question:

Mr Brennan: It depends on actual activity when the time comes. So we and Health can model potential outcomes based on what we currently know about the National Efficient Price and the current level of state and territory activity data, and they can model some activity levels going forward and generate estimates in that way. But, in principle, it is not actually possible to pinpoint with certainty how much an individual state will get because of—

Senator McKIM: Yes, I do accept that, Mr Brennan. Are you aware of whether Health is modelling that at the moment?

Mr Brennan: Health would be modelling that, yes.

Senator McKIM: I am actually not sure which agency would be the lead agency for doing this, so I will put it to both you. Can one of you take on notice to provide details of any modelling that Health has done to date on those matters and also perhaps to provide an overview for the committee on the details. You have given a high-level response, which I appreciate, but the details of the model that will be used to allocate the funding.

Mr Brennan: Yes, we can do that.

Answer:

The Heads of Agreement outlines that, consistent with clause A(1) of the National Health Reform Agreement, the Commonwealth's contribution to hospital services from 1 July 2017 to 30 June 202 will comprise funding related to:

a. hospital services provided to public patients in a range of settings, and eligible private patients in public hospitals and a range of settings, with funding provided on the basis of activity based funding (ABF);

- b. block funding for public hospital services better funded through block grants, including relevant services in regional and rural communities and teaching, training and research functions; and
- c. public health activities.

The Heads of Agreement is available at: www.coag.gov.au/node/537

The National Health Reform Agreement is available at: www.federalfinancialrelations.gov.au/content/npa/health_reform/national-agreement.pdf

Inquiry into the outcomes of the 42nd meeting of the Council of Australian Governments held on 1 April 2016 2015-16

Prime Minister and Cabinet Portfolio

Department/Agency: Department of the Prime Minister and Cabinet

Outcome/Program: Outcome 1: Prime Minister and Cabinet

Topic: COAG meeting outcomes, 1 April 2016

Senator: Ludwig, Joseph

Question reference number: PMC 9

Type of question: FPA Wednesday 27 April 2016, Page 29

Date set by the committee for the return of answer: 29 April 2016

Number of pages: 1

Question:

Senator LUDWIG: Just coming back to the cabinet submission, which department was the originator?

Mr Yeaman: Prime Minister and Cabinet.

Senator LUDWIG: Was it a joint submission, or was it just Prime Minister and Cabinet? **Mr Yeaman:** No, normally the COAG submission would be a Prime Minister and Cabinet submission.

Senator LUDWIG: Was it circulated? I am not asking about the content. Was it circulated 10 days before, under the 10-day rule?

Mr Yeaman: I need to take that on notice.

Answer:

No, the submission was not circulated 10 days before.

Inquiry into the outcomes of the 42nd meeting of the Council of Australian Governments held on 1 April 2016 2015-16

Prime Minister and Cabinet Portfolio

Department/Agency: Department of the Prime Minister and Cabinet

Outcome/Program: Outcome 1: Prime Minister and Cabinet

Topic: COAG meeting outcomes, 1 April 2016

Senator: McKim, Nick

Question reference number: PMC 10

Type of question: FPA Wednesday 27 April 2016, Page 21

Date set by the committee for the return of answer: 29 April 2016

Number of pages: 1

Question:

CHAIR: Ms Larkins, on 31 March the Prime Minister made a public statement about the possibility that the Commonwealth, as part of a state income tax levy arrangement, might withdraw from public school funding in exchange for this transfer of taxation power of some kind to state governments.

Ms Larkins: He used it as an example of an area that might—

CHAIR: When was the Prime Minister briefed on that proposition?

Ms Larkins: Briefings on education specifically would have been included in the briefs that

Mr Yeaman talked us through earlier today.

CHAIR: Do we have a particular date? That was on the 23rd, I think?

Mr Yeaman: I think it was the 22nd. Sorry, I would need to confirm the exact date...

Answer:

We provided general advice to the Prime Minister on the full range of Commonwealth payments to the states including, but not limited to, education on 26 February 2016.

Inquiry into the outcomes of the 42nd meeting of the Council of Australian Governments held on 1 April 2016 2015-16

Prime Minister and Cabinet Portfolio

Department/Agency: Department of the Prime Minister and Cabinet

Outcome/Program: Outcome 1: Prime Minister and Cabinet

Topic: COAG meeting outcomes, 1 April 2016

Senator: McAllister, Jenny

Question reference number: PMC 11

Type of question: FPA Wednesday 27 April 2016, Page 32

Date set by the committee for the return of answer: 29 April 2016

Number of pages: 1

Question:

CHAIR: When was the last time Prime Minister and Cabinet was in consultation with the education department about significant changes to the allocation of state and territory responsibilities within the Federation?

Ms Larkins: We would have been talking to them right up to the COAG meeting, but, again, not in relation to this specific—

CHAIR: Were we, or would we have been?

Ms Larkins: Again, I will need to take it on notice, because I do not have dates in front of me, but we were certainly talking to them in the context of the lead-up to COAG preparations.

CHAIR: The education department, in answer to a question on notice, has said that the department informed the Reform of the Federation green paper process in 2015 and has not since provided further advice to that process.

Ms Larkins: We have ongoing conversations with the department of education about education policy and education reform.

CHAIR: But not in relation to the Reform of the Federation green paper process. Did you have conversations with them in the context of preparation for COAG?

Ms Larkins: It is my understanding that we did. Again, I will take it on notice so that I can give you more detail.

Answer:

The Department of the Prime Minister and Cabinet was last in consultation with the Department of Education and Training about significant changes to the allocation of state and territory responsibilities within the Federation on 3 March 2016.

The Department of the Prime Minister and Cabinet consulted with the Department of Education and Training in the lead up to COAG.

Inquiry into the outcomes of the 42nd meeting of the Council of Australian Governments held on 1 April 2016 2015-16

Prime Minister and Cabinet Portfolio

Department/Agency: Department of the Prime Minister and Cabinet

Outcome/Program: Outcome 1: Prime Minister and Cabinet

Topic: COAG meeting outcomes, 1 April 2016

Senator: McAllister, Jenny

Question reference number: PMC 12

Type of question: FPA Wednesday 27 April 2016, Page 34

Date set by the committee for the return of answer: 29 April 2016

Number of pages: 2

Question:

Senator GALLAGHER: It would be good to know. I do not know whether the Treasury agrees with the PBO analysis, but comparing that figure with what has been replaced and what has been cut would be useful.

In terms of the heads of agreement that was signed: there was a draft heads of agreement that was leaked the day before—and, Ms Larkins, I think this is probably your area. That had a paragraph 9 which had 'tax reform' as one of the subheadings within that agreement. What can you tell me about that?

Ms Larkins: I think we would normally not go into the details of the negotiations between the Commonwealth and the states, so I would like to take that on notice. It is not something that we would normally divulge—

Senator WONG: Chair, I understand that is what officials say; that is not what the Senate says—not what the resolutions say about what you can—

Ms Larkins: I would appreciate, Chair, an opportunity to consult on that matter, because it does go to the negotiations that we have between the Commonwealth and the states.

CHAIR: Ms Larkins, it is reasonable for the parliament to make an inquiry about how the Commonwealth is conducting its business and on what basis, and we have had answered a range of questions around similar issues this morning. If you are able to undertake to get back to us very quickly—

Ms Larkins: I could talk in broad terms: that leaked agreement was an agreement that was circulated to states for comment. We always work with the states to come to an agreed position. That was the first document we shared with them that formed the basis of subsequent discussions. But I would like to take on notice the detail of those discussions.

Senator GALLAGHER: The reason it stands out to me is: I have never seen 'tax reform' as a subheading within a health agreement before. So it is unusual to see it there as part of the discussions. It also has a section that says 'language to be circulated separately'. Can you

advise the committee of whether that actually occurred? Was language relating to that section circulated separately in the lead-up to COAG?

Ms Larkins: Not that I recall.

Answer:

No language was circulated separately in the lead-up to COAG.

Inquiry into the outcomes of the 42nd meeting of the Council of Australian Governments held on 1 April 2016 2015-16

Prime Minister and Cabinet Portfolio

Department/Agency: Department of the Prime Minister and Cabinet

Outcome/Program: Outcome 1: Prime Minister and Cabinet

Topic: COAG meeting outcomes, 1 April 2016

Senator: Gallagher, Katy

Question reference number: PMC 13

Type of question: FPA Wednesday 27 April 2016, Page 36

Date set by the committee for the return of answer: 29 April 2016

Number of pages: 2

Question:

Senator GALLAGHER: Just back on the Federation white paper process: could we get a figure of how much had been spent on that?

Ms Larkins: I will have to take it on notice. I do not have it off the top of my head; but, yes, we can do that.

Senator GALLAGHER: That would be good. I think it has been asked—

Ms Larkins: It has.

Senator WONG: I think you have been pretty good at providing that.

Ms Larkins: I will certainly have it for next week, but I have not got it with me today so I would like to take it on notice.

Senator WONG: Soon. It is just the update from the last estimates to date.

Ms Larkins: Yes. I do not think anyone will have it. We will have to go and work it out.

Senator WONG: What was the cost at the last estimates?

Ms Larkins: I do not remember it, Senator; I am sorry. And I do not think anyone here would have it.

Senator WONG: What was the original budget?

Ms Larkins: Again, Senator, I am sorry. I had not prepared for those questions so I do not have them off the top of my head.

Senator WONG: I am not having a go at you, but it is one of the last refuges of PM&C to tell me that this was not a thought-bubble, that this was all work done in terms of the Federation green and white papers.

Ms Larkins: I will take that on notice and get you the figure.

Senator WONG: What was the original budget and was it revised? What are the costs to date?

. . .

Senator WONG: Ms Larkins, my office has just advised me that in fact PM&C took the costs of the Federation white paper on notice in February and I still have not received them. Can I indicate this and ask the secretariat to follow this up: can we please have those today. That is not an unreasonable request. The department has been on notice for a couple of months about that.

Answer:

Year	Original Budget Allocation	Revised Budget Allocation	Total Costs (\$)
	(\$m)	(\$)	(4)
2013-14		0.200	383,840
2014-15		2.119	2,237,983
2015-16 (to 31 March)		2.719	1,827,864
TOTAL		5.038	4,449,687

Note: These are provisional figures to assist the Committee. PM&C will table final figures as soon as possible.