



**Australian Government**  
**Attorney-General's Department**

**Social Inclusion Division**

13/2885

24 May 2013

Julie Dennett  
Committee Secretary  
Senate Standing Committee on Legal and Constitutional Affairs  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Dear Ms Dennett

**Inquiry into the value of a justice reinvestment approach to criminal justice in Australia**

Thank you for your letter of 20 May 2013 regarding the appearance by Officers representing the Attorney-General's Department, including myself, at the Committee's hearing into the value of a justice reinvestment approach in Australia held at Parliament House in Canberra on 17 May 2013.

At the hearing Senator Gary Humphries asked the following question which we took on notice (page 18 of the transcript):

**Senator HUMPHRIES:** Do you know whether there is a capacity for the [Commonwealth] Grants Commission to adjust payments to states to the extent that they produce a saving to another level of government's budgeting?

This followed an earlier question posed to Mr Lawrence McDonald, Assistant Commissioner of the Productivity Commission and Head of Secretariat for the Steering Committee for the Review of Government Service Provision, as follows (page 10):

**Senator HUMPHRIES:** In talking about the way in which we have programs that produce good outcomes but pass a benefit down the line to another area of government or even another level of government, to what extent does the Commonwealth Grants Commission have the capacity to measure and compensate for that?

Say you have a program in the Northern Territory which diverts people out of welfare and into work, and it is successful. Is it possible that the Grants Commission can reward the Territory for having taken people out of the Commonwealth's area of responsibility to provide for the social welfare payments of those people?

**Mr McDonald:** I am from the Productivity Commission, so I cannot really speak for the Grants Commission's internal processes. My understanding is that their focus is more on revenue-raising advantages and disadvantages, and cost advantages and disadvantages, in delivering services. I am not sure they have what is almost an input/output model that lets you say that if you improve outcomes in this area you will get cost savings in this other area. I

know it is one of the issues that has driven the national partnership agreements and the reforms to federal financial relations back in 2008. It was a bit of a recognition that some of the reforms being asked of the states and territories would have their biggest payoffs in improved productivity and participation of people in the workforce, while in tax revenue terms those benefits would largely flow to the Commonwealth rather than the states and territories. But I am not quite sure who did that modelling work to estimate the quantum involved.

**Senator HUMPHRIES:** We have the Attorney-General's Department here, and I imagine they might be able to answer that question for me, thank you.

The answer to the honourable senator's question is as follows:

The Attorney-General's Department is advised by the Commonwealth Grants Commission that it does not take into account any savings or costs State programs might impose on other levels of Government because these savings or costs have no impact on the budgets or fiscal capacities of States, which are the focus of the equalisation process undertaken by the Commission.

Yours sincerely

Kym Duggan  
First Assistant Secretary  
Social Inclusion Division