

## APPENDIX A: PARAMETERS AND FURTHER INFORMATION

This appendix provides information on the parameters used in producing this Budget Paper.

Budget Paper No. 1, *Budget Strategy and Outlook 2014-15, Statement 2: Economic Outlook*, provides information on the forecasting approach used in the 2014-15 Budget.

### POPULATION

Population data are used to distribute funding between the States and in the calculation of annual growth factors.

#### Estimates of State populations

Table A.1 sets out the State population series used in this Budget Paper.

**Table A.1: Population by State, at 31 December**

million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2013	7.464	5.793	4.696	2.555	1.678	0.514	0.384	0.242	23.325
2014	7.567	5.899	4.789	2.639	1.694	0.515	0.391	0.246	23.740
2015	7.671	6.005	4.884	2.724	1.711	0.516	0.398	0.250	24.159
2016	7.776	6.113	4.979	2.812	1.727	0.517	0.405	0.255	24.585
2017	7.883	6.223	5.076	2.901	1.744	0.518	0.412	0.259	25.016

The State populations for 2013-14 to 2017-18 are Treasury estimates of the population of each State on 31 December in the respective year. They are constructed using the latest demographic data available from the Australian Bureau of Statistics (ABS) and Treasury assumptions. These assumptions are in respect of fertility, mortality, net overseas migration and interstate migration.

#### Fertility

For the 2013-14 Budget, the Treasury fertility assumption was that the Total Fertility Rate (TFR) would fall to 1.85 babies per woman by 2015 and then stay at that level for the remainder of the projection period. Since the 2013-14 Budget, the ABS have revised their historical TFR estimates upwards. The latest published ABS preliminary estimate of the TFR is 1.933 in the 2012 calendar year. For the 2014-15 Budget it is assumed that the TFR drops to 1.90 in 2013 and then remains stable for the remainder of the projection period.

#### Mortality

The mortality assumptions are based on the medium assumptions used in the ABS *Population Projections, 2012-2101* (cat. no. 3222.0). In these assumptions, a continuing decline in mortality rates across Australia, with state differentials persisting, is assumed. Overall, life expectancy is assumed to improve to the year 2017 at the rate observed over the period 1981 to 2011.

### Net overseas migration

For the 2014-15 Budget, the Net Overseas Migration assumption is based on the Department of Immigration and Border Protection's (DIBP's) December 2013 *Outlook for Net Overseas Migration* publication. The DIBP forecasts take into consideration government policy. This includes the decision announced in December 2013 to remove 4,000 Migration Programme places allocated to sponsored family of Illegal Maritime Arrivals. Currently, the migration programme is 203,750 places, 190,000 places under the permanent migration programme, and 13,750 places under the humanitarian migration programme.

Table A.2 shows the net overseas migration assumptions used in this Budget Paper.

**Table A.2: Net overseas migration**

	2013	2014	2015	2016	2017
Net overseas migration, Australia	238,400	246,400	247,500	250,800	252,000

State shares of net overseas migration are estimated by using a weighted average of the three most recent observed years – 2011, 2012 and 2013 – with weights of 1, 2 and 4 respectively.

### Interstate migration

Similar to State shares of net overseas migration, the Treasury's estimates of net interstate migration are based on a weighted average of the three most recent observed years – 2011, 2012 and 2013 – with weights of 1, 2 and 4 respectively. Due to data lags, the 2013 observation includes an assumption for the December quarter based on weighted averages of arrivals and departures for December quarters 2010 to 2012.

**Table A.3: Net interstate migration**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2014	-14,400	4,900	8,250	8,350	-3,350	-1,950	-200	-1,600	-
2015	-14,400	4,900	8,250	8,350	-3,350	-1,950	-200	-1,600	-
2016	-14,400	4,900	8,250	8,350	-3,350	-1,950	-200	-1,600	-
2017	-14,400	4,900	8,250	8,350	-3,350	-1,950	-200	-1,600	-

## AGE/GENDER WEIGHTED POPULATIONS

The Treasury's estimates of State population have been used to calculate the population weighted for hospital utilisation for different age/gender cohorts. The weighted hospital utilisation forms part of the growth factor for the former National Healthcare Specific Purpose Payment (upon which 2013-14 National Health Reform funding is based).

**Table A.4: Age/gender weighted population**

million	2013	2014	2015	2016	2017
Weighted population, Australia(a)	23.562	na	na	na	na

(a) These figures are relevant for National Health Reform funding until June 2014.

## CROSS-BORDER ADJUSTMENTS FOR 2013-14 NATIONAL HEALTH REFORM FUNDING

State allocations of 2013-14 National Health Reform funding are published on a population basis, adjusted for cross-border patient flows. The adjustment is calculated by the Administrator of the National Health Funding Body reflecting State estimates of cross-border activity. Such activity occurs when a resident of one state receives hospital treatment in another state. The patient's resident state compensates the state that treated the patient for the cost of that care via a 'cross-border' payment. Commonwealth funding flows under National Health Reform need to be adjusted accordingly.

Table A.5 shows estimated net cross-border adjustments for 2013-14.

**Table A.5: Cross-border adjustments to Commonwealth funding flows**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2013-14	-80.2	25.2	15.6	0.3	10.7	-6.2	43.8	-9.2	-

## SCHOOL ENROLMENTS

Student enrolment projections are based on a grade progression ratio model, which incorporates student movements between government and non-government sectors. These projections do not take into account future economic, migration or social policy changes. However, they do take into account the proposals by Queensland and Western Australia to transfer the Year 7 primary programme to their secondary programme, starting from 2015. These figures only include students funded by the Australian Government.

**Table A.6: School enrolments**

million	2013	2014	2015	2016	2017
FTE enrolments, government schools(a)	2.351	na	na	na	na

(a) From January 2014 the National Schools SPP was replaced by funding under the Students First programme.

## WAGE, PRICE AND COST INDICES

Table A.7 shows the wage, price and cost indices used in this Budget Paper, rounded to the nearest quarter of a per cent.

**Table A.7: Wage, price and cost indices**

per cent	2013-14	2014-15	2015-16	2016-17	2017-18
Average government schools recurrent costs(a)	5 1/2	na	na	na	na
Consumer Price Index(b)	na	na	na	na	2 1/2
Health specific price index(c)	2	na	na	na	na
Health technology index(c)	1 1/4	na	na	na	na
Wage cost index - 1	1 1/2	1 3/4	1 3/4	1 3/4	1 3/4
Wage cost index - 6	1 3/4	2 1/4	2	2	2

(a) This figure is relevant for the National Schools SPP until December 2013.

(b) This figure is relevant for public hospitals funding from July 2017 and Students First funding from January 2018.

(c) These figures are relevant for National Health Reform funding until June 2014.

## DATA SOURCES

The information in Part 4, Appendix B and Appendix C of this Budget Paper is consistent with the ABS Government Finance Statistics reporting framework for the public sector.

Commonwealth data are sourced from the Commonwealth Government Final Budget Outcomes, ABS, and Commonwealth Government Consolidated Financial Statements. See Budget Paper No. 1, *Budget Strategy and Outlook 2014-15, Statement 10: Historical Australian Government Data*, for more information.

State data for 2013-14 onwards are sourced from States' 2013-14 mid-year financial reports, with the exception of Victoria which is sourced from the 2014-15 Victorian Budget.

Commonwealth Government budget aggregates have been backcast to 2001-2002 (where applicable) for recent accounting clarification changes that require revisions to the historic series, ensuring that data are consistent across the period.

The 2014-15 Budget also includes revisions to Commonwealth Government budget aggregates that improve the accuracy and comparability of the data through time. See Budget Paper No. 1, *Budget Strategy and Outlook 2014-15, Statement 10: Historical Australian Government Data*, for more information on these revisions.

## **FURTHER INFORMATION**

Several publications of the ABS also provide information that is relevant to analysing federal financial relations, including:

- *Australian Demographic Statistics* (cat. no. 3101.0);
- *Population Projections, 2012-2101* (cat. no. 3222.0);
- *Taxation Revenue, Australia* (cat. no. 5506.0);
- *Government Finance Statistics, Australia* (cat. no. 5512. 0);
- *Australian System of Government Finance Statistics – Concepts, Sources and Methods* (cat. no. 5514.0);
- *Information Paper: Developments in Government Finance Statistics* (cat. no. 5516.0); and
- *Information Paper: Accruals Based Government Finance Statistics* (cat. no. 5517.0).

Several publications by the Commonwealth Grants Commission can also provide information relevant to the analysis of federal financial relations relating to the distribution of GST revenue. In relation to the 2014-15 financial year, the relevant publication is *Report on GST Revenue Sharing Relativities – 2014 Update*.



