

## **National Funding Agreements**

Presentation by the Department of the Prime Minister and Cabinet and the Treasury to the Joint Committee of Public Accounts and Audit

#### Overview

- Introduction
- Role of the Council of Australian Governments (COAG)
- Legislative Framework
- Types of Payments to the States and Territories
- Performance Reporting
- Parliamentary Scrutiny

### Council of Australian Governments

- COAG was established in May 1992 and first met in December 1992.
- Comprises: the Prime Minister (Chair), six Premiers, two Chief Ministers and the President of the Australian Local Government Association.
- COAG is the key decision-making body in a cooperative federal system.
- It considers issues of national or intergovernmental importance.
- COAG is supported by a Senior Officials group representing the Commonwealth, States and Territories and Local Government.

## **COAG** Reform Agenda

- The COAG Reform Agenda broadly speaking is intended to:
  - address the challenges of boosting productivity, increasing workforce participation and mobility and delivering better services for the community.
- After the change of government in late 2007, the agenda was, in the first instance, advanced by Working Groups chaired by Commonwealth Ministers.
- During 2008, the agenda was directed in part towards putting in place a new Commonwealth-State financial framework.
- Reform was also pursued in health, education and training, housing, Indigenous affairs, water and climate change.
- At its meeting on 29 November 2008, COAG agreed to a \$15.1 billion reform package.

### **COAG** Agenda

- On 13 February 2011, COAG adopted a streamlined agenda built around five themes of strategic importance:
  - a long-term strategy for economic and social participation;
  - a national economy driven by our competitive advantages;
  - a more sustainable and liveable Australia;
  - better health services and a more sustainable health system for all Australians; and
  - Closing the Gap on Indigenous Disadvantage.

## Legislative Framework

- Federal Financial Relations Act 2009
  - The Commonwealth's financial relations with the States now come under the umbrella of this one piece of legislation.
- Rationale for Framework
- Intergovernmental Agreement on Federal Financial Relations (IGA)
  - The IGA provides the overarching framework for the Commonwealth's financial relations with the States.
  - It establishes a foundation for collaboration on policy development, service delivery, and facilitates the implementation of economic and social reforms in areas of national importance.

## Payments to the States

- National Agreements/National Specific Purpose Payments (NSPPs)
- National Partnership Payments (NPPs) [including payments under Project Agreements]
- GST & Other General Revenue Assistance (GRA)

## National Agreements/NSPPs

- There are six National Agreements covering key service delivery sectors:
  - Health
  - Education
  - Skills and Workforce Development
  - Disability Services
  - Affordable Housing; and
  - Indigenous Reform
- National Agreements are <u>not</u> funding agreements.

## National Agreements/NSPPs

- National Specific Purpose Payments (NSPPs)
  - Provided for in Part 3 of the Federal Financial Relations Act
    2009
  - The FFR Act requires that the States spend NSPPs in a defined sector
  - May be associated with a National Agreement
  - Funding not contingent on achievement of outcomes or benchmarks under National Agreements
  - Payments indexed annually as set out in Schedule D of IGA

### National Partnerships

- National Partnership Agreements
  - Related to the delivery of specified projects, to facilitate reforms or to reward those jurisdictions that deliver on national reforms or achieve service delivery improvements.
  - Implementation Plans and Project Agreements
- National Partnership Payments (NPPs)
  - Spent on the defined project or activity.
  - Payments are split into facilitation, project and reward payments.

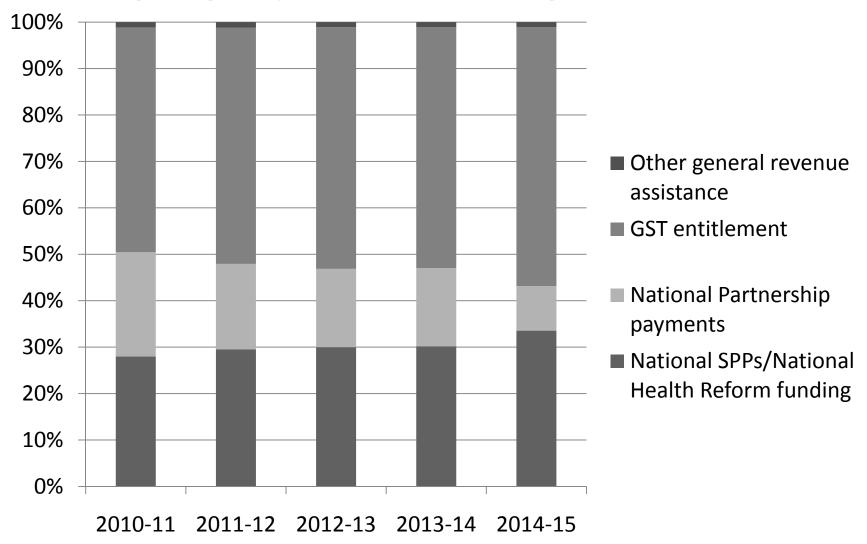
## Acquittal of funding

- Clause D16 of IGA requires States to provide MINCO with an annual report on:
  - a) gross State expenditure in each NSPP sector;
  - b) NSPPs received for each sector;
  - c) how much of NSPPs received was spent in sector;
  - d) explanation of variance between (b) and (c).
- Clause D33 requires States to provide MINCO with an annual report on total expenditure of funds received under NPs.
- These reports are prepared on an annual basis.

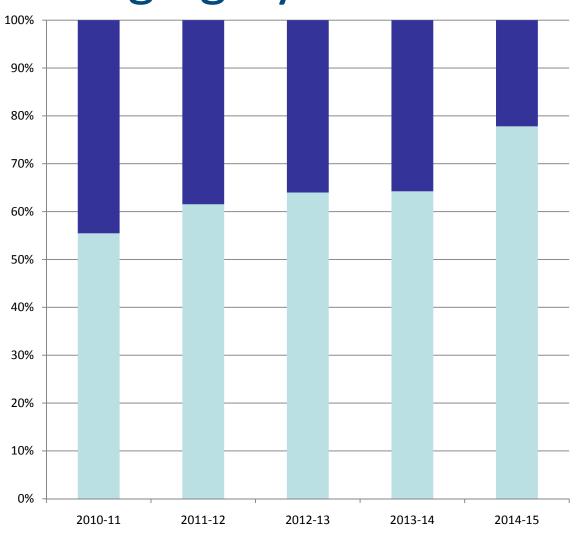
#### General Revenue Assistance

- Specified in Schedule D of the IGA
- Payments include:
  - GST entitlements
  - Revenue sharing arrangements (e.g. offshore petroleum royalty revenues)
  - Compensation payments for Commonwealth policy decisions
  - Payments for national capital influences
- Untied funding to be spent according to priorities of the jurisdiction

## Changing dynamics of grants



# Changing dynamics of SPPs



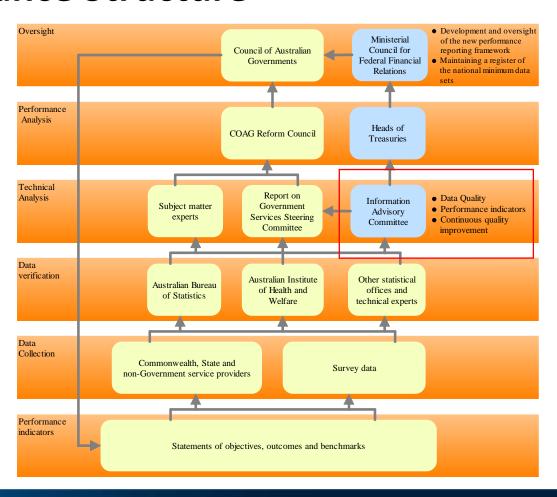
- National Partnership payments
- National SPPs/National Health Reform funding

## Performance Reporting

- The IGA FFR performance reporting framework:
  - is aimed at improving public accountability by governments to their communities;
  - is focused on the quality of services delivered rather than the number of services delivered; and
  - depends on continuous improvement of performance indicators and underlying data to enable effective comparisons of performance.

## Performance Reporting

#### **Governance Structure**



### **COAG Reform Council**

- Formally established by COAG in April 2007.
- Has six Council members and an independent secretariat, which, for administrative purposes, is part of PM&C.
- Receives references from COAG.
- Responsible for monitoring and assessing:
  - the COAG Reform Agenda;
  - National Agreements and some National Partnership Agreements;
  - elements of water reform; and
  - the efficacy of capital city planning.

#### **COAG Reform Council**

- Reports to the Prime Minister, and through her, to COAG.
- Assesses whether the States and Territories qualify for reward payments under some National Partnership Agreements.

#### **Auditor-General Act Amendments**

- Amendments to the Auditor-General Act have been introduced by Mr Oakeshott.
- The Government broadly supports the amendments in-principle.

## Parliamentary Scrutiny

- FFR Act allows Treasurer, through a written determination, to credit amounts to the COAG Reform Fund for making payments for NPs & GRA.
- Determinations are legislative instruments (registered on FRLI).
- Treasurer is required to gain parliamentary approval for maximum amount that he may credit to the COAG Reform Fund (general drawing rights limits).
- This approval ensures the Parliament's role in approving Commonwealth expenditure is preserved.