

# INTERGOVERNMENTAL AGREEMENT ON FEDERAL FINANCIAL RELATIONS

Council of  
Australian  
Governments

An agreement between

- the Commonwealth of Australia and
- the States and Territories, being:
  - ◆ The State of New South Wales
  - ◆ The State of Victoria
  - ◆ The State of Queensland
  - ◆ The State of Western Australia
  - ◆ The State of South Australia
  - ◆ The State of Tasmania
  - ◆ The Australian Capital Territory
  - ◆ The Northern Territory of Australia

This Agreement implements a new framework for federal financial relations which will provide a robust foundation for collaboration on policy development and service delivery and facilitate the implementation of economic and social reforms in areas of national importance.



# Intergovernmental Agreement on Federal Financial Relations

COUNCIL OF AUSTRALIAN GOVERNMENTS

## PRELIMINARIES

1. This Agreement implements a new framework for federal financial relations which will provide a robust foundation for the Parties to:
  - (a) collaborate on policy development and service delivery; and
  - (b) facilitate the implementation of economic and social reforms;in areas of national importance.
2. In signing this Agreement, the Parties acknowledge that coordinated action is necessary to address many of the economic and social challenges which confront the Australian community.

## PART 1 – TERMS

3. The Parties to this Agreement (the Parties) are:
  - (a) The Commonwealth of Australia (the Commonwealth); and
  - (b) The States and Territories, being:
    - The State of New South Wales;
    - The State of Victoria;
    - The State of Queensland;
    - The State of Western Australia;
    - The State of South Australia;
    - The State of Tasmania;
    - The Australian Capital Territory; and
    - The Northern Territory of Australia.
4. This Agreement will operate indefinitely from 1 January 2009 unless the Parties by unanimous agreement in writing revoke it.

## PART 2 – OBJECTIVES

5. The objective of the new framework for federal financial relations is the improvement of the well-being of all Australians through:
  - (a) collaborative working arrangements, including clearly defined roles and responsibilities and fair and sustainable financial arrangements, to facilitate a focus by the Parties on long term policy development and enhanced government service delivery;
  - (b) enhanced public accountability through simpler, standardised and more transparent performance reporting by all jurisdictions, with a focus on the achievement of outcomes, efficient service delivery and timely public reporting;
  - (c) reduced administration and compliance overheads;
  - (d) stronger incentives to implement economic and social reforms;
  - (e) the on-going provision of Goods and Services Tax (GST) payments to the States and Territories equivalent to the revenue received from the GST; and
  - (f) the equalisation of fiscal capacities between States and Territories.

## PART 3 – PRINCIPLES

### Primary responsibility for service delivery

6. The Parties recognise that the States and Territories have primary responsibility for many of the service sectors covered by the National Agreements appended as schedules to this Agreement. The primacy of State and Territory responsibility in the delivery of services in these sectors is implicit in the Constitution of the Commonwealth of Australia and it is not the intention of the Parties to alter the Constitutional responsibility or accountability of the Commonwealth, States and Territories.
7. Notwithstanding that, the Parties acknowledge that coordinated action is necessary to address many of the economic and social challenges which confront the Australian community. The intent of the Parties is that the National Agreements should clarify the responsibilities and accountabilities of the Commonwealth and the States and Territories.

### Focus on improving the well-being of Australians

8. The intent of the Parties in implementing the financial framework is to improve the well-being of all Australians through improvements in the quality, efficiency and effectiveness of government service delivery by:
  - (a) reducing Commonwealth prescriptions on service delivery by the States and Territories;
  - (b) clarifying the roles and responsibilities of the Parties in the delivery of government services that are the subject of National Agreements set out in schedules to this Agreement; and
  - (c) enhancing accountability to the public for the outcomes achieved or outputs delivered under National Agreements or National Partnerships.

9. The Parties agree that there will be a rigorous focus on the achievement of outcomes — that is, mutual agreement on what objectives, outcomes and outputs improve the well-being of Australians.

## Coordinated federal action

10. The Parties have recorded their mutually agreed objectives, outcomes and outputs and performance indicators for each of the service sectors covered in National Agreements appended as schedules to this Agreement.
11. Federal financial relations will be underpinned by a shared commitment to genuinely cooperative working arrangements.
12. The Council of Australian Governments (COAG) will monitor progress on all aspects of the framework for federal financial relations.
13. The Parties acknowledge the need to pursue on-going reform of federal financial relations.

## Accountability

14. As improved accountability is a key objective to the framework for federal financial relations, the Parties commit to improve service delivery by ensuring that the appropriate government is accountable to its community — not just for its expenditure in delivering services, but more importantly for the quality and efficiency of the services it delivers and the outcomes it achieves.
15. The Parties commit to enhancing the accountability of governments to the community through simpler, standardised and more transparent public performance reporting for all jurisdictions, underpinned by clearer roles and responsibilities.
16. The Parties are committed to on-going performance reporting and to working together to improve performance reporting for the sake of enhanced public accountability.
17. The performance reporting framework will focus on the achievement of results, value for money and timely provision of publicly available performance information.
18. The COAG Reform Council will report to the Prime Minister, as chair of COAG, on National Agreements and National Partnerships, as set out in Schedule A of this Agreement. To assist the COAG Reform Council in its role, the Productivity Commission will also report to COAG on the economic impacts and benefits of COAG's agreed reform agenda every two to three years.

## Financial support

19. The Commonwealth commits to the provision of on-going financial support for the States' and Territories' service delivery efforts, through:
  - (a) general revenue assistance, including the on-going provision of GST payments, to be used by the States and Territories for any purpose;
  - (b) National Specific Purpose Payments (SPPs) to be spent in the key service delivery sectors; and
  - (c) National Partnership payments to support the delivery of specified outputs or projects, to facilitate reforms or to reward those jurisdictions that deliver on nationally significant reforms.

20. National SPPs may be associated with National Agreements, but there is no provision for National SPPs to be withheld in the case of a jurisdiction not meeting a performance benchmark specified in a National Agreement.
21. National Agreements will not include financial or other input controls imposed on service delivery by the States and Territories.
22. The Parties agree to review periodically, and at least every five years, the level of Commonwealth funding support to ensure its on-going adequacy.
23. All intergovernmental financial transfers other than for Commonwealth own-purpose expenses will be subject to this Agreement. However, Commonwealth own-purpose expenses may form part of National Agreements or National Partnerships where they contribute to mutually agreed objectives.

### **Greater incentives for economic and social reform**

24. The Commonwealth will provide National Partnership payments to the States and Territories to support the delivery of specified outputs or projects, to facilitate reforms or to reward those jurisdictions that deliver on nationally significant reforms or service delivery improvements.

## **PART 4 – PROVISION OF GST REVENUE TO THE STATES**

25. The Commonwealth will make GST payments to the States and Territories equivalent to the revenue received from the GST, subject to the arrangements in this Agreement. GST payments will be freely available for use by the States and Territories for any purpose.
26. The Commonwealth will distribute GST payments among the States and Territories in accordance with the principle of horizontal fiscal equalisation.

## **PART 5 – INSTITUTIONAL ARRANGEMENTS**

27. This Agreement replaces the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*.
28. The schedules to this Agreement may be amended or revoked, and new schedules added, by agreement of the Parties. Where noted in this Agreement, some GST policy issues require unanimous agreement.
29. The Ministerial Council for Commonwealth-State Financial Relations will be renamed the Ministerial Council for Federal Financial Relations and, within the framework established by COAG, will oversee the operation of this Agreement. The Ministerial Council will comprise the Treasurers of the Commonwealth, the States and Territories (or their designated representatives) and will be chaired by the Commonwealth.

30. The Parties have confirmed their commitment to this agreement as follows:

**Signed** *for and on behalf of the Commonwealth of Australia by*

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**The Honourable Kevin Rudd MP**  
Prime Minister of the Commonwealth of Australia  
December 2008

**Signed** *for and on behalf of the State of New South Wales by*

**Signed** *for and on behalf of the State of Victoria by*

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**The Honourable Nathan Rees MP**  
Premier of the State of New South Wales  
December 2008

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**The Honourable John Brumby MP**  
Premier of the State of Victoria  
December 2008

**Signed** *for and on behalf of the State of Queensland by*

**Signed** *for and on behalf of the State of Western Australia by*

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**The Honourable Anna Bligh MP**  
Premier of the State of Queensland  
December 2008

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**The Honourable Colin Barnett MP**  
Premier of the State of Western Australia  
December 2008

**Signed** *for and on behalf of the State of South Australia by*

**Signed** *for and on behalf of the State of Tasmania by*

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**The Honourable Mike Rann MP**  
Premier of the State of South Australia  
December 2008

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**The Honourable David Bartlett MP**  
Premier of the State of Tasmania  
December 2008

**Signed** *for and on behalf of the Australian Capital Territory by*

**Signed** *for and on behalf of the Northern Territory by*

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**Jon Stanhope MLA**  
Chief Minister of the Australian Capital Territory  
December 2008

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**The Honourable Paul Henderson MLA**  
Chief Minister of the Northern Territory of Australia  
December 2008



## SCHEDULES TO THE INTERGOVERNMENTAL AGREEMENT

- A INSTITUTIONAL ARRANGEMENTS
- B TAXATION REFORM
- C PUBLIC ACCOUNTABILITY AND PERFORMANCE REPORTING
- D PAYMENT ARRANGEMENTS
- E POLICY AND REFORM OBJECTIVES
- F NATIONAL AGREEMENTS

# Definitions and Institutional Arrangements

## INTERGOVERNMENTAL AGREEMENT ON FEDERAL FINANCIAL RELATIONS

### DEFINITIONS

National Agreement	An agreement defining the objectives, outcomes, outputs and performance indicators, and clarifying the roles and responsibilities, that will guide the Commonwealth and the States and Territories in the delivery of services across a particular sector.
National SPP	A Commonwealth financial contribution to support State and Territory delivery of services in a particular sector.
National Partnership agreement	An agreement defining the objectives, outputs and performance benchmarks 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.
National Partnership payment	A Commonwealth payment to the States and Territories, in respect of a National Partnership agreement, to support the delivery of specified projects, to facilitate reforms or to reward those jurisdictions that deliver on national reforms or achieve service delivery improvements.
Objectives	Describe the mutually-agreed, overarching aspirations for each new National Agreement.
Outcomes	Describe the impact a government activity is expected to have on community well-being. Outcomes should be strategic, high level and observable goals expressed in clear, measurable and achievable terms.
Outputs	Describe the services being delivered by governments to achieve outcomes. Alternatively they may be used as a proxy for outcomes where outcomes are not readily observable. Outputs can also help to define roles and responsibilities. Outputs should be high level, as detailed outputs run the risk of constraining States' responses to changing demand, cost drivers, priorities and service delivery models.
Performance indicator	Data which informs the community about how governments are progressing towards achieving the objectives, outcomes and outputs.

Performance benchmark	A quantifiable change in a performance indicator, usually expressed in respect of a period of time – for example, an X per cent increase in X by 20XX. Where necessary to inform the community, performance benchmarks should be few in number, high-level and reflect the highest order, most challenging goals toward attainment of outcomes.
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## COUNCIL OF AUSTRALIAN GOVERNMENTS

- A1 The Council of Australian Governments (COAG) is the peak intergovernmental forum in Australia. Its role includes initiating, developing, endorsing and monitoring the implementation of policy reforms of national significance which require cooperative action by Australian Governments.
- A2 COAG is the key decision-making body with respect to implementation of the new framework for federal financial relations, and will monitor progress on all aspects of the new framework.

## MINISTERIAL COUNCIL FOR FEDERAL FINANCIAL RELATIONS

- A3 Within the framework determined by COAG, the Ministerial Council is able to determine matters relating to this Agreement, but will refer to COAG matters which:
- (a) have major cross portfolio or whole of government implications; or
  - (b) relate to the operations of the COAG Reform Council.
- A4 The functions of the Ministerial Council include:
- (a) the general oversight of the operation of this Agreement on behalf of COAG;
  - (b) an on-going role in monitoring the maintenance of reforms in this Agreement and in making recommendations to COAG for its consideration and endorsement, particularly in respect of:
    - (i) ensuring to the fullest extent possible that National Agreements and National Partnerships are aligned with the design principles in Schedule E;
    - (ii) ensuring that National Partnerships in a sector covered by a National Agreement are aligned with the objectives of that National Agreement;
    - (iii) ensuring that National Partnerships support the delivery of clearly specified outputs or projects, or facilitate the implementation of, or reward the delivery of, reforms of national significance;
    - (iv) negotiating base funding levels and growth factors for National SPPs, having regard to the objectives and outcomes agreed by the relevant COAG Working Group or Ministerial Council;
    - (v) negotiating the funding levels for reform-based National Partnerships;
    - (vi) developing principles for the funding levels of project-based National Partnerships;
    - (vii) assessing whether expiring National Partnerships should be converted into existing or new National SPPs or general revenue assistance; and

- (viii) maintaining a register of the national minimum data sets required to allow comparative reporting of governments' achievement against agreed objectives and outcomes;
  - (c) the oversight of the operation of the Goods and Services Tax (GST), including:
    - (i) approving changes to the GST base and rate;
    - (ii) maintaining a performance agreement with the Australian Taxation Office in respect of its efficient and cost-effective administration of the GST;
    - (iii) considering reports of the GST Administration Sub-Committee on:
      - (1) proposed changes to the GST base;
      - (2) the performance of the Australian Taxation Office in GST administration;
      - (3) other matters of operational significance;
  - (d) discussion of Commonwealth Grants Commission recommendations regarding GST revenue sharing relativities prior to the Commonwealth Treasurer making a determination;
  - (e) development and oversight of a new National Performance Reporting System (Schedule C), in consultation with relevant COAG Working Groups and Ministerial Councils;
  - (f) monitoring compliance with the conditions governing the provision of assistance to first home owners set out below;
  - (g) monitoring compliance with the Commonwealth's undertakings with respect to financial support to the States and Territories;
  - (h) reviewing the operation of the Agreement over time and considering any amendments which may be proposed to COAG as a consequence of such review;
  - (i) reviewing funding adequacy under this Agreement, not less than every five years, with an on-going role of monitoring the reporting of outcomes to identify issues that might trigger earlier consideration of funding adequacy and related outcomes;
  - (j) considering on-going reform of federal financial relations;
  - (k) considering other matters covered in this Agreement; and
  - (l) such other matters as are referred to the Council by COAG.
- A5 The Treasurer of the Commonwealth will be the chair of the Council and will convene the Ministerial Council, in consultation with the other members of the Council, not less than once each financial year. If the Commonwealth Treasurer receives a request from a member of the Council, consultation will occur with the other members concerning convening a meeting. The Council may also conduct its business by correspondence.
- A6 All questions arising in the Ministerial Council will be determined by unanimous agreement unless otherwise specified in this Agreement.

- A7 The Ministerial Council will provide annually a report to the Department of the Prime Minister and Cabinet as set out in the protocols and principles governing Ministerial Council operations and reporting requirements.
- A8 The Ministerial Council will oversee the GST Administration Sub-Committee comprised of Commonwealth, State and Territory officials to monitor the operation of the GST, make recommendations regarding possible changes to the GST base and rate, and to monitor the Australian Taxation Office's performance in GST administration.

## OTHER MINISTERIAL COUNCILS AND COAG WORKING GROUPS

- A9 The role of relevant Ministerial Councils, other than the Ministerial Council for Federal Financial Relations, and relevant COAG Working Groups with respect to this Agreement includes recommending to COAG on:
- (a) development of objectives, outcomes, outputs and performance indicators for National Agreements; and
  - (b) proposing new specific projects and reforms which could be supported by National Partnerships.

## COAG REFORM COUNCIL

- A10 The COAG Reform Council will continue as an independent body, reporting to COAG.
- A11 As set out in this Agreement, or otherwise requested by COAG, the Council will report to the Prime Minister, as Chair of COAG, on:
- (a) the publication of performance information for all jurisdictions against National Agreement outcomes and performance benchmarks;
  - (b) production of an analytical overview of performance information for each National Agreement, and National Partnership to the extent it supports the objectives in a National Agreement, noting that the Council would draw on a range of sources, including existing subject experts;
  - (c) independent assessment of whether predetermined performance benchmarks have been achieved before an incentive payment to reward nationally significant reforms under National Partnerships is made;
  - (d) monitoring the aggregate pace of activity in progressing COAG's agreed reform agenda; and
  - (e) other matters referred by COAG.
- A12 Through the assessment and reporting process, the Council will highlight examples of good practice and performance, but will not have a policy-advising role.

## MANAGEMENT OF THE GST

### Management of the GST rate

A13 A proposal to vary the rate of the GST will require:

- (a) the unanimous support of the State and Territory Governments;
- (b) the endorsement by the Commonwealth Government of the day; and
- (c) the passage of relevant legislation by both Houses of the Commonwealth Parliament.

### Management of the GST base

A14 Subject to Clauses A15, A16 and A17, any proposal to vary the GST base will require:

- (a) the unanimous support of the State and Territory Governments;
- (b) the endorsement by the Commonwealth Government of the day; and
- (c) the passage of relevant legislation by both Houses of the Commonwealth Parliament.

A15 Future changes to the GST base should be consistent with:

- (a) the maintenance of the integrity of the tax base;
- (b) simplicity of administration; and
- (c) minimising compliance costs for taxpayers.

A16 A proposal to vary the GST base by way of a Ministerial determination under the GST Act will require the unanimous agreement of the Ministerial Council.

A17 Changes to the GST base to maintain the integrity of the GST base or to prevent tax avoidance will only require the majority support of the Commonwealth, the States and the Territories.

## ADMINISTRATION OF THE GST

### Australian Taxation Office

A18 The Commissioner of Taxation has the general administration of the GST law.

A19 The Australian Taxation Office will arrange for the Australian Customs Service to assist with the collection of the GST on imports.

A20 The States and Territories will compensate the Commonwealth for the agreed costs incurred by the Australian Taxation Office in administering the GST, including costs incurred by the Australian Customs Service.

A21 Accountability and performance arrangements between the Australian Taxation Office and the Ministerial Council will be the subject of a GST Administration Performance Agreement. These arrangements will include administrative transparency and accountability through a range of effectiveness and efficiency measures. The objective is to optimise voluntary compliance by effectively managing the administrative and compliance risks to the GST system.

## **GST Administration Sub-Committee**

A22 The GST Administration Sub-Committee, will monitor the operation and administration of the GST and make recommendations to the Ministerial Council for Federal Financial Relations regarding modifications to the GST and the administration of the GST.

A23 The GST Administration Sub-Committee will comprise Treasury officials from each Party to the Agreement, as well as representatives from the Australian Taxation Office as required. The Commonwealth Treasury will chair the GST Administration Sub Committee.

A24 The Chair will convene the GST Administration Sub-Committee in consultation with other members of the Sub-Committee as often as may be necessary, and not less than once per year, to conduct its business. If the Chair receives a request from a member of the Sub-Committee, the Chair will consult with the other members concerning convening a meeting.

A25 The functions of the GST Administration Sub-Committee will include:

- (a) monitoring the performance of the Australian Taxation Office in the administration of the GST;
- (b) assessing policy proposals for the modification of the GST rate and base;
- (c) making recommendations to the Ministerial Council on the need for legislation which might significantly affect the GST base; and
- (d) requesting the Australian Taxation Office to produce draft Public Rulings in specified areas.

A26 The States and Territories will be consulted on draft Public Rulings prior to consideration by the Australian Taxation Office Rulings Panel and before public consultation. There will be a representative from the States and Territories on the Australian Taxation Office Rulings Panel in relation to GST matters.

A27 Public rulings will not be referred to the Ministerial Council. However, the GST Administration Sub-Committee will refer a proposed change to an Australian Taxation Office interpretative view to the Ministerial Council for consideration if it is of the view that the change could have a significant impact on GST revenues.

## **APPLICATION OF THE GST TO GOVERNMENT**

A28 The Parties intend that the Commonwealth, States, Territories and local governments and their statutory corporations and authorities will operate as if they were subject to the GST legislation. They will be entitled to register, pay GST or make voluntary or notional payments where necessary and will be entitled to claim input tax credits in the same way as non-government organisations. All such payments will be included in GST revenue.

## GOVERNMENT TAXES AND CHARGES

A29 The Parties agree that Division 81 of the GST Act will exempt Australian taxes, fees and charges from GST in accordance with the following principles:

- (a) taxes that are in the nature of a compulsory impost for general purposes and compulsory charges by the way of fines or penalties will be exempt from GST;
- (b) regulatory charges that do not relate to particular goods or services will be exempt from GST, including:
  - (i) fees and charges levied on specific industries and used to finance particular regulatory or other activities in the government sector; and
  - (ii) licences, permits and certifications that are required by government prior to undertaking a general activity.

## FIRST HOME OWNERS SCHEME

A30 The States and Territories will assist first home buyers through the funding and administration of a uniform First Home Owners Scheme, consistent with the following principles.

- (a) Eligible applicants will be entitled to \$7,000 assistance (per application) on eligible homes under the First Home Owners Scheme.
- (b) Assistance will be available directly as a one off payment. If the recipient expressly consents, it may be available as an offset against statutory levies and charges or some combination of these.
- (c) Eligible applicants must be natural persons at least 18 years of age who are Australian citizens or permanent residents who are buying or building their first home in Australia. An applicant's spouse (or de facto) must be included on the application. States and Territories will have discretion in allowing applicants to be aged below 18 years of age in genuine cases where applicants are not trying to circumvent the eligibility criteria.
- (d) To qualify for assistance, neither the applicant nor the applicant's spouse (or de facto) must have previously owned a home, either jointly, separately or with some other person.
- (e) Entering into a binding contract, or commencement of building in the case of owner builders, must have occurred on or after 1 July 2000.
- (f) An eligible home will be a new or established house, home unit, flat or other type of self contained fixed dwelling that meets local planning standards. Fixed dwellings will include demountable dwellings where these meet local planning standards.
- (g) An eligible home must be intended to be a principal place of residence and occupied within a reasonable period. The home must be located in the State or Territory in which the application is made. Applicants who have entered into a financing mechanism which involves a shared equity arrangement will be eligible.
- (h) Assistance will not be means tested.
- (i) The relevant State and Territory legislation will contain adequate administrative review and appeal mechanisms, along with provision to prevent abuse of the First Home Owners

Scheme. The States and Territories will cooperate in the exchange of information to identify eligible first home owners.

- A31 Further details concerning eligibility criteria consistent with the above principles are to be agreed between the Commonwealth and each State and Territory.
- A32 The States and Territories will not introduce or vary any taxes or charges associated with home purchase with the intention of offsetting the benefits of the First Home Owners Scheme for recipients.

# Taxation Reform

## INTERGOVERNMENTAL AGREEMENT ON FEDERAL FINANCIAL RELATIONS

### GST REFORMS

- B1 The Parties affirm their commitment in the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* to the achievement of a new national tax system, including the elimination of specified inefficient taxes which impede economic activity.
- B2 The Parties have agreed to abolish and not reintroduce the following taxes:
- (a) Wholesale Sales Tax

*Sales tax levied on the value of the last wholesale sale of goods sold or otherwise dealt with as imposed by the Commonwealth's Sales Tax (Imposition) Acts.*
  - (b) Bed Taxes

*Accommodation taxes levied on the cost of temporary residential accommodation.*
  - (c) Financial Institutions Duty

*Financial Institutions Duty levied on the value of receipts (credits) at financial institutions and on the average daily liabilities and/or investments of short term money market dealers.*
  - (d) Stamp Duty on Marketable Securities

*Stamp duty levied on turnover (i.e. sale price times quantity traded) on the transfer of marketable securities quoted on the Australian Stock Exchange or another recognised stock exchange.*
  - (e) Stamp Duty on Non-quotable Marketable Securities

*Stamp duty levied on transfers of marketable securities in private companies and trusts, and in public companies and trusts where the securities are not quoted on the Australian Stock Exchange or another recognised stock exchange.*
  - (f) Debits Tax

*Debits tax levied on the value of withdrawals (debits) from accounts with financial institutions with cheque drawing facilities.*

*Debits duty levied on transactions, including credit card transactions. This does not include stamp duty on electronic debits.*

- (g) Stamp Duty on Non-real Non-residential Conveyances  
*Stamp duty levied on the value of non-real non-residential conveyances.*
  - (h) Stamp Duty on Leases  
*Stamp duty levied on the rental payable under tenancy agreements.*
  - (i) Stamp Duty on Mortgages, Bonds, Debentures and Other Loan Securities  
*Stamp duty levied on the value of a secured loan property.*
  - (j) Stamp Duty on Credit Arrangements, Instalment Purchase Arrangements and Rental Arrangements  
*Stamp duty levied on the value of the loan under credit arrangements.*  
*Stamp duty levied on credit business in respect of loans made, discount transactions and credit arrangements.*  
*Stamp duty levied on the price of goods purchased under instalment purchase arrangements.*  
*Stamp duty levied on the rent paid in respect of the hire of goods, including consumer and producer goods.*
  - (k) Stamp Duty on Cheques, Bills of Exchange and Promissory Notes  
*Stamp duty levied on cheques, bills of exchange, promissory notes, or other types of payment orders, promises to pay or acknowledgment of debts, including duty on electronic debits.*
- B3 Each Party agrees to abolish, before 1 July 2013, taxes listed in Clause B2 which have not yet been abolished.
- B4 For the avoidance of doubt, the Parties confirm that, at the completion of the abolition of all taxes listed in Clause B2 within each jurisdiction, no Party to this Agreement will levy stamp duties on the transfer of emission trading permits.

## NATIONAL TAX EQUIVALENT REGIME

- B5 The Parties commit to the operation of the National Tax Equivalent Regime (NTER) for income taxation, which has been operational from 1 July 2000.
- B6 The NTER is an administrative arrangement under which the relevant Commonwealth income taxation laws are notionally applied to State and Territory government owned enterprises which are nominated by their State or Territory for inclusion in the regime.
- B7 The Commissioner of Taxation administers the NTER in return for the NTER administration costs being paid by the States and Territories. The States and Territories collect the income taxation equivalent liabilities from each entity, as determined by the Commissioner of Taxation.
- B8 The NTER is the subject of a memorandum of understanding between the Commonwealth, the States and Territories, and the Commissioner of Taxation.

## AUSTRALIA'S FUTURE TAX SYSTEM

B9 The Parties recognise:

- (a) further reform of Commonwealth, State and Territory taxes as an integral part of improving federal financial relations; and
- (b) the importance of improving the effectiveness and efficiency of the national tax system.



# Public Accountability and Performance Reporting

## INTERGOVERNMENTAL AGREEMENT ON FEDERAL FINANCIAL RELATIONS

### OBJECTIVES

- C1 The accountability of governments to the public will be enhanced through simpler, standardised and more transparent public performance reporting for all jurisdictions, underpinned by clearer roles and responsibilities.
- C2 The new framework for federal financial relations replaces Commonwealth prescriptions on state and territory service delivery with a new focus on the achievement by all levels of government of mutually agreed objectives and outcomes. As a consequence, the community needs to know which level of government is accountable for the delivery of a particular service, and whether that government's policies and programs are:
  - (a) effective in contributing to the desired outcomes;
  - (b) being implemented efficiently; and
  - (c) reaching those people for whom they are intended.
- C3 The reporting framework will focus on the achievement of results, efficient service delivery and timely provision of publicly available performance information.
- C4 Reporting under the framework for federal financial relations will be in respect of:
  - (a) the comparative performance of government achievement against objectives, outcomes, outputs and performance benchmarks in areas covered by National Agreements; and
  - (b) the achievement by governments of objectives, outcomes, outputs and performance benchmarks in National Partnership agreements.

### PERFORMANCE REPORTING FOR NATIONAL AGREEMENTS

- C5 The performance reporting framework for the National Agreements is based on:
  - (a) high-level performance indicators for each National Agreement;
  - (b) the Steering Committee for the Review of Government Service Provision (the Steering Committee) having overall responsibility for collating the necessary performance data; and

- (c) the COAG Reform Council publishing performance data relating to National Agreements, and National Partnerships to the extent that they support the objectives in National Agreements, within three months of receipt from the Steering Committee, along with a comparative analysis of this performance information that:
  - (i) focuses on the high-level National Agreement performance indicators;
  - (ii) highlights examples of good practice;
  - (iii) highlights contextual differences between jurisdictions which are relevant to interpreting the data; and
  - (iv) reflects COAG's intention to outline transparently the contribution of both levels of government to achieving performance benchmarks and to achieving continuous improvement against the outcomes, outputs and performance indicators.

## Performance indicators

- C6 The purpose of the performance indicators is to inform the general public about government performance in making progress towards identified outcomes. Performance indicators will provide a clear picture of the achievement of governments in delivering services.
- C7 Accordingly, the Parties will ensure that performance indicators will be meaningful, simple and comprehensible to members of the public, that there is underlying data to support the indicators, that the indicators meaningfully measure what they purport to measure and are reliable.
- C8 The effectiveness of the reporting framework also depends on the quality of the data underpinning each indicator. The Parties agree that the underlying performance data should have the following characteristics:
  - (a) *meaningful* — to improve public accountability, data must be reported in a way that is meaningful to a broad audience, many of whom will not have technical or statistical expertise, and validly measures what it claims to measure;
  - (b) *understandable* — the data will be accessible, clear and unambiguous so that the community can come to its own judgements on the performance of governments in delivering services;
  - (c) *timely* — to be relevant and enhance accountability, the data published will be the most recent possible — incremental reporting when data becomes available, and then updating all relevant data over recent years, is preferable to waiting until all data are available;
  - (d) *comparable* — data must be comparable across jurisdictions and over time — where there are no comparable data for a particular performance indicator, the Parties will work together with assistance from technical experts to develop common definitions, counting rules and measurement standards so that data can be provided on a comparable basis;
  - (e) *administratively simple and cost effective* — the costs involved in collecting data will be proportionate to the benefits to be gained from the resulting information;
  - (f) *accurate* — data published will be of sufficient accuracy so that the community has confidence in the information on which to draw their analysis; and

- (g) *hierarchical* — high-level performance indicators should be underpinned by lower level (more detailed but consistent) performance data where a greater level of sector specific detail is required for other purposes.

## Data collation

- C9 The Steering Committee for the Review of Government Service Provision is responsible for collating and preparing the National Agreement performance data.
- C10 The Steering Committee will provide the agreed performance information to the COAG Reform Council, desirably within three months and no later than six months after the reporting period to which the data relates.
- C11 Performance information in respect of the education and training sectors will be on a calendar year basis, commencing with performance information for 2008, and for all other sectors will be on a financial year basis, commencing with performance information for 2008-09. The 2008 and 2008-09 reports will establish benchmarks against which progress in reform and improvements in service delivery can be measured.
- C12 To improve data quality, reduce delays in data collection and verification, and provide the COAG Reform Council with information to assess performance measures, the Steering Committee will comment on the quality of the performance indicator data using quality statements prepared by the collection agencies which set out the quality attributes of the data using the Australian Bureau of Statistics' Quality Framework.

## Data analysis

- C13 Performance reporting should assist the public in assessing governments' progress against agreed objectives, outcomes and outputs.
- C14 The COAG Reform Council will provide annual reports to COAG containing the performance data. It will also report its own comparative analysis of the performance of governments in meeting the objectives of the National Agreements. The reports will also highlight examples of good practice and performance so that, over time, innovative reforms or methods of service delivery may be adopted by other jurisdictions. The Parties will provide to the COAG Reform Council the information necessary for it to fulfil its role, as directed by COAG.
- C15 The COAG Reform Council's reports should be provided to COAG no later than three months after receiving the performance information from the Steering Committee.
- C16 In preparing its performance information reports, the COAG Reform Council may draw upon other data collection agencies and subject experts it considers relevant to its work.
- C17 The Parties will be consulted for a period of one month before the COAG Reform Council releases its reports, but the COAG Reform Council should independently assess whether any feedback from a jurisdiction needs to be reflected in its final findings.
- C18 The COAG Reform Council's reports on the performance information for all governments against National Agreement outcomes and performance benchmarks will be made public.

## PERFORMANCE REPORTING FOR NATIONAL PARTNERSHIPS

- C19 The COAG Reform Council will be the independent assessor of whether pre-determined milestones and performance benchmarks have been achieved before an incentive payment to reward nationally significant reforms or service delivery improvements under a National Partnership reward payment is made. The final decision on payments will be made by the Commonwealth.
- C20 To assist the COAG Reform Council, the agreements underpinning each National Partnership reward payment will clearly set out the milestones and performance benchmarks that must be achieved for each jurisdiction to be eligible for a payment.
- C21 The COAG Reform Council may draw on existing subject experts or commission technical experts when an assessment of performance is required.
- C22 The Parties will be consulted for a period of one month before the COAG Reform Council makes its assessment, but the COAG Reform Council will independently assess whether any feedback from a jurisdiction needs to be reflected in its final findings.

## NATIONAL PERFORMANCE REPORTING SYSTEM

- C23 The development of a new national performance reporting framework provides the opportunity to move, as far as possible, to a single, integrated, national reporting system that will reduce collection costs and confusion in interpreting performance.
- C24 The Parties agree to prioritise the new national performance reporting framework for reporting on government services and review aspects of existing data collection and reporting requirements that may duplicate or be inconsistent with it.
- C25 In reviewing reporting requirements and existing processes, consideration will be given to:
- (a) identifying and addressing data gaps that prevent reporting on important performance indicators;
  - (b) identifying strategies for improving timeliness of data collection; and
  - (c) rationalising data collection processes where there is overlap and duplication.
- C26 Consistent with the move to a single, integrated, national reporting system, the Parties agree to improve national and state and territory data collection processes, including the development of:
- (a) standard data definitions;
  - (b) standard data reporting benchmarks; and
  - (c) a program of performance indicator improvement where existing measures do not adequately provide the public with a comprehensive and meaningful set of performance measures.

## CONTINUAL IMPROVEMENT IN PERFORMANCE REPORTING

- C27 As the success of the new framework for federal financial relations depends crucially on the development of robust performance indicators and benchmarks, the Parties will continually improve performance data and commit to:
- (a) on-going involvement in performance reporting; and
  - (b) maintaining the national minimum data sets required to allow comparative reporting of governments' achievement against agreed objectives and outcomes.
- C28 The Ministerial Council for Federal Financial Relations will maintain a register of the national minimum data sets required to allow comparative reporting of governments' achievement against agreed objectives and outcomes. In undertaking this task, it will consult with other Ministerial Councils and data collection agencies.
- C29 The Ministerial Council for Federal Financial Relations will oversight progress in improving the quality and timeliness of indicator data and the coordination of improvements in data collection processes, data quality and the timeliness of performance reporting for the National Performance Reporting System. In undertaking this task, it will consult with other relevant Ministerial Councils, with the Australian Statistician, and with collection agencies.
- C30 The COAG Reform Council may advise on where changes might be made to the performance reporting framework.

# Payment Arrangements

## INTERGOVERNMENTAL AGREEMENT ON FEDERAL FINANCIAL RELATIONS

### PAYMENT ARRANGEMENTS

- D1 This Schedule may be amended by the unanimous agreement of the Ministerial Council for Federal Financial Relations.
- D2 The Parties agree that payment and administrative arrangements will be simplified and centrally administered through monthly payments from the Commonwealth Treasury to each State and Territory Treasury in respect of all financial transfers under this Agreement.
- D3 Payments classified as Commonwealth own-purpose expenses are the only intergovernmental financial transfers which are not covered by these payment arrangements.
- D4 Commonwealth funding to the States and Territories will comprise three categories of payments:
- (a) National Specific Purpose Payments (SPPs) in respect of key service delivery sectors;
  - (b) three types of National Partnership payments:
    - (i) project payments;
    - (i) facilitation payments;
    - (ii) incentive payments;
  - (c) general revenue assistance, consisting of:
    - (i) Goods and Services Tax (GST) payments; and
    - (ii) other general revenue assistance.
- D5 All intergovernmental financial transfers will be processed through one of two payments from the Commonwealth Treasury to each State or Territory Treasury each month:
- (a) a payment on the 7th day of the month for all National SPP and National Partnership payments; and
  - (b) a payment on 21st day of the month for all general revenue assistance, including GST payments.
- D6 Each of these payments will be one twelfth of the estimated annual payment, to simplify administration, unless an alternative payment arrangement is agreed by the Parties — for example, where a National Partnership agreement provides that pre-determined milestones and performance benchmarks be met before an incentive payment may be made.

- D7 An adjustment amount (which may be positive or negative) to account for any difference between the estimated and actual outcome for the items listed in Clause D<sub>4</sub> for the previous financial year will be acquitted in the first available payment following advice of the final outcome.
- D8 Where the scheduled payment day is a Saturday, Sunday or public holiday in Canberra, the payment will be made on the next business day of the Reserve Bank of Australia in Canberra.
- D9 The Commonwealth Treasury will provide advice to the States and Territories on the components of each payment prior to each payment being made. The advice will include, for each payment:
- (a) the date of payment;
  - (b) the purpose of each component in the payment;
  - (c) the sector and National SPP or National Partnership to which each component relates;
  - (d) any conditions imposed on each component of the payment; and
  - (e) any change to the estimated amount of annual payment.
- D10 Where a payment to a State or Territory includes a nominated amount in respect of a third party — for example, non-government schools and local governments — that State or Territory will on-forward that payment to the third party in a timely manner.
- D11 The timing of specific payments, or other administrative arrangements in this schedule, may be varied when necessary by the agreement of the affected Parties.
- D12 Where a State or Territory needs to make a payment to the Commonwealth — for example, the payment of GST administration costs — and where agreed with the States and Territories, these payments will be netted from the monthly payment of general revenue assistance.

## NATIONAL SPPS

### Accountabilities

- D13 The Commonwealth will provide National SPPs to the States and Territories as a financial contribution to support State and Territory service delivery in the areas of:
- (a) healthcare;
  - (b) schools;
  - (c) skills and workforce development;
  - (d) disabilities services; and
  - (e) affordable housing.
- D14 The States and Territories are required to spend each National SPP in the service sector relevant to the SPP — for example, the National healthcare SPP must be expended in the healthcare sector — but they will have full budget flexibility to allocate funds within that sector as they see fit to achieve any mutually agreed objectives for that sector.

- D15 While the States and Territories will not be able to redistribute National SPPs from one sector to another, there will be no conditions attached to the National SPPs in respect of how States or Territories allocate their own funding across or within sectors.
- D16 In order to demonstrate compliance with Clause D14, each State and Territory Treasurer will provide a report to the Ministerial Council within six months of the end of every financial year, disclosing the following information:
- (a) gross State or Territory expenditure in each sector listed in Clause D13;
  - (b) National SPPs received in respect of each sector listed in Clause D13;
  - (c) of the amount referred to in sub-Clause D16 b), how much was spent in the relevant sector; and
  - (d) detailed explanation for any discrepancy between the amounts specified in sub-Clauses b) and c) above.

## National SPP base funding

D17 The base funding for each National SPP for 2009-10 is set out in Table D1 below:

**Table D1: National SPP base funding, 2009-10**

National SPP	Commonwealth financial contribution
Healthcare	\$11,224,185,000
Schools (government schools component)	\$3,286,594,000
Skills and workforce development	\$1,317,877,000
Disabilities services	\$903,686,000
Affordable housing	\$1,202,590,000

- D18 The non-government schools component of the **National schools SPP** will be determined in accordance with the *Schools Assistance Act 2008*.
- D19 The base funding for each National SPP will be provided on an on-going basis and indexed on 1 July 2010 and each year thereafter by a growth factor.

## National SPP growth factors

- D20 The growth factor for the **National healthcare SPP** will be the product of:
- (a) a health specific cost index (the Australian Institute of Health and Welfare health price index);
  - (b) growth in population estimates weighted for hospital utilisation; and
  - (c) a technology factor (Productivity Commission derived index of technology growth).
- D21 The growth factor for the government schools component of the **National schools SPP** will be the product of:
- (a) growth in average government schools recurrent cost; and
  - (b) growth in full-time equivalent enrolments in government schools.

- D22 The growth factor for the non-government schools component of the **National schools SPP** will be determined in accordance with the *Schools Assistance Act 2008*.
- D23 The growth factor for the **National skills and workforce development SPP** will be the product of:
- (a) 85 per cent Wage Cost Index 1 (comprising safety net wage adjustment weighted by 75 per cent and all groups CPI weighted by 25 per cent); and
  - (b) 15 per cent Wage Cost Index 6 (comprising safety net wage adjustment weighted by 40 per cent and all groups CPI weighted by 60 per cent); .
- D24 The growth factor for the **National disabilities services SPP** will be a rolling five year average of nominal GDP year-on-year growth.
- D25 The growth factor for the **National affordable housing SPP** will be Wage Cost Index 1 (comprising safety net wage adjustment weighted by 75 per cent and all groups CPI weighted by 25 per cent).

## Distribution of National SPPs

- D26 A State's or Territory's share of a National SPP in a financial year will be its population share, based on the Australian Statistician's determination of State and Territory population shares as at 31 December for that year. The Australian Statistician will make a determination of State and Territory population shares prior to the Commonwealth publishing its Final Budget Outcome.
- D27 In the case of the government schools component of the **National schools SPP**, the relevant population will be each State's and Territory's share of full-time equivalent student enrolments in government schools. The distribution of the non-government schools component of the **National schools SPP** will be determined in accordance with the *Schools Assistance Act 2008*.
- D28 The Parties acknowledge that:
- (a) an equal per capita distribution ensures that all Australians, regardless of the jurisdiction they live in, have the same share of Commonwealth funding support for state service delivery; and
  - (b) the treatment of the National SPPs by 'inclusion' for the purpose of the Commonwealth Grants Commission determining GST revenue sharing relativities provides for State disabilities in respect of service delivery to be incorporated into the calculation of each State's and Territory's share of GST revenue.

## NATIONAL PARTNERSHIP PAYMENTS

- D29 The Commonwealth will provide National Partnership payments to the States and Territories to support the delivery of specified outputs or projects, to facilitate reforms or to reward those jurisdictions that deliver on nationally significant reforms. Schedule E provides further detail on National Partnerships.
- D30 National Partnerships will clearly set out the payment profile in respect of each State and Territory.

- D31 Where the achievement of pre-determined milestones or performance benchmarks is required before a payment is made to a State or Territory:
- (a) in the case of incentive payments to reward nationally significant reforms or service delivery improvements, and following receipt of a recommendation from the COAG Reform Council as to whether a pre-determined performance benchmark has been achieved, the relevant Commonwealth Minister will make a determination as to whether the incentive payment will be paid;
  - (b) the Commonwealth Minister will make the determination with regard to incentive payments as soon as possible after receipt of the report from the COAG Reform Council, and such payments will be paid as a single instalment on the first possible payment date after the Minister's determination;
  - (c) in the case of facilitation and project payments, the relevant Commonwealth Minister will make a determination, based upon expenditure and performance reporting arrangements set out in the National Partnership, as to whether the facilitation or project payment will be paid; and
  - (d) payment will be made in accordance with Clause D5 in respect of all such determinations on the next available payment date.
- D32 Where the achievement of a performance benchmark is not required before a payment is made to a State or Territory, payments will be scheduled in accordance with the payment profile set out in the National Partnership.
- D33 In relation to project and facilitation payments under National Partnerships, each State and Territory Treasurer will provide a report to the Ministerial Council for Federal Financial Relations within six months of the end of every financial year, reporting total expenditure under the relevant National Partnership agreement, stating both expenditure of Commonwealth project and facilitation funding and State and Territory co-contributions, where these are required by the National Partnership.

## GENERAL REVENUE ASSISTANCE

### GST payments

- D34 The Commonwealth will make GST payments to the States and Territories equivalent to the revenue received from the GST. GST payments provide the States and Territories with revenue from a robust tax base that can be expected to grow over time and will be available for use by the States and Territories for any purpose.
- D35 The total amount of GST payments to the States and Territories in a financial year will be defined as:
- (a) the sum of GST collections, voluntary and notional payments made by government bodies, and amounts withheld from any local government authority representing the amount of unpaid voluntary or notional GST;
- reduced by:
- (b) the amounts paid or applied under a provision of a Commonwealth law that requires the Commonwealth to refund some or all of an amount of GST that has been paid.

- D36 The total amount of GST revenue to be paid to the States and Territories in a financial year will be determined by the Commonwealth Treasurer in the following way:
- (a) estimated outcomes for the items listed in Clause D35 for the financial year;
- plus:
- (b) an adjustment amount (which may be positive or negative) to account for any difference between the estimated and actual outcome for the items listed in Clause D35 for the previous financial year.

### **Other general revenue assistance**

- D37 The Commonwealth may make payments of other general revenue assistance to the States and Territories that will be available for use by the States and Territories for any purpose, including:
- (a) revenue sharing arrangements other than GST — for example, offshore petroleum royalty revenues;
  - (b) compensation payments for Commonwealth policy decisions; or
  - (c) payments for national capital influences.

### **GST revenue sharing relativities**

- D38 The Commonwealth will distribute GST payments among the States and Territories in accordance with the principle of horizontal fiscal equalisation.
- D39 A State or Territory's share of GST payments in a financial year will be based on its adjusted population share, and calculated as
- the product of:
- (a) the Commonwealth Treasurer's determination of GST revenue for that year;
  - (b) the Australian Statistician's determination of the State's or Territory's population as at 31 December for that year; and
  - (c) the Commonwealth Treasurer's determination of the GST revenue sharing relativity for the State or Territory;
- divided by:
- (d) the sum of the adjusted population of all of the States and Territories.
- D40 The Commonwealth Treasurer will determine the GST revenue sharing relativities, which embody per capita financial needs based on recommendations of the Commonwealth Grants Commission, after consulting with each State and Territory.
- D41 For the purpose of the Commonwealth Grants Commission determining GST revenue sharing relativities:
- (a) National SPPs and National Partnership project payments will be treated by 'inclusion', recognising that these payments provide the States and Territories with budget support for providing standard state and territory services;

- (b) National Partnership facilitation and incentive payments will be treated by 'exclusion' so that any benefit to a State or Territory from achieving specified outputs sought by the Commonwealth, or through implementing reforms, will not be redistributed to other States or Territories through the horizontal fiscal equalisation process; and
- (c) general revenue assistance, excluding GST payments, will be treated by 'inclusion', recognising that these payments are available to provide untied general budget support to a State or Territory, however, the Commonwealth Grants Commission may treat, on a case by case basis, any component of general revenue assistance as 'out of scope' if it considers such treatment is more appropriate.

D42 Notwithstanding Clause D41, and following consultation involving the Commonwealth and the States and Territories:

- (a) the Commonwealth Grants Commission may treat, on a case by case basis, any National Partnership payment differently if it considers that such treatment is more appropriate; and
- (b) the Commonwealth Treasurer may issue Terms of Reference to the Commonwealth Grants Commission directing the Commission on the treatment of a National Partnership if he considers that such treatment is appropriate.

## **GST administration payments**

- D43 The Australian Taxation Office administers the GST on behalf of the States and Territories and the States and Territories compensate the Commonwealth for the agreed costs of administration.
- D44 The Parties agree that each State's and Territory's monthly GST administration payment will be deducted from that State's or Territory's monthly payment of general revenue assistance.
- D45 GST administration payments will be continue to be calculated and identified separately for reporting and accounting purposes to ensure transparency.

## **TRANSITIONAL ARRANGEMENTS**

### **Payment arrangements**

- D46 The Parties agree that the payment arrangements in this schedule will commence from 1 January 2009.
- D47 The Commonwealth will introduce the legislation necessary to implement this Agreement in the autumn parliamentary sittings of 2009. Notwithstanding when the legislation receives royal assent, the legislation will have effect from 1 January 2009.
- D48 However, the Parties recognise that there are practical, legislative and administrative difficulties in fully implementing the new payment and administrative arrangements prior to 1 July 2009. Accordingly, the Parties agree to a transitional period, from 1 January 2009 to 30 June 2009, to develop, test and implement the new payment arrangements.
- D49 During the transitional period, Commonwealth portfolio agencies may continue to be responsible for making payments. Where agreed, these payments will be made to State and Territory Treasuries rather than State and Territory portfolio agencies.

- D50 Notwithstanding the specific arrangements for particular payments during the transitional period, the Commonwealth Treasury will still provide advice of all Commonwealth payments to the States and Territories. The advice will be of the form specified in Clause D9, to the extent practical.
- D51 The Parties agree that the payments for specific purposes which will be rolled into the new National healthcare SPP will continue unaffected until 1 July 2009. This recognises that the Parties have agreed that the National Healthcare Agreement will be signed in December 2008 with a commencement date for the new funding arrangements of 1 July 2009.
- D52 The Commonwealth will amend the profile of monthly GST payments to ensure that, to the extent practical, the total monthly payments to each State and Territory during the transitional period will be as close as possible to the payments that would be expected if Commonwealth legislation was in place from 1 January 2009.

### **GST revenue sharing relativities**

- D53 The 2008-09 GST revenue sharing relativities endorsed by the Ministerial Council for Commonwealth-State Financial Relations on 14 March 2008 will continue to apply during the transitional period.
- D54 Treating the National healthcare SPP by 'inclusion' rather than by 'absorption', as the previous healthcare funding was treated, will be applied to the GST distribution methodology with effect from 1 July 2009.

### **National Disabilities Services SPP Growth factor**

- D55 The National Disabilities Services SPP incorporates a large component in respect of the Disabilities Assistance Package which, for the 2009-10, 2010-11 and 2011-12 years, already includes a high rate of escalation.
- D56 For the purpose of calculating indexation on the National Disabilities Services SPP, the Disabilities Assistance Package will be deducted from the base to calculate 2010-11 and 2011-12 funding.

### **Distribution of National SPPs for the first five years**

- D57 In recognition that the move to distributing National SPPs in accordance with population shares, as provided for in Clauses D26 and D27, may result in a shift in notional payment shares, the Parties agree that the arrangements be phased in over a period of five years.
- D58 For 2009-10, each State and Territory will receive a share of each National SPP as set out in Table D2.

**Table D2: National SPP shares for 2009-10**

<b>National SPP</b>	<b>NSW</b>	<b>VIC</b>	<b>QLD</b>	<b>WA</b>	<b>SA</b>	<b>TAS</b>	<b>ACT</b>	<b>NT</b>
(per cent share)								
Healthcare	33.0629	24.1502	19.6575	10.1173	8.1986	2.1925	1.3240	1.2970
Schools (government schools component)	33.6074	23.1115	19.4741	10.0159	7.6643	2.7365	1.4915	1.8988
Skills and workforce development	33.2777	24.7597	19.3522	9.9959	7.5215	2.3407	1.7121	1.0402
Disabilities services	33.3933	22.7063	19.1269	8.2845	10.8173	3.2431	1.3924	1.0362
Affordable housing	31.5986	22.1002	19.5017	10.3900	7.8889	2.8640	2.1722	3.4844

D59 For 2010-11, each State and Territory will receive a share of each National SPP equal to 80 per cent of the amount set out in Table D3 plus 20 per cent of the amount set out in Clauses D26 or D27.

**Table D3: National SPP shares for 2010-11**

<b>National SPP</b>	<b>NSW</b>	<b>VIC</b>	<b>QLD</b>	<b>WA</b>	<b>SA</b>	<b>TAS</b>	<b>ACT</b>	<b>NT</b>
(per cent share)								
Healthcare	32.9396	24.1306	19.7751	10.1888	8.1550	2.1811	1.3276	1.3022
Schools (government schools component)	33.6121	23.1279	19.4729	10.0094	7.6629	2.7348	1.4925	1.8875
Skills and workforce development	33.2807	24.7597	19.3495	9.9944	7.5223	2.3411	1.7121	1.0402
Disabilities services	33.2266	22.6972	19.2070	8.2502	10.8590	3.3284	1.3757	1.0559
Affordable housing	31.5990	22.0995	19.4985	10.3900	7.8904	2.8653	2.1735	3.4838

D60 For 2011-12, each State and Territory will receive a share of each National SPP equal to 60 per cent of the amount set out in Table D4 plus 40 per cent of the amount set out in Clauses D26 or D27.

**Table D4: National SPP shares for 2011-12**

<b>National SPP</b>	<b>NSW</b>	<b>VIC</b>	<b>QLD</b>	<b>WA</b>	<b>SA</b>	<b>TAS</b>	<b>ACT</b>	<b>NT</b>
(per cent share)								
Healthcare	32.8176	24.1096	19.8931	10.2594	8.1131	2.1700	1.3312	1.3060
Schools (government schools component)	33.6825	23.2357	19.4501	9.9586	7.6432	2.7333	1.4981	1.7985
Skills and workforce development	33.2839	24.7597	19.3467	9.9930	7.5230	2.3415	1.7121	1.0401
Disabilities services	33.2181	22.6903	19.2001	8.2461	10.8594	3.3283	1.4022	1.0555
Affordable housing	31.6008	22.0980	19.4954	10.3893	7.8920	2.8669	2.1748	3.4828

D61 For 2012-13, each State and Territory will receive a share of each National SPP equal to 40 per cent of the amount set out in Table D5 plus 60 per cent of the amount set out in Clauses D26 or D27.

**Table D5: National SPP shares for 2012-13 and 2013-14**

National SPP (per cent share)	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
Healthcare	32.8169	24.1112	19.8923	10.2592	8.1134	2.1699	1.3312	1.3059
Schools (government schools component)	33.6822	23.2353	19.4505	9.9589	7.6430	2.7333	1.4981	1.7987
Skills and workforce development	33.2869	24.7596	19.3441	9.9916	7.5238	2.3419	1.7120	1.0401
Disabilities services	33.2719	22.8840	19.0195	8.5126	10.5398	3.2652	1.4292	1.0778
Affordable housing	31.6008	22.0980	19.4954	10.3893	7.8920	2.8669	2.1748	3.4828

D62 For 2013-14, each State and Territory will receive a share of each National SPP equal to 20 per cent of the amount set out in Table D5 plus 80 per cent of the amount set out in Clauses D26 or D27.

## Other transitional arrangements

D63 The payment and financial arrangements specified in this Agreement replace similar provisions in any other agreement that remains in force.

D64 For the avoidance of doubt, the arrangements in this Agreement take precedence over any conflicting arrangements in other agreements.

D65 The Parties acknowledge each government's responsibility for funding its election commitments. The Parties agree that acceptance of the financial package which accompanies this agreement extinguishes all claims of the States and Territories in respect of the funding of legitimate and additional costs of the Australian Government's 2007 election commitments. This is not intended to limit review of funding specifically provided for in National Agreements or National Partnerships.

# National Policy and Reform Objectives

## INTERGOVERNMENTAL AGREEMENT ON FEDERAL FINANCIAL RELATIONS

### NATIONAL AGREEMENTS

- E1 The new framework for federal financial relations replaces Commonwealth prescriptions on service delivery by the States and Territories with a rigorous focus on the achievement by all levels of government of mutually agreed objectives and outcomes that improve the well-being of Australians.
- E2 The Parties have recorded their mutually agreed objectives, outcomes, outputs and performance benchmarks in National Agreements appended to this Agreement.
- E3 National Agreements will be on-going, rather than for fixed periods, and may be amended by the Council of Australian Governments (COAG) when necessary.
- E4 National Agreements are not funding agreements. However, they may be associated with a National Specific Purpose Payment (SPP) which can provide funding to the States and Territories for the sector covered by the National Agreement. Reviews of funding adequacy and related outcomes will be undertaken, at least every five years, by the Ministerial Council for Federal Financial Relations.
- E5 National Agreements will not include financial or other input controls — for example, funding matching or maintenance of effort requirements — imposed on service delivery by the States and Territories.
- E6 National Agreements will be drafted in plain English prose, with no quasi-legal conditions. As they involve national priorities in the main human services delivery sectors of all the States and Territories, to the fullest extent possible National Agreements will be multi-lateral agreements between all governments.
- E7 Each National Agreement contains a clear, mutually agreed statement of objectives and outcomes, outputs, roles and responsibilities, and performance indicators, setting out:
  - (a) what the Commonwealth and the States and Territories expect to achieve from their joint involvement — the objectives and expected outcomes and outputs — including a focus on enhancing social inclusion and addressing Indigenous disadvantage;
  - (b) the role of each jurisdiction and the responsibilities they undertake to be accountable for; and
  - (c) performance indicators which will inform the community on how governments are progressing towards achieving the stated objectives, outcomes and outputs.

## Objectives, outcomes and outputs

- E8 National Agreements will detail the mutually agreed objectives, outcomes and outputs being pursued by the Commonwealth and the States and Territories.
- E9 National Agreements should be clear and specific as far as practicable in terms of outcomes to be achieved. National Agreements may also include outputs to describe the services being delivered to achieve outcomes, as a way to broadly define roles and responsibilities, and to capture contributions to outcomes, particularly where outcomes themselves are difficult to measure or isolate.
- E10 Agreed outcomes and outputs should be specific and measurable and related to agreed objectives.

## Roles and responsibilities

- E11 National Agreements will contain a broad statement on the roles of each government, thereby helping to:
- (a) clarify the responsibilities of each level of government;
  - (b) provide a clear link between roles and responsibilities and public accountability for those agreed roles and responsibilities; and
  - (c) frame shared accountability for outcomes.
- E12 National Agreements will be explicit as to the roles and responsibilities of the Commonwealth and States and Territories to avoid any unnecessary and costly duplication of functions between different levels of government.

## Performance indicators

- E13 National Agreements will specify performance indicators to enhance public accountability. Performance indicators, in conjunction with clear roles and responsibilities, inform the community about how each government is progressing towards achieving the mutually agreed objectives, outcomes and outputs. The performance indicators could cover all relevant system components contributing to the agreed high level outcomes, including areas affected by, but not directly subject to, the National Agreement.
- E14 National Agreements may also include a limited number of outcomes focussed performance benchmarks, against some performance indicators. Performance benchmarks can provide the community with an indication of the rate of progress being made against agreed outcomes. However, there is no provision for National SPPs to be withheld in the case of a jurisdiction not meeting a performance benchmark.

## Accountability

- E15 The National Agreements, combined with the performance reporting framework focussed on public accountability (Schedule C), will form the basis of Commonwealth, State and Territory obligations under the new framework.
- E16 National Agreements will not contain financial or other input controls, giving States and Territories more flexibility in how services are provided to achieve outcomes and clarifying that the States and Territories are accountable for the delivery of state or territory services. National Agreements should also avoid prescribing delivery mechanisms.

- E17 National Agreements should aim to maximise coverage of related policy areas, rather than establish multiple separate agreements.
- E18 Commonwealth and State officials will reach prior agreement on the nature and content of any events, announcements, promotional and acknowledgement material or publicity relating to capital investment in infrastructure or equipment supported by the Commonwealth's financial contribution through a National Agreement. This would include, for example, Commonwealth investment through the National Secondary School Computer Fund. Appropriate Commonwealth and State Government representatives will be invited to participate in opening ceremonies, product launches or similar events..

## NATIONAL PARTNERSHIPS

- E19 The Commonwealth will provide National Partnership payments to the States and Territories to support the delivery of specified projects, to facilitate reforms or to reward those jurisdictions that deliver on national reforms or achieve service delivery improvements.
- (a) The Commonwealth will provide National Partnership project payments where they support national objectives and provide a financial contribution to the States and Territories to deliver specific projects.
  - (b) The Commonwealth also recognises the need to support the States and Territories to undertake priority reforms and pursue continuous improvement in service delivery. Consequently, when an area emerges as a national priority, National Partnership facilitation payments may be paid in advance of the States and Territories implementing a reform, in recognition of administrative and other costs of undertaking the reform.
  - (c) National Partnership incentive payments will be provided to reward the States and Territories which deliver reform progress or continuous improvement in service delivery.
    - (i) These payments will be structured in a way that encourages the achievement of ambitious milestones or performance benchmarks.
    - (ii) Graduated benchmarks may be specified in National Partnership agreements to provide that States receive some proportion of funding for activity that has not fully achieved the reform or service delivery objectives but has resulted in partial attainment of the agreed outcomes.
    - (iii) The achievement of milestones and performance benchmarks will be assessed by the independent COAG Reform Council, in order to provide transparency and enhance accountability in the performance assessment process.
    - (iv) National Partnerships should set out clear, mutually agreed and ambitious performance benchmarks that can be assessed by the COAG Reform Council. These should be structured in a way that encourages the achievement of ambitious reform targets and continuous improvement in service delivery, and provide better outcomes than would otherwise be expected.

- E20 National Partnerships will be drafted in plain English prose. As they involve reforms or projects of national significance, to the fullest extent possible National Partnerships will be multi-lateral agreements between all governments. However:
- (a) not all National Partnerships will be relevant to all States and Territories, in which case the National Partnership need not include those States and Territories as a party to the agreement;
  - (b) the States and Territories may choose not to be a party to particular agreements; and
  - (c) where a National Partnership involves different characteristics between the States and Territories, state and territory specific implementation plans may form schedules to the National Partnership.

## National Partnership principles

- E21 The following principles guide the basis of Commonwealth support for a national reform or service delivery improvement in areas of state or territory responsibility, where it:
- (a) is closely linked to a current or emerging national objective or expenditure priority of the Commonwealth — for example, addressing Indigenous disadvantage and social inclusion;
  - (b) has 'national public good' characteristics — where the benefits of the involvement extend nationwide;
  - (c) has 'spill over' benefits that extend beyond the boundaries of a single State or Territory;
  - (d) has a particularly strong impact on aggregate demand or sensitivity to the economic cycle, consistent with the Commonwealth's macro economic management responsibilities; or
  - (e) addresses a need for harmonisation of policy between the States and Territories to reduce barriers to the movement of capital and labour.
- E22 To the fullest extent possible, the structure and design of National Partnership agreements, including the administration and reporting arrangements, will be aligned with the principles for designing National Agreements.
- E23 National Partnerships are generally expected to have limited time horizons. On delivery of the particular initiative which is subject to a National Partnership payment:
- (a) funding would cease because the project, output or reform has been delivered; or
  - (b) where on-going funding is required to maintain a new level of output, such funding may more appropriately be provided through the relevant National SPP Agreement or general revenue assistance.
- E24 National Partnership reward payments would not be paid to a State or Territory until an independent assessment by the COAG Reform Council demonstrates that performance benchmarks have been achieved.
- E25 National Partnership agreements in areas within the scope of any National Agreement should link directly to the objectives, outcomes and outputs in the relevant National Agreement.
- E26 Commonwealth and State officials will reach prior agreement on the nature and content of any events, announcements, promotional material or publicity relating to National Partnerships or

activity under them. The cooperative nature of National Partnerships, and the roles and contributions of both the Commonwealth and the States and Territories, will be acknowledged and recognised appropriately in any announcement or other promotional material or publicity relating to approved project or program activity, outputs or outcomes, including on signs, through the use of coats of arms or logos and on plaques affixed to new and refurbished buildings. Appropriate Commonwealth and State Government representatives will be invited to participate in opening ceremonies, product launches or similar events.

# National Agreements

## INTERGOVERNMENTAL AGREEMENT ON FEDERAL FINANCIAL RELATIONS

F1 – NATIONAL HEALTHCARE AGREEMENT

F2 – NATIONAL EDUCATION AGREEMENT

F3 – NATIONAL SKILLS AND WORKFORCE DEVELOPMENT  
AGREEMENT

F4 – NATIONAL DISABILITY SERVICES AGREEMENT

F5 – NATIONAL AFFORDABLE HOUSING AGREEMENT

F6 – NATIONAL INDIGENOUS REFORM AGREEMENT