

# 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; and
  - ◆ 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 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

January 2009

**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

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

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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 Western Australia by*

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

December 2008

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

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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 Tasmania by*

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

December 2008

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

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

December 2008

**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