

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 Standing Council on 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, State and Territory 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.