Drafting Checklist

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This checklist should be read in conjunction with the SMART milestone guidelines on page 3 and advice on Advancing Closing the Gap Priority Reforms at Attachment A.

Ensure

☐	The correct sectoral FFA template has been used.
☐	The schedule title aligns with the title in Budget Paper 3 or MYEFO Appendix C Annex A (where possible).
☐	If the FFA Schedule advances Closing the Gap targets, information provided at Attachment A to this document on advancing Closing the Gap Priority Reforms and socio-economic targets through FFA Schedules have been considered.

Check the purpose of the FFA Schedule

☐	Aligns with policy authority.
☐	Is flat, factual and avoids political language.
☐	Refers only to funding for this program or project.
☐	Where appropriate, links to Closing the Gap Priority Reform and socio-economic targets are clearly stated in the schedule.

Check estimated financial contribution

☐	Total Commonwealth contribution matches funding allocated at Budget, and each year's Commonwealth contribution reflects thecorrect financial year (consult your external budgets team).
☐	Equals the sum of the total funding listed under each milestone. Ensure that annual totals are unrounded to the exact dollar and cents.
☐	Does not exceed total Commonwealth funding if milestones are framed as 'up to' a dollar amount.
☐	Where appropriate, a meaningful proportion of funding is allocated to Aboriginal and Torres Strait islander organisations with relevant expertise, consistent with clause 55(b) of the National Agreement on Closing the Gap.

Check additional terms

☐	Are only used where essential.
☐	Do not duplicate or contradict content contained in the IGA or the relevant sectoral FFA.
☐	Are in line with and do not contradict FFA Principles.
☐	Is flat, factual and avoids political language.
☐	Where appropriate, additional terms under partnership agreements agreed outside of the FFA Framework that interact with the administration of the Schedule are clearly identified.
☐	Any additional data collecting and reporting requirements are clearly identified.

Checklist continued on next page >

Drafting Checklist

Check performance milestones

	Clearly and succinctly state:
☐	The exact deliverable or outcome required to meet the milestone (e.g. objective targets or expected evidence requirements).
☐	Where appropriate, milestone reporting requirements collect evidence that demonstrates how the Agreement is advancing Closing the Gap targets.
☐	Who is required to do what (e.g. state submission of a report or Cth acceptance of that report).
☐	The exact unrounded funding associated with the milestone (represented to the cent).
☐	Any evaluation requirements or inputs needed to support evaluating the measure / project.
☐	Where appropriate, key data required under milestone reporting that helps assess the Priority Reforms. This could include: • share of total funding being provided to Aboriginal and Torres Strait Islander organisations. • share of total funding provided to organisations for capacity building. • Amount of funding provided for services targeted to Aboriginal and Torres Strait Islander peoples.

	Only use where essential
☐	$0 payment milestones, very low value milestones, highly subdivided milestones.
☐	Upfront payment milestones (i.e. payments on signature or start-up payments).
☐	Reporting requirements more frequent than six-monthly.
☐	References to external documents other than the head agreement

	Do not use
☐	Imprecise words, including 'may', 'could' or 'can', in performance milestones
☐	Percentage-based completion milestones (e.g. 'Milestone 1: construction is 25 per cent complete')
☐	Percentage-based payments (e.g. '50 per cent of the total is due at milestone 1'; use exact dollar amount instead)
☐	Milestones due later than mid-May for that financial year

Please complete and submit this checklist before submitting a schedule to Treasury's Federal Finances Unit for review at state.payments@treasury.gov.au.

If there are deviations from the checklist, please discuss with us and provide additional details when submitting.

SES Clearing Officer

(insert Name Surname)

Milestone Drafting Guidance

Overview of Federation Funding Agreements (FFA) Schedules

FFA schedules give states and territories (states) clear direction for programs and projects funded by the Commonwealth.

It is important these directions are clear and specific to enable Commonwealth officials to assess whether milestone requirements have been achieved, and whether a payment should be made. Milestones should be clear so that Treasury knows when and exactly how much to pay each state.

The *Federation Reform Fund Act 2008* (Part 3, s7(2)) specifies that payments to states must be made in accordance with the terms and conditions set out in a written agreement signed by the Commonwealth and the state. Treasury can only make payments after a Minister, or their authorised official, has certified that a milestone has been satisfied.

We recommend applying a modified version of SMART goals to milestone development:

Specific

the milestone should clearly state what product/document the Commonwealth needs from the state government.

Measurable

the content of the product specified in the milestone should have clear, trackable indicators of success.

Achievable / appropriate

the milestone should be something the state can do reasonably within the timeframe of the milestone, and the associated payment should be appropriate (or commensurate) for the amount of work required.

Relevant / respecting autonomy

the milestone demonstrates that it is achieving the policy intent, while also respecting that a state may wish to achieve the milestone in a way that suits its circumstances.

Timely

milestones are, at most, on half-yearly bases, and due dates give sufficient time for milestones to be assessed in the same financial year. There may be exceptions for more frequent reporting required to adequately manage program risks.

Further detail on milestone construction is available in the FFA head agreements.

Accountability

The FFA Framework provides the overarching policy framework against which the Commonwealth discharges its obligations under the *Public Governance, Performance and Accountability Act 2013*, *Federation Reform Fund Act 2008* and *Federal Financial Relations Act 2009*. This includes ensuring expenditure would be a proper use of Commonwealth money.

Accountability should be a key focus when drafting an FFA schedule. Under the FFA Framework, the Commonwealth and states commit to improving accountability and transparency as a key objective of the Intergovernmental Agreement on Federal Financial Relations.

The commitment to improving accountability is reinforced by the FFA Principles: new funding agreements will promote strong economic, social and fiscal outcomes (Principle 1); and reporting should include the outcomes achieved and evidence on their cost-effectiveness (Principle 8).

All governments are equal parties to the National Agreement on Closing the Gap. In April 2025, First Deputies Group endorsed the *Guidance Note: Embedding Priority Reforms in National Agreements* to support officials from all levels of government improve outcomes for Aboriginal and Torres Strait Islander people in line with the National Agreement on Closing the Gap. While the advice is for National Agreements, it is also applicable to developing FFA Schedules.

Please contact commstate@pmc.gov.au for a copy of the Guidance Note (please note this Guidance Note is available only to local/state/federal government officials).

Advancing Closing the Gap priority reforms and socio-economic targets through FFA Schedules

Attachment A

Context

All governments are equal parties to the National Agreement on Closing the Gap (CtG Agreement) and share responsibility for advancing Priority Reform targets and socio-economic targets.

All governments agree the full implementation of the Priority Reforms will support accelerated achievement of the socio-economic targets. Examples of measures to assess the Priority Reforms include:

- number, quantum and proportion of government contracts/funding awarded to Aboriginal and Torres Strait Islander organisations across the socio-economic outcome areas
- quantum of government funding allocated for services targeted to Aboriginal and Torres Strait Islander peoples
- proportion of Aboriginal and Torres Strait Islander people using services and employed by organisations
- feedback from Aboriginal and Torres Strait Islander service users on cultural safety of services
- amount of funding provided to organisations for capacity building
- number of programs funded through the agreement delivered in partnership with Aboriginal and Torres Strait Islander organisations
- amount of data indicators related to Aboriginal and Torres Strait Islander peoples developed, published or shared with relevant organisations.

Considering Closing the Gap in FFA Schedules

All parties to the agreement should consider Closing the Gap as part of standard policy development and agreement design when negotiating FFA schedules.

This may involve having regard to:

- whether the funded activity is likely to impact Aboriginal and Torres Strait Islander people
- the extent and nature of that impact
- whether the policy intent aligns with the CtG Agreement and advances Priority Reforms and socio-economic targets
- the scale and materiality of funding

For relevant FFA schedules, outputs of agreements should advance relevant socio-economic targets and should clearly identify the Closing the Gap targets the agreement advances.

Clause 55(b) considerations

Clause 55(b) of the CtG Agreement supports allocating a **"meaningful proportion"** of relevant new funding to Aboriginal and Torres Strait Islander organisations, particularly community controlled organisations.

This takes into account:

- level of need
- proportion of people affected
- capacity of organisations to deliver

In developing FFA schedules, parties may consider how FFA schedules can reflect that these principles may be taken into account in the use of funding and do so in a proportionate and appropriate manner.

Reporting

Where appropriate, parties should agree milestone reporting on key measure to assess progress against the Priority Reforms.

Parties should also agree appropriate data collection and milestone reporting that demonstrates the impacts of the outcomes of the FFA Schedules on identified Closing the Gap socio-economic targets.

Reporting should support good practice but should not be a barrier to service delivery. Further, reporting should reinforce and complement but not duplicate existing reporting mechanisms under the Closing the Gap Agreement.