

## **EXAMPLES OF THE COUNCIL ON FEDERAL FINANCIAL RELATIONS' ROLE IN DEVELOPING FEDERATION FUNDING AGREEMENT SCHEDULES**

### Summary

This circular provides Commonwealth portfolio agencies with examples of the Council on Federal Financial Relations' (CFFR's) role in developing Federation Funding Agreement (FFA) Schedules through different negotiation pathways.

### **I. AN EXAMPLE OF A PATHWAY A SCHEDULE – TREASURERS LEAD NEGOTIATIONS**

A Commonwealth Portfolio Minister receives policy authority from Cabinet for a new, major FFA Schedule that will involve the state and territory governments (states). The funding relates to one of the Commonwealth Government's high-priority reform agendas and is expected to bring significant economic and social benefits. The Prime Minister announced the Commonwealth's funding support at National Cabinet. National Cabinet determined that Treasurers should lead negotiations and sign the FFA Schedule.

The Commonwealth Minister's departmental officials email Commonwealth Treasury at [state.payments@treasury.gov.au](mailto:state.payments@treasury.gov.au). The email sets out:

- the name of the FFA Schedule
- the Minister sponsoring the FFA Schedule
- a brief description of the FFA Schedule's scope
- the expected duration and total funding for the FFA Schedule
- a recommendation that Treasurers should negotiate and sign the FFA Schedule, consistent with the National Cabinet determination.

The new FFA Schedule and recommendation for Pathway A is included in the CFFR Funding Agreements Report for consideration by CFFR at its next meeting. At this meeting, CFFR considers and agrees with the recommendation for Pathway A given the national significance of the proposed reforms, which involve significant technical complexity and substantial budgetary implications. Portfolio Ministers and their respective agencies will support negotiations as they are responsible for achieving the policy objectives in that portfolio.

A series of senior official and ministerial meetings are held to progress negotiations. As Treasurers are leading negotiations, CFFR will discuss this FFA Schedule as needed at their meetings. When negotiations are complete, the Commonwealth Treasurer signs the FFA Schedule and offers it to state Treasurers for signature.

The FFA Schedule takes effect when it has been executed by the Commonwealth Treasurer and at least one state Treasurer.

## **II. AN EXAMPLE OF A PATHWAY B SCHEDULE – CFFR MONITORS NEGOTIATIONS**

A Commonwealth Portfolio Minister receives policy authority from Cabinet for a new FFA Schedule and is ready to begin discussions with the states. The funding relates to a multijurisdictional project, with substantial economic benefits.

The Commonwealth Minister's departmental officials email Commonwealth Treasury at [state.payments@treasury.gov.au](mailto:state.payments@treasury.gov.au). The email sets out:

- the name of the FFA Schedule
- the Minister sponsoring the FFA Schedule
- a brief description of the FFA Schedule's scope
- the expected duration and total funding for the FFA Schedule
- a recommendation that Portfolio Ministers negotiate and sign the FFA Schedule, with Treasurers retaining oversight of the schedule.

The new FFA Schedule and recommendation for Pathway B is included in the CFFR Funding Agreements Report for consideration by CFFR at its next meeting. At this meeting, CFFR considers and agrees with the recommendation of Pathway B, providing initial strategic guidance and requests that Treasuries be co-opted into officials' negotiations and updates provided to CFFR (via Commonwealth Treasury) on the progress of the policy negotiations every two months. CFFR also determines that it should endorse the final form of the schedule before Portfolio Ministers sign it. Commonwealth and state Treasury officials notify their respective portfolio departmental officials of the outcomes of the CFFR meeting.

A series of senior official and ministerial meetings are held to progress negotiations. When negotiations are complete, the Commonwealth Treasurer brings the draft schedule to CFFR for its endorsement. When CFFR has endorsed the schedule, the Commonwealth and state Treasury officials notify their departmental counterparts. The Commonwealth Portfolio Minister signs the schedule and offers it to state Portfolio Ministers for signature. The schedule takes effect when it has been executed by the Commonwealth Portfolio Minister and at least one state Minister.

## **III. AN EXAMPLE OF A PATHWAY C SCHEDULE - NO FURTHER INVOLVEMENT FROM CFFR**

A Commonwealth Portfolio Minister receives policy authority for a new FFA Schedule and is ready to begin discussions with the states. The funding relates to a small collection of related projects in one jurisdiction.

The Commonwealth Minister's departmental officials email Commonwealth Treasury at [state.payments@treasury.gov.au](mailto:state.payments@treasury.gov.au). The email sets out:

- the name of the FFA Schedule
- the Minister sponsoring the FFA Schedule
- a brief description of the FFA Schedule's scope
- the expected duration and total funding for the FFA Schedule
- a recommendation that Portfolio Ministers negotiate and sign the FFA Schedule.

The new FFA Schedule and recommendation for its pathway is included in the CFFR Funding Agreements Report for consideration by CFFR at its next meeting. At this meeting, CFFR considers and agrees with the recommendation of Pathway C. Commonwealth and state Treasury officials notify their respective portfolio departmental officials of the outcomes of the CFFR meeting.

Portfolio Ministers develop and execute the schedule. Because the schedule is for a small collection of projects, the funding terms and conditions are straightforward and covered in the relevant sectoral FFA. There are no additional terms in the schedule. The schedule takes effect when it has been executed by the Commonwealth Portfolio Minister and at least one state Portfolio Minister.

#### **IV. AN EXAMPLE OF A PATHWAY C SCHEDULE THAT GETS UPGRADED TO PATHWAY B**

The Commonwealth Portfolio Minister receives policy authority for a new FFA Schedule and is ready to begin discussions with the states. The funding relates to a small collection of related projects in one jurisdiction.

The Commonwealth Minister's departmental officials email Commonwealth Treasury at [state.payments@treasury.gov.au](mailto:state.payments@treasury.gov.au). The email sets out:

- the name of the FFA Schedule
- the Minister sponsoring the FFA Schedule
- a brief description of the FFA Schedule's scope
- the expected duration and total funding for the FFA Schedule
- a recommendation that Portfolio Ministers negotiate and sign the FFA Schedule.

The new FFA Schedule and recommendation for its pathway is included in the CFFR Funding Agreements Report for consideration by CFFR at its next meeting. At this meeting, CFFR considers and agrees with the recommendation. Commonwealth and state Treasury officials notify their respective portfolio departmental officials of the outcomes of the CFFR meeting.

Portfolio Ministers develop the schedule. While the schedule is for a small collection of projects, the projects involve sensitivities that necessitate additional non-standard terms and conditions over and above those in the relevant sectoral FFA. Commonwealth and state Treasuries' senior officials agree that the additional terms are significant enough to warrant it being reconsidered by CFFR. CFFR agrees and upgrades it to Pathway B, requesting reports on the schedules' progress and providing strategic guidance on the additional terms. Whilst CFFR can request that Pathway B schedules are returned to it for final endorsement, in this instance it decides the guidance provided is sufficient and that Portfolio Ministers should finalise the schedule.

Commonwealth and state Treasuries communicate the outcome to responsible departments. Portfolio Ministers continue to negotiate and execute the schedule. As CFFR provided strategic guidance on this schedule, the Commonwealth Portfolio Minister will need to respond, via letter to the Treasurer, regarding how the strategic advice was applied. The Commonwealth Portfolio Minister signs the schedule and offers it to state Portfolio Ministers for signature. The schedule takes effect when it has been executed by the Commonwealth Portfolio Minister and at least one state Portfolio Minister.

#### **Enquiries:**

For questions relating to the circulars please contact the State Payments Team at Commonwealth Treasury.

Email: [state.payments@treasury.gov.au](mailto:state.payments@treasury.gov.au)