

COMMONWEALTH - STATE FUNDING AGREEMENTS FRAMEWORK

Summary

This circular provides guidance on the new processes for developing, negotiating and agreeing on Commonwealth-State funding agreements under the Federation Funding Agreements (FFA) framework. This circular follows the decision of National Cabinet to delegate to the Council on Federal Financial Relations (CFFR) responsibility for all funding agreements, including reviewing the agreements process.

This circular provides information on the following:

- I. The Federation Funding Agreements Framework
- II. The Mechanisms Supporting the New Framework

**I. The Federation Funding Agreements Framework**

**i. National Cabinet decision**

On 29 May 2020, National Cabinet asked the Council on Federal Financial Relations (CFFR) to take responsibility for all Commonwealth-State funding agreements and to conduct a review of the stock of existing agreements with a view to consolidate and rationalise where possible. CFFR's aim is to limit the proliferation of agreements and make sure that the negotiation and administration of agreements is as efficient as possible.

**ii. Federation Funding Agreements framework**

Following the review, on 28 August 2020, CFFR established the Federation Funding Agreements (FFA) framework. The FFA framework marks the start of a new period in federal financial relations. The new framework, with CFFR as its gatekeeper, will benefit all jurisdictions by reducing the number of existing agreements, streamlining new agreements, and reducing the administrative burden associated with agreements without diminishing accountability and transparency. States will also experience greater budget autonomy, flexibility and funding certainty where possible.

There are now nine overarching agreements. The review consolidated all existing National Partnerships and Project Agreements into five FFAs (Health; Environment; Infrastructure; Education and Skills; and Affordable Housing, Community Services and Other). Plus, there are four major National Agreements (the National Schools Reform Agreement, the National Health Reform Agreement, the National Agreement for Skills and Workforce Development and the National Housing and Homelessness Agreement). All new funding arrangements other than National Agreements will become schedules to one of the five FFAs.

The FFA framework was agreed by CFFR on 28 August 2020 and endorsed by National Cabinet on 4 September 2020.

### **iii. Monitoring the FFA framework**

To ensure that the new arrangements and structures deliver enduring benefits, CFFR will review the operation of the framework by July 2021. CFFR will consider whether it has resulted in better outcomes and whether further improvements are needed to support the delivery of essential services and infrastructure that Australians rely on. This will include consideration of a dashboard that tracks the outcomes of the new framework through providing a snapshot of the agreements landscape and how it has changed over time, including the number, value and expiry of agreements.

## **II. The Mechanisms Supporting the FFA Framework**

Two mechanisms support the new role of CFFR in funding agreements. These mechanisms—the Federation Funding Agreements Rules (FFA rules) and CFFR’s funding agreements report—establish CFFR as the gatekeeper for the development of funding agreements. CFFR will have the capacity to set the general direction for all agreements, shape agreements in their early stages, drive negotiations (where CFFR determines this is appropriate) and sign agreements.

The FFA rules provide clear guidance for all Commonwealth and State Government agencies on what CFFR expects to see in an agreement. The funding agreements report provides clear guidance on CFFR’s role (and the role of other ministers) in the development of each agreement until it is signed. Further detail on these two mechanisms is in Circular No. 2021/02.

**For reference:** Circulars on the Federation Funding Agreements (FFA) framework:

Circular No. 2021/01 – The Federation Funding Agreements framework

Circular No. 2021/02 – Overview of framework mechanisms

Circular No. 2021/03 – Drafting a funding arrangement

Circular No. 2021/04 – Worked examples of CFFR’s role in developing funding arrangements

### **Enquiries:**

For questions relating to the circulars please contact Commonwealth-State Relations Division

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