

COMMONWEALTH - STATE FUNDING AGREEMENTS FRAMEWORK

Summary

This circular provides worked examples on the funding agreements pathways process 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. Worked examples of CFFR's role in developing funding arrangements

**I. Worked Examples of CFFR's role in developing funding arrangements**

**i. An Example of Pathway A, with Treasurers negotiating economic and fiscal aspects of major funding arrangement**

The Commonwealth Portfolio Minister receives policy authority for a new, major funding arrangement and considers that the Commonwealth should commence discussions with the states. The Minister writes to the Commonwealth Treasurer or Departmental officials email Commonwealth Treasury at [state.payments@treasury.gov.au](mailto:state.payments@treasury.gov.au), providing the name of the funding arrangement; a description of the funding arrangement's scope; its likely duration; funding and a recommendation that Treasurers negotiate the economic and fiscal aspects of the funding arrangement, with portfolio ministers providing support on technical aspects of the arrangement.

This information is included in the funding agreements report, and is considered by CFFR. CFFR agrees with the recommendation. The Commonwealth Treasury communicates the outcome of CFFR decision to the responsible Commonwealth department, while state Treasuries do likewise.

When the Commonwealth Treasurer considers that negotiations have concluded, they sign the funding arrangement and offer it to their state counterparts. When the funding arrangement is executed by the Commonwealth and at least one state, it is published on the [CFFR website](#).

**ii. An Example of Pathway B, with some involvement from Treasurers**

The Commonwealth Portfolio Minister receives policy authority for a new a funding arrangement and is ready to begin discussions with the states. The Minister writes to the Commonwealth Treasurer or Departmental officials email Commonwealth Treasury at [state.payments@treasury.gov.au](mailto:state.payments@treasury.gov.au), providing the name of the funding arrangement; a description of the arrangement's scope; its likely duration; funding and a recommendation that portfolio ministers progress negotiations and finalise the arrangement.

This information is included in the funding agreements report, and is considered by CFFR. CFFR agrees that portfolio ministers should develop the funding arrangement, but because it is significant,

decides to provide a statement of their expectations for the funding arrangement and request periodic updates on the negotiations.

Portfolio Ministers develop and execute the funding arrangement, with their departments working closely with Treasuries and First Ministers' departments to ensure that the funding arrangement is consistent with CFFR's guidance and the new Federation Funding Agreement framework (including the Federation Funding Agreement Rules). For further information see Circular No. 2021/02. When the funding arrangement is executed, it is published on the [CFFR website](#).

### iii. An Example of Pathway B, with no further involvement from Treasurers

The Commonwealth Portfolio Minister receives policy authority for a new funding arrangement and is ready to begin discussions with the states. The Minister writes to the Commonwealth Treasurer or Departmental officials email Commonwealth Treasury at [state.payments@treasury.gov.au](mailto:state.payments@treasury.gov.au), providing the name of the funding arrangement; a description of the funding arrangement scope; its likely duration; funding and a recommendation that portfolio ministers progress negotiations and finalise the arrangement.

This information is included in the funding agreements report, and is considered by CFFR. CFFR agrees with the recommendation. The Commonwealth Treasury communicates the outcome to the responsible Commonwealth department. State Treasuries do likewise.

Portfolio ministers develop and execute the funding arrangement, with their departments working closely with Treasuries and First Ministers' departments to ensure that the funding arrangement is consistent with the new Federation Funding Agreement framework (including the Federation Funding Agreement Process and Operational Rules). When the funding arrangement is executed, it is published on the [CFFR website](#).

**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 FFA framework mechanisms

Circular No. 2021/03 – Drafting funding arrangements

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)