

Commonwealth-State Agreement

PRINCIPLES FOR PARTICIPATION

Background and context

The principles will provide agencies and Cabinet with a common framework to assess the implications of an offer of funding from the Australian Government (including longer term fiscal impacts, hidden costs and GST implications).

Definition and coverage

These principles are intended to cover a wide range of Commonwealth-State agreements and activities. The principles must be considered for National Partnership Agreements and Project Agreements, and serve as a framework for the analysis of other agreements and activities.

Maximise alignment with State objectives

Commonwealth-State agreements should only be entered into where they help achieve State policy objectives, particularly improving services, or deliver economic outcomes such as creating jobs.

Establishing a Commonwealth-State agreement will incur administrative costs for Tasmania and may distract the Tasmanian Government from other activities. Even if an agreement requires no additional resources, it should not be entered into unless it supports better outcomes for Tasmanians.

The Tasmanian Government should not enter into agreements that relate to services or activities that are already, or better, carried out by others, such as the Australian Government, local government or the private sector.

Questions?

- Is this a high priority for the Tasmanian Government?
- Will it contribute to State whole-of-government objectives?
- Is this something that the State would undertake in the absence of Commonwealth funding?

- Is there a clear role for the State? Or is it an area for the Australian Government, local government or private sector responsibility?

Minimise bureaucracy and administrative costs

A major cost associated with Commonwealth-State agreements is the cost of administering the agreement. Conditions in the agreement may also restrict the way that the Tasmanian Government delivers services to Tasmanians. Such restrictions should be minimised.

There are already comprehensive oversight processes in place for spending, including the State Budget and the Tasmanian Auditor-General. Agreements should not impose unnecessary duplication of existing controls.

Questions?

- Is the associated reporting to the Australian Government frequent, costly or does it involve the implementation of new data systems?
- Is a formal agreement necessary? Are there other funding options that are less bureaucratic, such as untied funding?

Minimise restrictions on Tasmanian Government flexibility

Tasmanian Government agencies are better placed to assess how Tasmanian resources should be used to best deliver services to Tasmanians. Restrictions or requirements on *how* services are delivered (or by whom) will often increase costs and make it harder to deliver services efficiently.

A service model that is appropriate for another state may not be right for Tasmania. For example, Tasmania's small size means that many services need to be delivered in an integrated, rather than specialised, way.

There are numerous demands on Tasmania's limited budget. Making commitments to match Commonwealth funding means that there will be less money to fund other activities.

Questions?

- Do the conditions of funding impose unnecessary costs and restrictions on the delivery of services and infrastructure, for example are there specific input requirements such as staffing levels?
- Does the funding require the State to match funding or effort (financial or activity based)?

Minimise GST impacts

Tasmania's share of the GST pool is assessed by the Commonwealth Grants Commission (CGC) which determines each state's need for

untied financial assistance (from the GST pool) to enable the state to have the fiscal capacity to deliver the same level of services as the average of other states. This is known as horizontal fiscal equalisation. Other Commonwealth funding is taken into account in the CGC's assessment and may impact on Tasmania's GST share. The Tasmanian Treasury should be consulted on the potential impact of agreements on GST revenue.

Questions?

- How is the CGC likely to treat the agreement funding? By inclusion in its assessment or by exclusion?
- Is the State, relative to the total funding received by all states and territories, receiving more than its per capita share of funding (around 2.1 per cent)?

Ensure accountability and risk management

Accountability arrangements should be clear so that everyone knows who is responsible for delivering what and that there are sufficient resources available to deliver the agreed outcomes.

There is a risk that a Commonwealth-State agreement may transfer funding and/or service delivery risk to the Tasmanian Government and the relevant State Minister because accountability is unclear or insufficient resources are available.

Questions?

- Are the accountability arrangements clear and achievable?
- Are there sufficient resources to deliver the service?
- Does the signing of the agreement effectively move responsibility for an Australian Government program onto the State Minister?

Manage implications at agreement expiry

A Commonwealth-State agreement can lead to the Tasmanian Government developing new services or increasing service levels. However, a funding agreement may be temporary and there are risks to the Government if or when funding ceases. For example, vulnerable members of the community may have come to expect a new or expanded service being available, or permanent staff may have been employed by the Government to administer it. This may lead to State Ministers coming under pressure to maintain a service without sufficient funding.

Questions?

- Is the State likely to be left with an ongoing funding requirement due to the Australian Government ceasing funding while the community expects the service to continue?
- Do employment or contracting arrangements appropriately reflect the term of any Commonwealth funding?