

# BOARD OF TREASURERS

TRS19D2178

The Hon Josh Frydenberg MP  
Treasurer  
PO Box 6022  
Parliament House  
CANBERRA ACT 2600

  
Dear Treasurer

## **THE FUTURE OF EXPIRING NATIONAL PARTNERSHIP AGREEMENTS - 2019 SUBMISSION BY THE BOARD OF TREASURERS**

I am writing on behalf of the Board of Treasurers (the Board) to convey the Board's views on the future of expiring National Partnership Agreements (NPs) and broader federal financial relations issues.

State and territory (state) Treasurers have provided a common view on the future of expiring NPs to the Commonwealth Treasurer every year since 2011 on the understanding that this view would be considered in the development of the Commonwealth Budget. This process was agreed in 2011 by the then-Ministerial Council for Federal Financial Relations and in 2012 by the Council of Australian Governments. This is the ninth State Treasurers' submission on expiring NPs.

Despite the considerable effort made by all states in coordinating the submission over the years, there has been little meaningful feedback from the Commonwealth in that time. No formal response has ever been provided on the submission, nor has there been any acknowledgement of how it has been used or considered in the Commonwealth Budget process. Previous submissions have requested feedback from the Commonwealth on the value of the submissions and how they could be improved, however no such feedback has been provided.

Following the re-election of your government earlier this year, the Board considers that this is an opportune time to refresh the expiring NPs process and federal financial relations more broadly. We consider that a formal response to this submission and feedback on how it could be improved to increase its utility in considering the future of expiring NPs would be an effective first step in this regard. In addition the Board requests that advice on the future of expiring agreements be provided in the 2019-20 Mid-Year Economic and Fiscal Outlook (MYEFO) to provide sufficient notice to plan for service delivery requirements.

### ***Treatment of expiring NPs***

This submission provides the Board's recommendations on the treatment of NPs scheduled to expire on or before 30 June 2021. We recommend the extension of funding for

30 agreements, comprising 20 multilateral and 10 bilateral agreements. The Board's recommended treatment of each expiring NP is provided at Attachment A.

The Board considers that the NPs on *Universal Access to Early Childhood Education (UAECE)*, *Public Dental Services for Adults*, *Legal Assistance Services* and *Expansion of the BreastScreen Australia Program* are priorities for renewal and ongoing funding certainty from the Commonwealth.

These NPs have enhanced service delivery in all states, resulting in improved outcomes. We note that the Intergovernmental Agreement on Federal Financial Relations (the IGA) states that where an expiring NP has resulted in a new level of output, ongoing Commonwealth funding to maintain this new level of output may be provided through alternative arrangements.<sup>1</sup> The Board requests that the Commonwealth commits to long-term funding of these key service delivery areas to provide certainty and continuing support to communities across Australia.

### ***Priority agreements for ongoing Commonwealth funding***

#### ***Universal Access to Early Childhood Education (UAECE)***

The 2019-20 Commonwealth Budget announced another short-term extension of funding under the UAECE, the sixth extension since the original agreement was signed in 2008. The Board is concerned that short-term extensions, which are often negotiated while service providers are already planning for the following year, create significant uncertainty and hamper the ability of providers to adequately plan for the future. This has a flow-on impact for families that rely on these services. The Board therefore urges the Commonwealth to commit to developing substantive, durable funding arrangements for early childhood education services in consultation with the states.

#### ***Public Dental Services for Adults***

The Board is also concerned about the lack of funding certainty for public dental services, following the latest short-term (one year) extension of the *Public Dental Services for Adults* NP to 30 June 2020. Funding under this NP provides treatment for patients at high risk of oral health problems, with a focus on Indigenous patients and patients from rural and regional areas. We therefore call on the Commonwealth to commit to a long-term workable agreement in consultation with the states.

#### ***Legal Assistance Services***

The *Legal Assistance Services NP* is due to expire on 30 June 2020. This NP provides funding to support improved access to legal services and essential legal assistance to the most disadvantaged and vulnerable people in Australia. It is noted that your 2019-20 Budget contains funding allocations over the forward estimates for the new *National Mechanism for Commonwealth Legal Assistance*, the program that will create a single funding arrangement for legal assistance services. However, agreements are still to be finalised.

The Board is therefore seeking assurance from the Commonwealth that funding to support a national legal assistance program will continue on an ongoing basis, noting that we would have otherwise sought an extension over a longer period for the NP on *Family Advocacy and Support Services*, which is currently proposed to expire in 2019-20 but will also be brought under the umbrella of the new *National Mechanism for Commonwealth Legal Assistance NP*.

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<sup>1</sup> Schedule E, paragraph E23(b).

### Expansion of the BreastScreen Australia Program

The *Expansion of the BreastScreen Australia Program* NP provides funding to improve the early detection of breast cancer by continuing existing arrangements to fund the BreastScreen Australia Program for women aged 70 to 74 years. Continued support for this program is a priority for all states and the Board therefore requests that the Commonwealth commit to funding a long-term agreement for this key preventative health service.

### **Other agreements**

#### Pay Equity for the Social and Community Services Sector

The Board is concerned about the expiry of the *Pay Equity for the Social and Community Services Sector* NP on 30 June 2019. When funding was first provided under this NP, the Commonwealth proposed that the agreement only operate from 2012-13 to 2015-16, with funding for all sectors covered by this agreement thereafter incorporated into the relevant underlying NP and National Specific Purpose Payment. However, this did not occur and funding was subsequently provided in a further agreement from 2016-17 to 2018-19.

While the Board acknowledges that contributions under this agreement relating to the housing and disability services sectors are incorporated into the respective underlying agreements, there remains uncertainty regarding the Commonwealth's ongoing funding commitment in these areas. Given that funding under the agreement is passed through to eligible service providers to assist in meeting increased wage costs arising from the Pay Equity Orders, ongoing funding is critical to ensure that service providers can maintain salary levels in accordance with the February 2012 Fair Work Australia decision.

#### Development of a new skills funding package

The Board is also seeking a collaborative approach in the development of new funding arrangements for the Skills Package announced in the Commonwealth's 2019-20 Budget. The recommendations from the *Expert Review of Australia's Vocational Education and Training System* led by the Hon Steven Joyce potentially have significant operational and financial implications on the states. A collaborative approach will help ensure that any proposed reforms are fair, effective, financially sustainable and responsive to the needs of the national and local economies.

#### Small Business Regulatory Reform Agreement

While it is not recommended that the existing Small Business Regulatory Reform Agreement be extended, the Board recognises the need to introduce measures to increase productivity and assist businesses to grow. The Board would welcome the opportunity to engage with the Commonwealth to develop a new agreement to drive an increase in national productivity.

### **The need for process improvement**

The Board is keen for there to be more meaningful engagement on the future of expiring NPs, including earlier notice from the Commonwealth regarding plans to discontinue or change funding arrangements. The unilateral termination of funding for essential programs with little or no notice has in the past resulted in an unacceptable transfer of service delivery and community expectation risk to the states.

In previous submissions, the states have proposed the provision of advance notice on the future of expiring NPs in the MYEFO, rather than at Budget. We reiterate the request for advice on the future of expiring agreements be provided in the 2019-20 MYEFO and in all subsequent MYEFOs, as a standard practice. This will be a substantial improvement to the current practice.

Alternatively, future short-term agreements should be drafted for funding to expire on 31 December rather than 30 June. This would provide the states with sufficient notice where decisions on the future of such agreements are announced in the Commonwealth Budget.

We also seek a more collaborative approach in the negotiation of new agreements. In recent years, the agreements presented to the states have become increasingly prescriptive, with additional conditions – sometimes enshrined in Commonwealth legislation – attached to the receipt of funding.

In addition, although not related to the expiry of NPs, there are now a number of instances where the Commonwealth has decided to legislate ongoing funding agreements outside of the IGA with limited consultation. For example, there are now separate legislative arrangements governing the ongoing funding of schools and housing and homelessness.

While the Board acknowledges that legislated funding arrangements provide a level of certainty for the states, these arrangements often reduce states' flexibility in the delivery of services. Inter-governmental agreements, on the other hand, enable greater autonomy for States in how services are delivered, though are non-binding in nature. We believe it essential that, whichever mechanism is adopted, effective arrangements can only be achieved by a strong collaborative approach between the Commonwealth and States, and not by unilateral dictation.

I trust that this information is of assistance to you in preparing the upcoming MYEFO and next year's Budget. The Board looks forward to your early advice on the future of expiring NPs. We also look forward to working constructively with you on strengthening Australia's system of federal financial relations to further support the capacity of both the Commonwealth and the states to deliver essential services to all Australians.

Yours sincerely



**Hon Rob Lucas MLC**  
*Treasurer of South Australia*  
*Chair of the Board of Treasurers*

29 August 2019

Att

Cc. Hon Dominic Perrottet MP, Treasurer of New South Wales  
Hon Tim Pallas MP, Treasurer of Victoria  
Hon Jackie Trad MP, Treasurer of Queensland  
Hon Ben Wyatt MLA, Treasurer of Western Australia  
Hon Peter Gutwein MP, Treasurer of Tasmania  
Mr Andrew Barr MLA, Chief Minister and Treasurer of the Australian Capital Territory  
Hon Nicole Manison MLA, Treasurer of the Northern Territory

## Attachment A: Recommended treatment of expiring National Partnership Agreements

Multilateral Agreements				
Agreement <sup>1</sup>	Start date	Expiry date	Total Cwlth contribution <sup>2</sup>	Extended funding
Legal Assistance Services	1 July 2015	30 June 2020	\$1,305.5 million	Yes. To be funded through an ongoing agreement.
Universal Access to Early Childhood Education 2018 and 2019	1 January 2018	30 June 2020	\$871.0 million	Yes. To be funded through an ongoing agreement.
Public Dental Services for Adults	4 October 2017	30 June 2020	\$350.3 million	Yes. To be funded through an ongoing agreement.
Expansion of the BreastScreen Australia Program	15 May 2018	30 June 2021	\$64.3 million	Yes. To be funded through an ongoing agreement.
Pay Equity for the Social and Community Services Sector	1 July 2016	30 June 2019	\$512.1 million	Yes. To be funded through an ongoing agreement.
Small Business Regulatory Reform	7 June 2018	30 June 2021	\$300.0 million	To be expanded to an NP that encourages states to pursue productivity reforms that assist businesses to grow.
Implementing Water Reform in the Murray-Darling Basin	27 February 2014	30 June 2020	\$139.5 million	Yes
Natural Disaster Resilience <sup>3</sup>	30 June 2017	30 June 2018	\$78.3 million	Yes
Essential Vaccines <sup>4</sup>	27 July 2017	30 June 2021	\$74.3 million	Yes
On-farm Emergency Water Infrastructure Rebate	14 December 2018	30 June 2021	\$49.3 million	Yes
Assistance for Pest Animal and Weed Management in Drought-affected Areas	6 May 2016	30 June 2019	\$25.0 million	Yes
Managing Established Pest Animals and Weeds	5 May 2016	30 June 2019	\$22.5 million	Yes
Improving Trachoma Control Services for Indigenous Australians	27 July 2017	30 June 2021	\$20.8 million	Yes
Rheumatic Fever Strategy [Sch. E, Specified Projects NP]	21 May 2018	30 June 2021	\$12.8 million	Yes
Women's Safety Package – Technology Trials	11 April 2017	30 June 2020	\$7.5 million	Yes
OzFoodNet [Sch C, Specified Projects NP]	22 June 2017	30 June 2020	\$7.1 million	Yes

Multilateral Agreements				
Agreement <sup>1</sup>	Start date	Expiry date	Total Cwlth contribution <sup>2</sup>	Extended funding
Encouraging More Clinical Trials in Australia	13 March 2018	30 June 2021	\$7.0 million	Yes
MoneySmart Teaching	9 March 2018	30 June 2021	\$5.2 million	Yes
School Pathways Program	19 December 2017	30 June 2020	\$3.6 million	Yes
Vaccine-preventable Diseases Surveillance	24 October 2017	30 June 2020	\$2.6 million	Yes
Preparing Australia Package	28 February 2019	30 June 2020	\$9.4 million	No
Suicide Prevention	1 June 2018	30 June 2020	\$9.0 million	No <sup>5</sup>
Prepared Communities <sup>3</sup>	28 February 2019	30 June 2020	\$5.0 million	No

#### Notes

- 1: NPs relating to capital projects do not fall within the scope of this submission due to their discrete, one-off nature. However, the Board notes the Commonwealth's ongoing role, given its greater fiscal capacity, in the provision of critical infrastructure.
- 2: Estimated financial contribution by the Commonwealth to all states and territories over the life of the agreement as stated in the agreement. Numbers may therefore not match published figures.
- 3: It is understood that natural disaster funding will be provided under the NP on Disaster Risk Reduction from 2019-20.
- 4: The 2019-20 Commonwealth Budget includes an allocation of ongoing funding over the forward estimates. The Commonwealth Treasury has advised that this only reflects an ongoing commitment to funding essential vaccines, however a new agreement will need to be negotiated upon expiry of the current NP. The Commonwealth also provides COPE funding under this agreement.
- 5: This agreement relates to the delivery of specific infrastructure projects listed in the agreement.

Bilateral Agreements					
Agreement <sup>1</sup>	State	Start date	Expiry date	Total Cwlth contribution <sup>2</sup>	Extended funding
Victorian Cytology Service	Vic	21 May 2019	30 June 2021	\$41.5 million	Yes
Hummingbird House	Qld	30 June 2015	30 June 2020	\$5.5 million	Yes
Addressing Blood Borne Viruses and Sexually Transmissible Infections in the Torres Strait (Sch. A, PA on Healthcare and Disease Prevention in the Torres Strait Islands)	Qld	14 September 2017	30 June 2020	\$4.5 million	Yes
Managing Torres Strait/Papua New Guinea Cross Border Health Issues (Sch. B, PA on Healthcare and Disease Prevention in the Torres Strait Islands)	Qld	14 September 2017	30 June 2020	\$19.0 million	Yes
Mosquito Control and Cross Border Liaison in the Torres Strait Protected Zone (Sch. C, PA on Healthcare and Disease Prevention in the Torres Strait Islands)	Qld	14 September 2017	30 June 2020	\$3.0 million	Yes
North Queensland Strata Title Inspection Scheme	Qld	27 October 2017	30 June 2021	\$12.5 million	No

Bilateral Agreements					
Agreement <sup>1</sup>	State	Start date	Expiry date	Total Cwlth contribution <sup>2</sup>	Extended funding
National Varroa Mite Eradication Program 2016-17 – 2020-21 (Sch. W, PA for Pest and Disease Preparedness and Response Programs)	Qld	29 June 2018	30 June 2021	\$1.7 million	Yes
South Australian River Murray Sustainability Program – Irrigation Efficiency and Water Purchase Components	SA	29 June 2018	30 June 2019	\$145.0 million	Yes
South Australian River Murray Sustainability Program – Irrigation Industry Assistance Component	SA	8 August 2013	30 June 2019	\$117.5 million	Yes
Improving Health Services in Tasmania (Sch. G – Acute and Subacute Care)	Tas	30 June 2017	31 August 2020	\$20.6 million	No
Management of the Former Rum Jungle Mine Site (Stage 2A)	NT	1 July 2017	30 June 2020	\$10.0 million	No <sup>3</sup>
Community Health and Hospitals Program Northern Territory's 2018-19 Initiatives – Tennant Creek Hospital and Pathology Testing	NT	30 May 2019	30 June 2020	\$0.155 million	Yes
National Banana Freckle Eradication Program 2017-18 to 2019-20 (Schedule J)	NT	29 September 2018	30 June 2020	\$0.3 million	No <sup>4</sup>
National Critical Care and Trauma Response Centre – RDH – Equipped, Prepared and Ready	NT	18 May 2016	30 June 2019	\$65.5 million	Yes

#### Notes

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- 2: Estimated financial contribution by the Commonwealth to all states and territories over the life of the agreement as stated in the agreement. Numbers may therefore not match published figures.
- 3: The Stage 2A agreement will deliver the final rehabilitation design for Stage 3 which is yet to be negotiated.
- 4: Proof of eradication has been endorsed.