



Tasmania

Cabinet Guidelines for Negotiating Commonwealth-State Agreements

Department of Treasury and Finance
Department of Premier and Cabinet
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Cabinet Guidelines for Negotiating Commonwealth-State Agreements

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1. INTRODUCTION

These guidelines have been developed to assist agencies involved in negotiations with the Commonwealth to draft, renew or vary inter-governmental financial agreements. The guidelines also establish the approvals required prior to a Minister or Head of Agency agreeing to a Specific Purpose Payment (SPP). The guidelines replace the Budget Guidelines established in 1998 in relation to SPP agreements.

SPPs are payments made by the Commonwealth to or through the states and territories (states) for policy purposes related to particular functional activities. Such payments are made under Section 96 of the Commonwealth Constitution.

SPPs represent one way to meet policy objectives that have been agreed between the Commonwealth and states. While there may be advantages to SPPs, including funding, they can impede the implementation of effective policy by state governments particularly where:

- administrative costs are a high proportion of the value of the grant being paid;
- detailed prescriptions provide a disincentive to innovative policy and administrative solutions in each state and territory; and
- financial arrangements create incentives to spend money, rather than to achieve the desired policy results, and reduce budget flexibility.

Funding provided through SPPs can also reduce the level of General Purpose Payments the State receives, as the Commonwealth Grants Commission includes SPP payments in its calculation of states' overall revenue requirements.

The task of negotiating agreements for the provision of Government services can be complex and is best handled by officers from the agency who understand both funding and service delivery. It is desirable that these officers have a full understanding of the context within which such agreements are negotiated, including the impact of financial agreements on overall State finances and the relative merits, or otherwise, of components of any agreement which the Commonwealth is likely to propose.

It should also be recognised that, with more than 90 major programs in existence in 1999-00, various areas of the Government have considerable experience in the negotiation of agreements and the adoption of successful strategies to gain the best outcome for Tasmania.

The aim of these guidelines is to set out a process which will maximise information flows and facilitate cooperation across State agencies to make the most of this experience. Agreements are often discussed in Ministerial or other high-level forums outside of the immediate portfolio area of the agreement, which makes a high degree of cooperation essential. For example, the Australian Health Care and the Commonwealth-State Housing Agreements have been discussed at recent Premiers' Conferences and the Ministerial Council for Commonwealth-State Financial Relations (now known as the Treasurers' Conference).

In order for Tasmania to be making consistent statements in all forums, and to maximise any opportunity for the States to exert a positive influence over the outcome of the negotiations, close cooperation at the State level is important, particularly between portfolio and central agencies. The current Australian Health Care Agreement is a good example whereby close cooperation and strategic planning prior to, and during, the negotiations led to a much better outcome for Tasmania than would otherwise have been the case.

These guidelines and the attached SPP Best Practice Principles have been endorsed by Cabinet and should be used in all future SPP negotiations.

2. NOTIFICATION

New SPPs

Officers considering the State's commitment to a new SPP, requiring an annual commitment of \$200 000 or more, should contact the following officers prior to the commencement of negotiations:

Wendy Sawford (ph. 6233 2835)
Director
Intergovernment and Financial Policy
Department of Treasury and Finance
wendy.sawford@treasury.tas.gov.au

Kerry Burns (ph. 6233 3706)
Assistant Director
Policy Division
Department of Premier and Cabinet
kerry.burns@dpac.tas.gov.au

SPPs that require an annual contribution by the Agency of less than \$200 000 per annum and do not have cross portfolio implications can be negotiated without reference to Treasury or DPAC.

Existing SPPs

Ideally an SPP agreement should specify a date by which negotiation for its renewal is to have commenced. All ongoing SPP agreements should provide a process for renewal and set a date by which negotiation for the renewal of the agreement should have commenced. Officers responsible for existing SPP agreements which are expected to be renewed should contact the Treasury and DPAC officers listed above prior to the commencement of negotiations.

In the event that the SPP agreement does not specify a date for renewal negotiations to commence, agencies should notify Treasury and DPAC at least three months prior to the end of the agreement to ensure that there is sufficient time to develop a strategy for the renegotiation of the agreement (see below).

Officers should also advise respective Ministers and Cabinet (where necessary).

3. NEGOTIATION

In view of the time which may be required to negotiate a satisfactory form of agreement with the Commonwealth, Departments need to initiate negotiations well in advance of the expiration of present agreements to avoid undue pressure from deadlines or having to carry program expenditure solely from State resources while agreements are renegotiated.

When presented with the option of entering into a new SPP the financial and policy implications for the State need to be considered. The impact of any new funding through an SPP on the Commonwealth Grants Commission's horizontal fiscal equalization calculation for the distribution of GST revenue needs to be recognised. It is possible that while the State may receive funding through the SPP, general purpose payments will be reduced by the same amount and the State will be no better off. Consideration also needs to be given to whether the proposed SPP is consistent with broad, whole-of-government policy and strategies. For these reasons Cabinet must approve both the commencement and the parameters of negotiation of key new SPPs, or the re-negotiation of an existing key SPP, at an early stage.

All key Commonwealth-State Agreements (see below) require a negotiating strategy and position to be approved by Cabinet prior to any negotiations with the Commonwealth commencing.

Develop a Negotiating Position

Negotiating officers should develop a draft negotiating position and discuss it with the intergovernmental policy area of DPAC and Treasury. This may be done through a meeting with DPAC/Treasury and other agencies involved.

In discussions with DPAC and Treasury, negotiating officers need to identify:

- the overall objectives and outcomes;
- possible implications for their Department's future budget;
- implications for the budgets of other Departments;
- implications for the total State budget;
- Tasmania's share of the national pool of Commonwealth funds;
- matching funding requirements;
- possible penalties for not meeting the requirements of the agreement;
- provision for indexation and or growth of funding throughout the life of the agreement;
- performance measurement and reporting requirements; and
- whether the agreement reflects State Government priorities.

Significant policy issues should also be identified, including implications for other agencies (e.g. service delivery) and whether the new Agreement will vary existing arrangements.

Many elements of SPPs are common to agreements across portfolio areas. Through their experience in a wide range of SPP negotiations, DPAC and Treasury officers can provide advice on alternative strategies and approaches.

Ministers are required to submit for Cabinet consideration, strategies and principles for the negotiation of key Commonwealth-State agreements. Key Commonwealth-State agreements are those which require State outlays (this includes in kind contributions) greater than \$1.0 million per annum, involve a significant change in Government policy, or have significant cross-portfolio impacts.

Liaison with other states

Officers from the service delivery agencies and central agencies should contact other states as a priority, so as to ascertain their position and gain as much background information on the agreement as possible. Ongoing communication between the states is desirable with the aim of developing a national strategy for negotiation with the Commonwealth. A unified approach by the states provides a greater opportunity to change the Commonwealth position. However, it is recognised that there is rarely common ground by all states and territories, other than with regard to overall funding levels. Nonetheless, identifying ally jurisdictions can greatly improve a strategy and outcome.

Sources of Funding

It is important for agencies to note that additional funding requirements that arise out of SPP agreements must be sourced from within existing budget allocations and forward estimates. For funding requirements above an agency's budget allocation, the approval of Budget Committee is required. It should be noted that requests for additional funds need to be justified in their own right, and not just because they will attract Commonwealth funds. In addition, an SPP which requires the State to provide funding should not be entered into unless the service provided represents a priority for the State. Cabinet approval is therefore a critical part of the whole SPP process.

Any reductions in Commonwealth funding to the State, through an unforeseen reduction in SPP funding, will be passed on to agencies. Heads of Agency must ensure adequate budget flexibility to accommodate such a reduction.

Duration/Termination

Agencies need to give consideration to pressure for an ongoing State commitment should the Commonwealth reduce or withdraw funding and the financial implications that this may have for the State.

Draft Agreement

The relevant Minister(s) and lead agency should conduct the negotiations with the Commonwealth, within the context of the overall strategic approach agreed between officers of the relevant agency and officers of Treasury and DPAC and approved by

Cabinet, to the point of settling a draft agreement or memorandum, which reflects the best possible result that can be achieved for Tasmania.

National SPP Best Practice Principles and a template agreement have been developed by state and territory Treasuries, the Commonwealth Treasury and the Commonwealth Department of Finance and Administration (copy attached). The guidelines and template summarise key principles and desirable features of good SPP agreements that recognise the policy and financial interests of the Commonwealth, states and territories.

The Principles and template are considered to be “best practice” for SPP agreements and will assist in the development of uniform SPP agreements. The Principles are currently in the process of being endorsed by all state and territory cabinets.

The process for approval of SPP agreements is set out below.

4. APPROVAL

The following approvals are required before the State can enter into a formal agreement with the Commonwealth.

i) Key Commonwealth-State Agreements

Key Commonwealth-State agreements are defined as those agreements which will require the outlay of more than \$1 million of State funds, involve a significant change in Government policy, have significant cross-portfolio impacts, or require the State to provide matching funds. Cabinet will consider and approve strategies and principles for the negotiation and re-negotiation of these agreements. The advantages of presenting these matters for Cabinet consideration at an early stage include:

- ensuring that key Government priorities are addressed at an early stage, including whether the proposed SPP is consistent with Tasmania *Together* benchmarks and goals;
- ensuring that all perspectives and interests are aired and considered;
- recognising unique aspects which need to be taken into account in negotiations;
- establishing a sound framework for the negotiating position of Ministers and senior officers; and
 - avoiding potential problems of delayed approval due to unsatisfactory agreements.

In general, financial contributions by the State should be found within the existing budgetary parameters or forward estimates for the Department concerned. Submissions seeking approval for an SPP agreement should include identification of the source of any additional funds required.

Cabinet approval for any key agreements must be sought before the agreement is signed. Once Cabinet approval has been granted, the relevant Minister may then sign the agreement.

ii) Agreements involving Financial Contributions of less than \$1 million

Where an agreement involves a significant financial expenditure by the State of less than \$1.0 million per annum and no additional funding to the agency is required, and does not involve other portfolios committing additional funding, an SPP may be agreed to by the relevant portfolio Minister. However, the Minister should provide written advice to the Treasurer, including the terms and conditions of the agreement and, in particular, expenditure commitments.

Where an agreement does not involve a financial commitment by the State, or the commitment is of a minor nature (not exceeding \$200,000 per annum) and does not involve other portfolios committing additional funding, confirmation by Head of Agency is appropriate. The following table summarises the authorisation required by the level of funding expected to be contributed by the State.

Contribution of State Funds Per Annum		
Minimum	Maximum	Requires Authorisation by
\$0	\$200 000	Head of Agency
\$200 000	\$999 999	Minister
\$1 000 000		Cabinet

5. MONITORING

Agencies should be aware of the State's commitment to all SPP agreements and ensure that agreed outcomes and reporting requirements are met. It should also ensure that the Commonwealth is meeting its commitments, under the agreement.

Treasury should be advised as soon as possible of any occurrence which will alter the level of funds provided by the Commonwealth through SPPs.

NATIONAL SPECIFIC PURPOSE PAYMENT (SPP) BEST PRACTICE PRINCIPLES

Preface

The 1999 Premiers' Conference discussed the issue of future SPP funding in the context of reforms to Commonwealth-State finances, including the replacement of Financial Assistance Grants with GST revenues.

- In the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (IGA) the Commonwealth agreed that aggregate SPPs would not be cut as part of the reform process.
- This will ensure that the benefits to State and Territory revenues of the new GST arrangements are not undermined through future reductions to SPPs.
- The new Ministerial Council to oversee GST arrangements will replace annual Premiers' Conferences and will monitor aggregate SPPs.

In keeping with the IGA undertaking, Commonwealth, State and Territory Treasuries and the Commonwealth Department of Finance and Administration have been active in seeking reform in the way future SPPs will be framed.

The States and Territories have long favoured replacing SPPs with general purpose funding to overcome many of the concerns previously identified with SPPs. Nevertheless, whilst SPPs continue, it is in the interests of both the Commonwealth and the States and Territories that SPP arrangements be as efficient and effective as possible.

SPP related policies, negotiation processes and subsequent monitoring have all been examined in light of the need:

- to address all jurisdictions' flexibility and financial risk;
- to clearly identify the responsibilities of each party;
- to move to outcome based performance measures;
- for Commonwealth central agency participation;
- for the development of a common financial database;
- for common reporting; and
- to simplify the current legalistic approach to agreements.

Within this framework, all parties, as a first step, have commenced the task by developing a consistent set of principles for future SPP deliberations.

- These principles are considered essential for the provision of high quality economic and strategic budgetary advice to Governments.
- Such principles will also facilitate the establishment of strategic alliances between jurisdictions in addressing SPP issues.
- Common principles will help ensure that rationalisation and reform will work for all parties.

Introduction

This paper is intended to serve as a guide for negotiators and administrators of SPP agreements, at all levels of government. It provides guidance on “best practice” in developing and agreeing SPP arrangements that meet the objectives of both the Commonwealth and the States and Territories.

- SPPs are payments made by the Commonwealth to or through the States and Territories for policy purposes related to particular functional activities; such payments are made under Section 96 of the Commonwealth Constitution.
- SPPs differ from untied grants in that they must be used for the particular policy purpose set out in individual SPP agreements.
- Similarly, SPPs differ from Commonwealth own-purpose outlays that are for similar purposes, even if Commonwealth funding is passed through State Governments.
- Unlike contracts, SPP agreements are not legally binding. Rather, they encapsulate administrative and political agreements that impose conditions upon grants.

SPPs represent one way to meet policy objectives that have been agreed between the Commonwealth and States and Territories. In some cases, SPPs are used for States and Territories to deliver Commonwealth policy objectives in areas of Commonwealth policy responsibility.

Individual SPP arrangements can, however, become an impediment to the achievement of policy objectives, particularly where:

- Detailed prescriptions provide a disincentive to innovative policy and administrative solutions;
- Financial arrangements are focused on inputs rather than desired policy results (input focus rather than outcomes or outputs focus); and
- Administrative costs are high relative to the grant being paid;

Key Principles

This section encapsulates key principles that should form the basis for SPP arrangements. A number of more detailed issues which follow from these principles are discussed in the next section.

- SPP agreements should be constructed to maximise the coverage of related policy areas, rather than establish multiple separate agreements.
- Combining a smaller number of SPPs into a larger pool can increase flexibility and reduce administrative costs. Options such as broadbanding would enhance this process.
- Administrative and accountability arrangements should be simplified and standardised wherever possible.
- SPP details, such as funding levels and schedules and timetables for renegotiation of agreements, should be known well in advance. Access to a common SPP database would assist in this process.
- Where responsibilities are shared, SPP agreements should reflect a spirit of cooperation between governments, defining broad principles, objectives and performance measures.
- Where it is appropriate that States and Territories should be accountable for results, these should be defined in terms of the achievement of broad outcomes or of delivering outputs, rather than for their own expenditure or inputs.
- Flexibility for States and Territories to tailor programs to suit local needs can lead to more effective and efficient programs. Agreements should avoid prescribing delivery mechanisms wherever possible.
- Criteria for the allocation of resources between the States and Territories, including indexation arrangements, should be clearly defined within each SPP.
- SPPs should be avoided where there is potential to increase unnecessary and costly duplication of functions between different levels of government. Where necessary, SPP agreements should encourage coordination of the SPP with any similar existing State programs.
- In keeping with their status as Intergovernmental Agreements, SPP agreements should be written in plain English rather than in the nature of a legally binding document – including any provision for sanctions which may be included in the agreement.

Operational Guidelines

This section describes a number of guidelines that put into operation the key principles set out above.

Outcome/Output Focus

SPP agreements should state the overall policy purpose of the program. For example, they should make clear why a national approach agreed between the Commonwealth and States and Territories is appropriate, and clearly define the broad program outcomes or outputs to be achieved.

- Examples of outcomes are: reduction in instances of severe harm, proportions of students attaining particular levels of education, proportions of children in care.
- Examples of output measures are: number of people treated, number of students graduating, number of children accessing childcare.

Various guides are available in different jurisdictions on the specification of outputs and outcomes, including from the Commonwealth Department of Finance and Administration (See *Fact Sheet – Outcomes and Outputs* available at [www.dofa.gov.au/budgetgroup- Training Materials and Courses](http://www.dofa.gov.au/budgetgroup-Training Materials and Courses)).

Detailed reporting of input data should be avoided in SPP agreements.

- Examples of input data are: staff numbers and hours of service, number of regional offices, and level of State or Territory expenditure.

All reporting should be based on achievable outputs and outcomes; agreed benchmarks should provide clarity and direction without being unduly prescriptive.

The Australian National Audit Office has found that performance information for SPPs has been below average in the past and therefore specific emphasis needs to be given to the establishment, collection and reporting of output-based performance information.

Clear Responsibilities

Agreements should clearly define the responsibilities of each level of government.

- For example, agreements should specify whether the Commonwealth is contributing to a State program, whether the State/Territory is running the program as a shared responsibility with the Commonwealth or whether the State/Territory is acting as an agent contracted to run the program on behalf of the Commonwealth in an area of Commonwealth policy responsibility.
- SPP agreements need to recognise that a State or Territory may already commit resources to a similar program. Such recognition can avoid duplication of administrative effort and unduly complex reporting mechanisms.
- Agreements should specify policy-setting and operational responsibilities.
- Duplication should be avoided wherever possible.

- For each program area, one level of government should have clear responsibility for operational program management.
- Coordination with other jurisdictions (if appropriate), information sharing, reporting and review procedures should be clearly specified.
- Administrative costs associated with management, monitoring and reporting should be minimised and be commensurate with the funding involved.

Demonstrated Commitment

Agreements should allow each level of government to demonstrate their commitment to the program.

- Priority should be on demonstrating commitment through the achievement of agreed broad outcomes/outputs, rather than requirements to maintain expenditure or match the funding contribution of another level of government.

Clear Financial Mechanisms

SPP funding agreements should provide predictability and stability, to enable forward planning to be undertaken by each level of government.

- Where relevant, individual agreements should clearly specify the main components and timing of funding.
- If needed, appropriate formulas for indexation and to cover unavoidable increases in expenses resulting from growth in service demand should be included to cover the period of the agreement.
- Cashflow arrangements should facilitate the States and Territories entering into commitments without needing to affect other programs. This may require funding to be released ahead of or concurrently with the associated expenditure obligations.
- Conditions attached to SPPs may restrict States from taking action to discontinue or curtail programs where they become no longer viable. Such conditions should be minimised.

SPP agreements sometimes require that States and Territories indemnify the Commonwealth for any loss arising from a project.

- A State or Territory should be responsible for those matters over which it has control.
- Indemnification should only be given where the State or Territory has breached an agreement or has been negligent.

Individual SPP agreements sometimes give rise to intellectual property rights.

- Any agreement about intellectual property rights should reflect the contribution made by each party and existing knowledge prior to the agreement.

Incentives and Sanctions

One way to ensure good programs and the fulfilment of all obligations is through the use of incentives.

- Incentives can include clearly specified arrangements whereby States and Territories which achieve increased productivity may retain SPP funding to be used elsewhere within the broad policy area covered by an SPP agreement.

SPP agreements can also include sanctions, including withholding funds or imposing financial penalties for non-performance.

- SPPs should be cooperative arrangements between the Commonwealth and the States and Territories.
- Where appropriate (in light of respective roles and responsibilities) SPP agreements should establish a process by which the Commonwealth will cooperatively identify with the States and Territories the impediments to achieving targets, agree on actions to address impediments and to provide for re-setting targets in the event they are found to be unrealistic.

Where sanctions are considered necessary, they should:

- apply only to factors within the control of the State or Territory;
- apply only if performance is clearly not within an agreed performance range (eg., per cent variation from target output); and
- only be used following consultation between the Commonwealth and the State / Territory to resolve disagreement through a previously specified dispute resolution mechanism.

The wording of incentive and sanction provisions in SPP agreements should reflect their functional status as intergovernmental agreements rather than legally binding contracts.

- The courts have shown a tendency to construe such agreements made by the Crown as merely administrative or political arrangements.

Varying the Agreement and Resolving Disputes

Good SPP arrangements are based on shared objectives and mutual understandings of the requirements of the agreement. Nevertheless, problems or new issues may arise during implementation, despite the best intentions of all parties. In such cases, all parties to an SPP agreement are entitled to fair consideration.

- Any jurisdiction that proposes a change to an agreement, or a related document, should provide sufficient time for comment.
- Changes should be by mutual agreement, and be in writing.
- Where substantive changes are made in the agreement between the Commonwealth and any one State or Territory, such changes shall be notified to all States and Territories.
- Dispute resolution procedures should include appropriate consultation mechanisms :
 - Agreement managers should attempt to resolve any dispute, in the first instance;
 - If this fails, Ministers should discuss and attempt to resolve;
 - States and Territories consider that, as a final recourse, the parties should appoint an independent arbiter to resolve the dispute.

Renewal of the Agreement

Each SPP agreement should be framed with a view to whether it is likely to be renegotiated or renewed.

- Where renegotiation or renewal are likely, specifying such expectations will provide some funding and operational certainty.
- Such a clause will not remove the need for all parties to reach agreement on any renewal.
- Where it is likely that an agreement will not be renewed, the parties shall consider a phase down of financial arrangements (rather than a sudden unanticipated termination of funding).

A TEMPLATE SPP AGREEMENT

Background

This template is to be used as a general checklist of desirable features to be included in SPP agreements. Administrative and accountability arrangements should be simplified and standardised wherever possible. In essence, SPPs would be built upon standard type agreements, modified as necessary to reflect individual circumstances.

The template is at a broad level to take into account the varied nature of SPPs , which range from programs where the major responsibility is largely at one level of government to more complex programs where responsibility is more evenly shared.

Given the complexity of some programs covered by SPP agreements, it may be necessary for a multilateral agreement (between all jurisdictions) to be complemented by bilateral agreements between the Commonwealth and individual States and Territories (eg. to specify agreed outcome/output targets at the State/Territory level). This will allow States and Territories flexibility to tailor programs to suit local needs.

The features outlined below will promote best practice in SPP agreements.

The text (in italics) can be used as a guide to fill in relevant sections. Further explanation is set out below as necessary.

Parties to the Agreement

This Agreement is between

- the Commonwealth of Australia (the “Commonwealth”); and
- the States and Territories.

- *Depending on the exact signatories*

Representation

The Commonwealth shall be represented for the purposes of this Agreement by
(*specify Minister and Department*).

The States and Territories shall be represented for the purpose of this Agreement by the Minister and Department as notified to the Commonwealth.

- *This is necessary for addressing relevant communications and notices.*

Preamble

This Agreement supersedes

- *Previous arrangements may occasionally be regarded as being in force unless they are explicitly mentioned.*

In entering this Agreement, the Commonwealth and the States and Territories recognise that

- *Eg. the Commonwealth and the States and Territories have a mutual interest to improve outcomes in this area and must work together; this Agreement focuses on those issues which require a national approach.*

This Agreement is closely linked to

- *Describe any linkages and interrelationships with other programs or agreements. In designing or reviewing an SPP, careful consideration should be given to the relationship with related programs and policies to ensure that any gaps or overlaps are minimised and managed.*
- *A process should also be established for dealing with any boundary issues that may arise between related programs and agreements.*
- *Agreements should give consideration to the conditions for future broadbanding of related SPPs, both when considering incentives for performance and considering boundary issues. Broadbanding can allow greater flexibility in the distribution of funds in a particular area.*

Interpretation

In this Agreement, unless the contrary intention appears –

- *Definition of any terms that require explanation.*
- *May be included as a schedule to the Agreement.*

Term of the Agreement

This Agreement will commence on and expire on
(specify details)

Renewal of the Agreement

An agreement to replace this Agreement shall be negotiated and agreed prior to
(specify date eg. prior to expiry of current agreement)

- *This is necessary for programs that are envisaged to be ongoing.*

Purpose of the Agreement

The purpose of this Agreement is to
(specify eg. : assist those whose needs for appropriate cannot be met by the private market. This Agreement provides a framework agreed by the Commonwealth and the States and Territories to underpin the provision of assistance/services across Australia).

- *Agreements should contain a statement of purpose, which generally should remain unchanged during the development of the program. The purpose should be stated in terms which are unambiguous, realistically pursuable by government and emphasises outcomes rather than inputs and processes.*
- *The overall policy purpose of the program should be agreed by the parties at the initial stage and should specify goals that are based on meeting clearly defined needs.*

Guiding Principles

The principles guiding the Commonwealth and the States and Territories in the development and implementation of this Agreement are :

(specify eg. :

- *provide priority assistance to those with the highest needs;*
- *provide assistance on a non-discriminatory basis;*
- *give reasonable choice, and meet community standards on consumer rights and responsibilities;*
- *program arrangements should be sufficiently flexible to reflect the diversity of situations which currently exist in the States and Territories;*
- *funding arrangements should promote efficiency and cost effective management).*

The parties agree to use their best endeavours to operate within these principles.

- *Where principles will be used to guide program management, delivery and assessment, they should be agreed and stated. Principles act both to guide and limit the discretion of program designers, managers and reviewers, and so need to be agreed and made explicit.*

Role of Each Party

All parties will work in partnership to realise the goals and commitments made in this Agreement.

The Commonwealth and States and Territories will work together to :

(specify eg. :

- *operate within the principles specified above;*
- *undertake appropriate joint planning and policy setting for the program).*

The Commonwealth will have responsibility to :

(specify eg. :

- *ensure that implementation of this Agreement is part of a coherent national strategy;*
- *make available financial assistance to the States and Territories as specified in for the purpose of meeting the agreed outcomes specified in).*

The responsibilities of the States and Territories are to :

(specify eg. :

- *establish priorities and strategies for their own jurisdictions, consistent with the overall national policy approach;*
- *develop, implement and manage services and/or programs to achieve the agreed outcomes specified in).*

- *Agreements should clearly define the roles and responsibilities of each party.*

Agreed Outcomes /Outputs and Performance Indicators

States and Territories agree to meet the following target outcomes and/or outputs :

(specify)

- *Provide a broad description of the target outcomes and/or outputs to result from the program. States and Territories should be held accountable for results, defined in terms of the achievement of outcomes or delivering outputs, rather than for their own expenditure or inputs.*
- *Target outcomes/outputs would usually be defined in terms of meeting client needs and should be described in terms of desired progressive improvements in critical areas of performance. Target outcomes/outputs may be modified over time by review.*

Achievement of these outcomes/outputs will be assessed by reference to the following performance indicators :

(specify)

- *The performance indicators should provide a basis for objective judgements to be made as to whether the target outcomes are achieved cost effectively. As examples, measures may refer to benchmarks, standards or to target outputs for key result areas, depending on the stage of development of the program.*
- *In recognition of the diversity of areas in which the program will operate, provision would be made for variations in target outcomes/outputs and performance indicators to suit local conditions. For example, it may be necessary to specify these in bilateral agreements between the Commonwealth and individual States and Territories (refer to Bilateral Agreement below).*
- *Detailed program outcomes/outputs together with strategic level plans could form a schedule to an agreement (multilateral or bilateral), where considered necessary. Strategic level plans should be developed jointly by the parties.*

Bilateral Agreement

The Commonwealth and individual States and Territories may make Bilateral Agreements.

The purpose of a Bilateral Agreement is to

(specify eg. provide for agreement and action between the Commonwealth and individual States and Territories on strategic plans and outcomes and outputs to suit local conditions).

A Bilateral Agreement will include

(specify eg. target outcomes/outputs and performance indicators for individual States and Territories).

Financial Arrangements

Funding Components

The Commonwealth will provide the following funding :

(specify amount, components if appropriate and period of funding commitment)

- *Where the program is an agreed cost sharing arrangement, specify the relevant funding formula.*

Indexation

Commonwealth funds will be indexed each year as follows :

(specify index or indexes to be used, which component(s) this will be applied to and when the index will be applied).

- *If relevant, specify any other conditions or trigger points under which the funding will be varied.*

Criteria for Allocation between States and Territories

Commonwealth funding will be allocated between States and Territories in accordance with the following

(specify criteria and/or amounts)

Payment Schedule

Commonwealth funding for each year will be paid ininstalments in advance, or as otherwise agreed.
(specify timing of payments).

Other

- *Any other financial arrangements (eg. any caps on administrative expenses, restrictions on use of funds or disposal of assets).*

Reporting Requirements

States and Territories will provide a performance report against agreed performance indicators to the Commonwealth by no later than
(specify timing eg. annual or at completion of the program).

- *All performance reporting should be based on achievable outcomes and outputs as set out above.*
- *Where a capacity to produce the required data is not already in place, a timeframe and funding arrangements may be negotiated to facilitate production of the data.*
- *Agreements should detail the differential information requirements of the parties, if appropriate (eg. the Commonwealth may need to provide national data or reports to States and Territories).*

Incentives and Non-Performance

If States and Territories meet (or exceed) the agreed outcomes/outputs and performance indicators, the following incentives will apply :
(specify if relevant)

- *Positive incentives could be built into agreements which would encourage program performance against objectives.*
- *Incentives can include clearly specified arrangements whereby States and Territories that achieve increased productivity may retain SPP funding to be used elsewhere within the broad policy area covered by an SPP agreement.*

If States and Territories do not meet the agreed outcomes/outputs and performance indicators, the following process will apply :
(specify)

- *Include adequate consultation process between the parties, opportunity for corrective action and any sanctions if appropriate.*
- *Where sanctions are considered necessary, they should:*
 - *apply only to factors within the control of the State or Territory;*
 - *apply only if performance is clearly not within an agreed performance range (eg., per cent variation from target output); and*

- only be imposed after consultation between the Commonwealth and the State/Territory to resolve disagreement through a joint process of identifying impediments, developing solutions, implementation and monitoring.

Management/Administration Arrangements

This Agreement will be administered as follows :
(specify)

- *Outline any strategic and policy oversight arrangements and which party will have responsibility for operational matters.*
- *Detail any administrative arrangements to be established (eg. committees; designated program/agreement managers).*

Dispute Resolution

Any party may give notice to other parties of a dispute under this Agreement :

- the Agreement Managers will attempt to resolve any dispute, in the first instance; and
- if this fails, Ministers will discuss and attempt to resolve by mutual agreement.
- *States and Territories consider that, as a final recourse, the parties should appoint an independent arbiter to resolve a dispute.*

Review of the Agreement

A review of the Agreement will be undertaken by
(specify timing eg. after 3 years, as part of the preparations for a new agreement to take effect following the fourth year).

The review will be undertaken jointly by the parties and examine :
(specify issues to be covered and implications eg. appropriateness, effectiveness, efficiency, administration).

- *Set out arrangements for reviewing performance against agreed measures, and evaluating the overall progress in achieving desired outcomes. Detail the process for review including the involvement of all parties to the Agreement.*

Variation of the Agreement

This Agreement may be varied by agreement in writing between the parties.

Variations may include, but are not limited to, the provision of financial assistance and performance information requirements.