

EXECUTIVE SUMMARY

- The Government is working cooperatively with the States and Territories (the States), through a reinvigorated Council of Australian Governments (COAG) to implement an ambitious reform agenda which aims to boost productivity, workforce participation and geographic mobility, and deliver better services for the community.
- As part of the reform agenda, COAG agreed a new federal financial framework, which represents the most significant reform of Australia's federal relations in decades. The framework provides a robust foundation for collaboration between the Commonwealth and the States.
- The framework commenced on 1 January 2009 and involves a significant rationalisation of the number of payments made to the States, while increasing the overall quantum of payments. The framework provides clearer specification of the roles and responsibilities of each level of government, so that the appropriate government is accountable to the community.
- The new framework has been critical in enabling all Australian Governments to work together to tackle the global recession and respond to the economic challenges with immediate and concerted action. The States are important partners in implementing the Nation Building and Jobs Plan and the Compact with Young Australians.
- The global financial crisis and the global recession have affected the public sector fiscal position, including revenues and debt levels, across all levels of government, creating challenges in delivering infrastructure and services. In response, the Commonwealth has provided a guarantee of state and territory government borrowing to enable the states to access the debt market and continue to fund infrastructure.
- There has also been considerable progress in implementing COAG's broader reform agenda. Underpinning these reforms is a funding package that will provide an additional \$7.1 billion through new National Specific Purpose Payment (National SPP) funding to the States, and an additional \$8.1 billion funded through new National Partnerships, between 2008-09 and 2012-13. The package includes five National SPPs – associated with six National Agreements – to deliver services across the sectors of healthcare, education, skills and workforce development, disability services and affordable housing, and Indigenous reforms.
- In 2009-10, the Commonwealth will provide the States with total payments of \$91.9 billion. This consists of payments for specific purposes of \$50.1 billion, general revenue assistance, including all GST revenue, of \$41.8 billion.