

EXECUTIVE SUMMARY

- Australians expect their system of government to work properly. The Government is working cooperatively with the States and Territories (the States), through a reinvigorated Council of Australian Governments (COAG), to modernise the Australian federation. All levels of government are working together to put the right financial framework in place, and to deliver better services and produce the right outcomes on matters that affect the daily lives of Australians.
- A new framework for federal financial relations has been agreed which will modernise the financial relationship between the Commonwealth and the States and provide a solid foundation for a new era of economic and social reforms.
- The new framework involves significantly rationalising the number of payments for specific purposes from over ninety into five or six new specific purpose payments (SPPs), without reducing the overall level of funding. The agreement for each SPP will contain objectives and outcomes, and roles and responsibilities that have been mutually agreed between the Commonwealth and the States.
- The new national SPPs will provide the States with the budget flexibility they need for the efficient delivery of better services.
- The new framework will also provide the States with greater funding certainty through ongoing agreements and greater flexibility in funding delivery, while enhancing government accountability through simpler, standardised and more transparent performance reporting.
- The Government will provide new National Partnership payments to the States, in addition to existing funding, to support specific projects, to facilitate reforms by the States, or to reward those States that deliver on reforms.
- Working with the States, through COAG, the Government is developing an ambitious reform agenda, focusing on reforms in the areas of health and ageing, education, skills and training, climate change and water, infrastructure, business regulation and competition, housing and Indigenous disadvantage.
- In 2008-09, the Commonwealth will provide the States with total payments of \$78.6 billion. This consists of general revenue assistance, including all GST revenue, of \$45.5 billion and payments for specific purposes of \$33.1 billion.
- Included in total payments to the States is a \$2.5 billion financial contribution for local government, in recognition of the important role of local government in delivering services to local communities.