

# EXPLANATORY STATEMENT

## FEDERAL FINANCIAL RELATIONS ACT

### **Federal Financial Relations (General Purpose Financial Assistance) Determination No. 40 (July 2012)**

The *Intergovernmental Agreement on Federal Financial Relations* (the IGA) provides a robust foundation for collaboration on policy development and service delivery, and facilitates the implementation of economic and social reforms in areas of national importance.

In agreeing the new framework for federal financial relations, the Commonwealth committed to the provision of on-going financial support for the States' service delivery efforts through:

- general purpose financial assistance, including the on-going provision of GST payments, to be used by the States for any purpose;
- National Specific Purpose Payments to be spent in the key service delivery sectors; and
- National Partnership payments to support the delivery of specified outputs or projects, to facilitate reforms or to reward those jurisdictions that deliver on nationally significant reforms.

The new federal financial framework commenced on 1 January 2009. The payment provisions of the Intergovernmental Agreement are implemented through the *Federal Financial Relations Act 2009*.

#### **General purpose financial assistance**

The *Federal Financial Relations Act 2009* provides for the Minister to credit amounts to the COAG Reform Fund for the purpose of providing general purpose financial assistance to the States in the form of general revenue assistance other than GST revenue grants.

- The *COAG Reform Fund Act 2008* established the COAG Reform Fund and specifies that it is a Special Account for the purposes of the *Financial Management and Accountability Act 1997*.

To improve transparency, the Minister's determinations in respect of general purpose financial assistance are legislative instruments and will be registered on the Federal Register of Legislative Instruments, but will not be disallowable.

- This clarifies that determinations made by the Minister under subsection 9(1) would not otherwise be legislative instruments within the meaning of section 5 of the *Legislative Instruments Act 2003*.
- The Minister has an obligation under the Intergovernmental Agreement to make payments of general purpose financial assistance in a prescribed manner. Exemption from the disallowance provisions will allow the Minister to meet this obligation.

#### **Consultation**

The IGA was subject to extensive consultation with the States and was signed by all jurisdictions in December 2008. The IGA is publicly available on the Ministerial Council for Federal Financial Relations website. There is also extensive ongoing consultation with the States on general revenue assistance arrangements.

**Commencement**

The determination commences on the day it was made.