**EXPLANATORY STATEMENT**

*Federal Financial Relations (General Purpose Financial Assistance) Determination No. 114 (August 2018)*

## Background

The *Intergovernmental Agreement on Federal Financial Relations* (the IGA) provides a foundation for collaboration on policy development and service delivery between the Commonwealth and the States and Territories (the States).

## Consultation

The IGA was subject to extensive consultation with the States and was agreed by the Council of Australian Governments on 29 November 2008. The IGA and individual National Partnership agreements are publicly available on the Council for Federal Financial Relations website.

## General purpose financial assistance

The *Federal Financial Relations Act 2009* (FFR Act) provides for the Minister to credit an amount to the COAG Reform Fund for the purpose of providing general purpose financial assistance to the States. Once the amount is credited to the COAG Reform Fund it is debited from the Fund to make the grants to the States.

The *COAG Reform Fund Act 2008* (COAG Act)establishes the COAG Reform Fund and specifies that it is a special account for the purposes of the *Public Governance, Performance and Accountability Act 2013*.

The Treasurer’s determinations in respect of general purpose financial assistance are legislative instruments and are registered on the Federal Register of Legislation, but are not disallowable. The Commonwealth has an obligation under the IGA to make payments of general purpose financial assistance in a prescribed manner. Exemption from the disallowance provisions of the *Legislation Act 2003* allows the Treasurer to ensure that this obligation is met.

Payments of general purpose financial assistance are generally made on the 21st of each month, or the next business day thereafter. Extraordinary payments can be made if necessary.

## Payment conditions

Subsection 7(2) of theCOAG Act requires that the terms and conditions on which financial assistance is granted through the COAG Reform Fund are to be set out in a written agreement between the Commonwealth and the States. The terms and conditions for general purpose financial assistance are set out in Schedule D to the IGA.

#### Debit limits

Under subsection 9(3) of the *Federal Financial Relations Act 2009*, the total amount credited to the COAG Reform Fund for the purpose of making a grant of general purpose financial assistance in the financial year starting on 1 July 2018 must not exceed $5,000,000,000.00.

The amounts specified in Table 1 are the total amounts determined in the 2018-19 financial year in respect of general purpose financial assistance, including this determination.

The total amount determined for general purpose financial assistance payments to date in the 2018-19 financial year does not exceed the debit limit.

*Table 1: Total cumulative general purpose financial assistance payments in 2018-19*

|  |  |  |  |
| --- | --- | --- | --- |
| **State** |  |  | **Amount of General purpose financial assistance** |
| New South Wales |  | - |
| Victoria |  | - |
| Queensland |  | - |
| Western Australia |  | $128,959,276.21 |
| South Australia |  | - |
| Tasmania |  | - |
| Australian Capital Territory |  | $6,685,920.40 |
| Northern Territory |  | $1,967,794.86 |
| **Total** |  | **$137,612,991.47** |
| General debit limit for 2018-19 |  |  | $5,000,000,000.00 |
| **Remaining debit limit for 2018-19** |   |  | $4,862,387,008.53 |

#### Commencement

The determination commenced on the day it was made.

## Summary of relevant agreements for general purpose financial assistance

| **Payment title** | **Purpose** | **Relevant agreement** |
| --- | --- | --- |
| Compensation for impact on royalties of excise amendment | The Commonwealth provides general purpose financial assistance to compensate Western Australia for the loss of royalty revenue resulting from the removal in the 2008-09 Budget of the exemption of condensate from crude oil excise. | Schedule D – Payment arrangements of the Intergovernmental Agreement |
| ACT Municipal Services | The Commonwealth provides general purpose financial assistance to the Australian Capital Territory to:* assist in meeting the additional municipal costs which arise from Canberra's role as the national capital; and
* compensate the Australian Capital Territory for additional costs resulting from the national capital planning influences on the provision of water and sewerage services.
 | Schedule D – Payment arrangements of the Intergovernmental Agreement |
| Royalty payments |  |  |
| — Ranger Project Area | The Commonwealth provides general purpose financial assistance to the Northern Territory in lieu of royalties on uranium mining due to the Commonwealth's ownership of uranium in the Northern Territory. | Schedule D – Payment arrangement of the Intergovernmental Agreement |
| *— Offshore Petroleum and Greenhouse Gas Storage Act 2006* | The Commonwealth provides general purpose financial assistance to Western Australia from royalties payable under the *Offshore Petroleum (Royalty) Act 2006* in respect of the North West Shelf oil and gas project off the coast of Western Australia. The Commonwealth collects these royalties because it has jurisdiction over off‑shore areas.These royalties will be shared between the Commonwealth (approximately one third) and Western Australia (approximately two thirds). These payment arrangements are in accordance with section 75 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*. | Schedule D – Payment arrangements of the Intergovernmental Agreement |

## Amounts of general purpose financial assistance on 21 August 2018 ($)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|   | **NSW** | **VIC** | **QLD** | **WA** | **SA** | **TAS** | **ACT** | **NT** | **Total** |
| **General Revenue Assistance** |   |   |   |   |   |   |   |   |   |
| Compensation for impact on royalties of excise amendment | -  | -  | -  | 3,065,718.36  | -  | -  | -  | -  | 3,065,718.36  |
| ACT Municipal Services | -  | -  | -  | -  | -  | -  | 3,342,960.20  | -  | 3,342,960.20  |
| Royalty Payments NT – Ranger Project Area | - | - | - | -  | -  | -  | -  | 1,967,794.86  | 1,967,794.86  |
| Offshore Petroleum & Greenhouse Gas Storage Act 2006 | -  | -  | -  | 68,141,816.52  | -  | -  | -  | -  | 68,141,816.52  |
| **Total General Revenue Assistance** | **-**  | **-**  | **-**  | **71,207,534.88**  | **-**  | **-**  | **3,342,960.20**  | **1,967,794.86**  | **76,518,289.94**  |

## Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*

It is difficult to assess the human rights compatibility of either the determination or the making of payments of general purpose financial assistance, as the amounts paid to each State can be used for any purpose. Generally, payments will promote multiple human rights by supporting service delivery in a range of policy areas, at the discretion of each State. Consequently, neither this determination nor the making of general purpose financial assistance payments more generally could be said to have a detrimental impact on any human right.