

NS WORLD

AUSTRALIA'S NEW CO-OPERATIVE FEDERAL FINANCIAL AGREEMENT FOCUSING ON BETTER OUTCOMES FOR CITIZENS

A CASE STUDY

Key Topics Discussed:

COMMUNITY BUILDING, RESILIENCE, SHARED ACCOUNTABILITY



Australian Government

Australian Public Service Commission

INTRODUCTION

Australia has a federal system of government. Power is divided under the Constitution between the national government, and the governments of eight “states”.¹ There is also another layer of government - local government councils.

This case study focuses on Australia’s federal system and in particular a new intergovernmental agreement between the national and state governments that adopts a more collaborative approach to delivering outcomes for citizens. This paper begins with some background to provide a context for the reforms. It then discusses the development and structure of the *Intergovernmental Agreement on Federal Financial Relations* (which came into effect 1 January 2009) and follows with an analysis of elements of the National Education Agreement in relation to the performance and emergence quadrants of the New Synthesis model of public administration.

BACKGROUND

Australia’s national Parliament is able to make laws only in relation to specific subjects listed in the Constitution. These include taxation, defence, external affairs, trade, and immigration. Subject to a few exceptions, the Constitution does not limit the matters on which the states may make laws. One important exception, however, is that the states are precluded from imposing duties of customs and excise. Moreover, during the Second World War, income tax powers previously exercised by the states were transferred to the national government to provide the expanded revenue base to meet wartime and post-war recovery needs. These taxation arrangements have been maintained to the present time. The effect is that the national government raises most of the revenue – around 80 percent – however, most spending and service delivery is done by the states. States remain the primary regulators and service deliverers in areas such as education, health, roads, transport, housing and community amenities, Indigenous affairs and criminal law.

Notwithstanding the apparent limitations in the Constitution, the national government has developed, over time, an extensive capacity to influence business and community affairs in many areas, using its control over revenues. For example, although the national govern-

ment has no specific constitutional power in relation to education and health, it has influenced significantly the operations of schools and health systems in the states by maintaining “tied” grants. These tied grants, called specific purpose payments (SPPs), have been used for various reasons including the desire to achieve societal level outcomes that require co-ordinated responses from all eight state governments and the national government.

Historically the political and economic structure of Australia’s federation has been characterized by three broad features:

- financial arrangements are influenced by the large expenditure responsibilities of the states relative to their revenue capacities, so that they rely heavily on transfers from the national government to finance their activities – referred to as ‘vertical fiscal imbalance’;
- the states have different capacities to raise revenue and deliver services – referred to as ‘horizontal fiscal imbalance’; and
- overlapping roles and responsibilities in areas of national and state government activity have led to sectors where regulation or services remain fragmented, with duplication of effort, lack of coordination and blurred accountabilities.²

The criteria for transferring revenues from the national government to the states and the conditions attached to the revenues have been a source of perennial debate. From the early years of Australia’s federation, the Prime Minister and the state Premiers held annual meetings, called Premiers’ Conferences. These came to be directed mainly to settling the detail of Commonwealth-state financial relations, with the occasional consideration of other business.

The Council of Australian Governments (COAG) was established in 1992 to consider non-financial matters. This role changed with the ending of Premiers’ Conferences in 1999 following the agreement that Goods and Services Tax (GST) receipts would pass to the states (see below). As will be outlined in the following sections, COAG has played a key role in establishing the new federal financial agreement that is the subject of this case study.

Over recent decades, successive national governments have sought to co-ordinate a national approach to complex policy issues by increasingly relying on SPPs to the states. National governments have also pushed the boundaries of the Constitution and become involved in direct service delivery, at times duplicating state government activities – for example, in programs to assist school children with disabilities and programs to address Indigenous disadvantage.

Figure 1 shows how SPPs grew in importance over time as a proportion of total payments to the states, although in the last decade or so the relative growth in SPPs has stabilized. However, what Figure 1 does not show is that the conditionality associated with SPPs tended to become more onerous in this later period.³ Such conditionality has included:

- detailed reporting requirements for states, focusing on inputs, processes and compliance;
- minimum growth requirements for state contributions to programs; and
- penalties for non-provision of data or failing to adhere to other requirements.

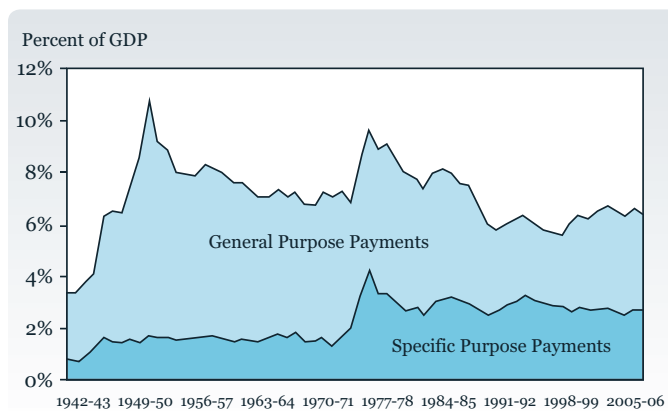


FIGURE 1: Payments to states as a share of GDP

Source: Scherini, A, Reforming Specific Purpose Payments, Figure 4, p 4.

It is also worth noting another key feature of the SPP framework in this later period, which is that there were only a few large SPPs and many small SPPs. Paradoxically, the small SPPs often had a disproportionate level of conditions associated with them: “In a few cases, states

have refused SPPs where administrative costs exceeded the funding on offer.”⁴

While the conditionality attached to SPPs is one way that the national government has pursued a national agenda in areas traditionally managed by state governments, the system of SPPs has had disadvantages. An assessment, commissioned by the Victorian Government, summarized the system of SPPs in June 2006 as:

- limiting the focus on strategic outcomes;
- having inadequate coordination across related programs;
- being far from the ideal of a partnership;
- inimical to efficiency; and
- engendering little shared commitment to dynamic improvement.⁵

Various reforms have been adopted over the years to address some of these issues. For example, in 1999 the Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations radically changed the nature of intergovernmental financial relations by, among other things, introducing a GST with effect from 1 July 2000. Under that agreement all the revenue from the GST goes to the states with no conditionality attached.

INTERGOVERNMENTAL AGREEMENT ON FEDERAL FINANCIAL RELATIONS 2008

In 2008, COAG developed a new intergovernmental agreement (IGA) that provides an overarching framework for the national government’s financial relations with the states. The agreement commenced on 1 January 2009. Thus, at the time of putting together this case study, the IGA had been in operation for only a little over a year.

The IGA aims to improve the quality and effectiveness of government services by reducing Commonwealth pre-conditions on services delivered by the states. It rational-

ized the number of payments to the states for specific purposes from more than 90 to only five new national SPPs. It also provides a clearer specification of the roles and responsibilities of each level of government and an improved focus on accountability for outcomes and service delivery.

To facilitate these changed arrangements, the Federal Parliament passed the *Federal Financial Relations Act 2009*, legislation consolidating the Commonwealth's financial relations with the states. The legislation also improves the transparency of funding and the ability of the Federal Parliament to scrutinise payment arrangements. Previously each SPP payment had its own legislative instruments, payment arrangements and administrative processes.

The stated objectives of the IGA are the improvement of the well-being of all Australians through:

- (a) collaborative working arrangements, including clearly defined roles and responsibilities and fair and sustainable financial arrangements, facilitating a focus on long-term policy development and enhanced government service delivery;
- (b) enhanced public accountability through simpler, standardized and more transparent performance reporting by all jurisdictions, with a focus on the achievement of outcomes, efficient service delivery and timely public reporting;
- (c) reduced administration and compliance overheads;
- (d) stronger incentives to implement economic and social reforms;
- (e) the ongoing provision, unless otherwise agreed, of GST payments to the states equivalent to the revenue received from the GST; and
- (f) the equalisation of fiscal capacities between states.⁶

The IGA is a cornerstone of COAG's reform agenda which is currently focused on national policy objectives in key social policy sectors administered by the states.⁷ To pursue these national social policy goals, the IGA underpins six National Agreements:

- National Healthcare Agreement;
- National Education Agreement;
- National Agreement for Skills and Workforce Development;
- National Disability Agreement;
- National Affordable Housing Agreement; and
- National Indigenous Reform Agreement.

These National Agreements are not financial agreements; rather, they contain national objectives, outcomes, outputs and performance indicators that have been agreed between the national government and every state government. They do not contain detail on how these outcomes will be achieved – that is left to each state government to decide in light of their particular circumstances. They do not contain detail on inputs and processes – the focus is on outcomes and accountability for performance. Each of the six agreements has been negotiated between the relevant national and state governments. The approach taken has been a collaborative one with each government contributing to the policy and the outcomes being mutually agreed. The National Agreements were formally signed-off by COAG (that is, the Prime Minister, state premiers and territory chief ministers).

Except for the National Indigenous Reform Agreement, each of these National Agreements is underpinned by a single national Special Purpose Payment (SPP), which is a funding agreement. Funding for the National Indigenous Reform Agreement is included in the five national SPPs linked to the other National Agreements and a number of National Partnership agreements which will be discussed later.

The IGA stipulates that each national SPP will be ongoing and indexed annually by a growth formula which is specified in the IGA. This certainty in funding assists the

states to prioritise expenditure and plan for the longer term more generally. However, the IGA specifies that the level of Commonwealth funding will be reviewed at least every five years to ensure it remains adequate. Previously, the SPPs were funded for specified periods only, subject to periodic renegotiation. It is intended that each National Agreement and SPP be ongoing “living” documents that can be modified in light of performance information, evaluations and new circumstances.

A key difference between the new National SPPs and former SPPs is the removal of most input controls and the focus on outcomes. The only significant stipulation is that states spend the money exclusively in the areas for which it is intended (that is, health, education, skills and workforce development, disability services and affordable housing).

The IGA gives the states the flexibility to direct resources to areas where they will produce the best results. Payments are made by the national treasury to state treasuries rather than from national portfolio agencies to their counterpart state agencies. Having state treasuries distribute funding from the national treasury to state agencies is more efficient, assists with strategic state-wide planning and helps reinforce that state agencies are primarily accountable to their own Parliament and public for their service delivery performance, including those programs for which the national government provides a financial contribution.

A very important feature of the IGA is that the national and state governments have committed to ongoing performance reporting and working collaboratively to improve performance reporting to enhance public accountability. A key independent institution in this regard is the COAG Reform Council (CRC). The performance of all governments in achieving mutually-agreed outcomes and performance benchmarks, as specified in each National Agreement, is monitored and assessed annually by the CRC and reported publicly. Thus, the states’ increased flexibility in service provision is balanced by increased accountability for performance.

The CRC is independent of individual governments, reports directly to COAG with its membership largely comprised of high-profile business people. It aims to strengthen accountability for the achievement of results through independent and evidence-based monitoring,

and assessment and reporting of the performance of all governments. Importantly, the CRC is also charged with reporting good practice and innovation under the National Agreements. The goal is to assist the transfer of good practice and knowledge between state governments and thereby to improve national performance over time.

The CRC also has a key role in relation to another feature of the IGA and national SPPs – National Partnerships. National Partnership payments are generally linked to a particular National Agreement; they are another source of funding from the national government to the states and sit alongside national SPPs. These agreements act as a mechanism to drive particular reform goals; that is to support the delivery of specified outputs or projects, to facilitate reforms or to reward those jurisdictions that deliver on nationally significant reforms or service delivery improvements. For example, the National Education Agreement (NEA) has a number of linked National Partnership agreements: Early Childhood Education, Low-Socioeconomic Status Schools, Literacy and Numeracy and Teacher Quality. Each of these defines mutually-agreed objectives, outcomes, outputs and performance benchmarks, but at a higher level of specificity compared to the National Education Agreement. As with National Agreements, portfolio ministers are responsible for the policy and negotiation of National Partnership agreements but they are signed-off by COAG.

There are various types of payments available under National Partnership agreements. Some are paid to facilitate certain reforms while others, such as reward payments, encourage the achievement of ambitious performance benchmarks, acting as a driver for reform. Reward payments are not paid to a jurisdiction until independent assessment by the CRC demonstrates that performance benchmarks have been achieved. This assessment by an independent institution also enables the national government to remove itself from being an arbiter of state performance, enabling it to work as a collaborative partner with the states.

As is evident in Table 1, total National Partnership payments are currently of much the same magnitude as total SPP funding. The National Partnership component is however, temporarily boosted by expenditure related to the fiscal stimulus to deal with the global financial crisis and is expected to decrease to around one-third of SPP payments after four years of operation of the

IGA. This is consistent with the bulk of funding being delivered with limited conditionality, giving the states scope to experiment, innovate and tailor services to their unique circumstances, while still being held accountable for achieving outcomes. The institutions that have a role in the IGA and their interrelationships are depicted in Attachment A.

tial requirement to encouraging innovation in a public sector setting.⁸



Key benefits of the IGA framework are improved performance reporting and the transparency of information. The performance reporting framework acts as a mechanism to improve public performance reporting against clearly specified performance indicators and benchmarks described in the National Agreements and National Partnerships. In the following sections of this case study, the NEA, negotiated under the IGA, is used as a specific example of some of the advantages and issues surrounding the new framework for federal financial relations. The NEA was chosen because it is one of only two agreements to have had a performance report by the CRC at the time of putting together the case study.⁹ The key components of the performance reporting framework are outlined in Figure 2.

Many of the people interviewed for this case study emphasized the crucial importance of good performance data and indicators to the long-term success of the IGA. They recognized that the review and reporting work of the CRC is limited by data availability and quality. Much of the performance framework for the NEA, for example, reflects current data collection, which has limited capacity to provide a reliable and up-to-date picture of jurisdictions' performance against the agreed outcomes in the NEA. In the baseline performance report on the

BENEFITS AND CHALLENGES

PERFORMANCE AND ACCOUNTABILITY

“ Performance measurements should lead to progressively removing ex ante and process controls as performance management systems focusing on results are put in place and, as the quality of the information collected reaches satisfactory levels. Performance information and, perhaps more importantly, the ways public servants, politicians and citizens use it, needs to contribute to learning, innovation and improvement. ... A shift from a culture of controls to a culture of results is an essen-

\$million	Previous payments for specific purposes	National SPPs	National Partnership payments	GST	Other general revenue assistance	Total	Growth	Per cent of GDP
2000-01	19,207			24,355	3,715	47,277		6.9
2001-02	21,458			26,632	4,841	52,931	12.0	7.2
2002-03	21,781			30,479	1,734	53,994	2.0	6.9
2003-04	22,940			33,219	647	56,806	5.2	6.8
2004-05	24,795			35,323	944	61,062	7.5	6.8
2005-06	26,904			37,182	1,039	65,125	6.7	6.7
2006-07	28,549			39,552		68,101	4.6	6.5
2007-08	31,994			42,630		74,624	9.6	6.6
2008-09	22,124	6,155	13,781	41,189	1,857	85,106	14.0	7.1
2009-10	1,441	24,392	24,243	41,330	494	91,900	8.0	7.8
2010-11	2,019	26,008	16,472	43,580	776	88,855	3.3	7.2
2011-12	2,091	27,802	11,846	46,460	720	88,920	0.1	6.8
2012-13	2,181	29,714	11,670	49,410	722	93,697	5.4	6.8

TABLE 1: Total payments to the states

Source: Department of the Treasury, Budget Paper No. 3 2009-10, p.22.

NEA, the CRC discusses at length the need to improve and co-ordinate data among the states. This is a significant challenge because it involves very significant investment in time and resources in agreeing consistent data definitions, and in developing ways to collect relevant data that accurately measures outcomes in a timely and consistent way across the different governments.

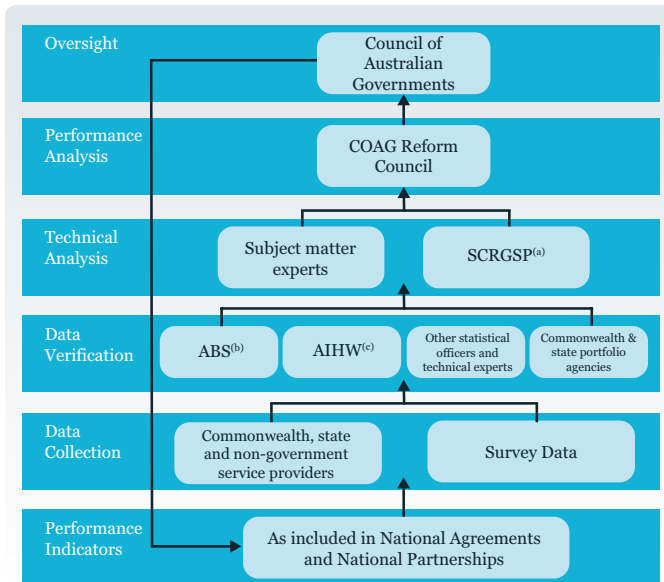


FIGURE 2: Performance reporting information flows

- a. Steering Committee for the Review of Government Service Provision
- b. Australian Bureau of Statistics
- c. Australian Institute of Health and Welfare

Source: Department of the Treasury, Budget Paper No. 3 2009-10, p.169

In relation to the performance reporting framework, COAG has assigned responsibility to the Ministerial Council for Federal Financial Relations (comprised of national and state treasurers) for:

- progressing the implementation of the performance reporting framework, including the continuous improvement program and the development and oversight of a new National Performance Reporting System; and
- maintaining a register of the national minimum data sets required to allow comparative reporting of governments’ achievements against agreed objectives and outcomes.

The development of the new national performance reporting framework provides the opportunity to move, as far as possible, to a single, integrated, national reporting system that will reduce collection costs and confusion in interpreting performance. To progress the implementation of the performance reporting framework, the Ministerial Council for Federal Financial Relations has endorsed the establishment of a Heads of Treasuries’ committee to oversee these roles.

National portfolio departments also play a key role in improving data quality for the performance reporting framework; for example, the national department of education sees itself as having a leadership role in working with the states to improve the data set around the agreed educational objective and outcomes in the NEA.

A closer look at the NEA illustrates the types of objectives, outcomes and performance indicators that have been agreed by COAG. It comprises a forward work plan – including outcomes and reform directions – as well as activities, technical definitions of performance indicators and a framework for key performance measures.

The overall objective of the NEA is that “all Australian school students acquire the knowledge and skills to participate effectively in society and employment in a globalised economy.”¹⁰ The broad outcomes and performance measures in the NEA are set out in Table 2.

As indicated earlier, there are a number of National Partnership (NP) agreements under the NEA: Early Childhood Education, Low-Socioeconomic Status Schools, Literacy and Numeracy and Teacher Quality. These education NPs have a mix of payment types with some NPs including reward payments. In turn, these NPs are subject to bilateral agreements or implementation plans with individual states.

A closer look at the National Partnership on Improving Teacher Quality illustrates the nature of the specific objectives, outcomes, outputs and performance measures in National Partnerships. The objective of the Teacher Quality NP is to improve the quality of teaching and leadership in schools, with a particular focus on school principals, improving high-level outcomes from schooling, supporting innovation, fostering best practice and contributing towards better outcomes for low-SES and Indigenous students.

The Teacher Quality NP aims to achieve these objectives through a focus on outcomes comprising:

- attracting the best entrants to teaching, including mid-career entrants;
- more effectively training principals, teachers and school leaders for their roles and the school environment;
- placing teachers and principals to minimize skill shortages and enhance retention;
- developing teachers and school leaders to enhance their skills and knowledge throughout their careers;
- retaining and rewarding quality principals, teachers and school leaders; and
- improving the quality and availability of teacher workforce data.¹¹

Where a National Partnership involves different characteristics between the States and Territories, state and territory specific implementation plans may form schedules to the National Partnership. These plans detail how each state intends to achieve some of the key outcomes

in the NPs and include the performance information and benchmarks relevant to each state. An examination of two different implementation plans for the Teacher Quality NP shows significant variation in the way performance measures and benchmarks are addressed. These plans are necessarily tailored to fit the conditions and address the issues relevant to each jurisdiction. For instance, the Queensland plan includes a large number of initiatives aimed at regional issues and at Indigenous education, as a result of its large territory, multitude of regional centres and relatively high numbers of Indigenous students. In comparison, the Australian Capital Territory (ACT), home of Australia’s capital, is much more a city-state, very small in size with virtually no people living outside the Canberra conurbation which occupies a sizeable part of the land area. The ACT also has very few Indigenous residents.

The ACT implementation plan includes a simple list of the reforms that will be undertaken in each calendar year, but no number targets. For example, the ACT plan has under the heading “2011”:

- additional School Centres of Teacher Education Excellence established;
- teachers accessing accredited professional learning; and

OUTCOMES	PERFORMANCE INDICATORS
All children are engaged in and benefiting from schooling.	The proportion of children enrolled in and attending school.
Young people are meeting basic literacy and numeracy standards, and overall levels of literacy and numeracy achievement are improving.	Literacy and numeracy achievement of Year 3, 5, 7 and 9 students in national testing.
Schooling promotes the social inclusion and reduces the educational disadvantage of children, especially Indigenous children.	The proportion of Indigenous and low SES children enrolled in and attending school. Literacy and numeracy achievement of Year 3, 5, 7 and 9 Indigenous and low SES students in national testing. The proportion of the 19 year old Indigenous and low SES population having attained at least a Year 12 Certificate or equivalent or Australia Qualifications Framework (AQF) Certificate II. The proportion of Indigenous students completing Year 10.
Australian students excel by international standards.	The proportion of students in the bottom and top levels of performance in international testing (for example Program for International Student Assessment (PISA), Trends in International Mathematics and Science Study (TIMSS)).
Young people make a successful transition from school to work and further study.	The proportion of the 19 year old population having attained at least a Year 12 or equivalent or AQF Certificate II. The proportion of young people participating in post-school education or training six months after school. The proportion of 18 to 24 year olds engaged in full-time employment, education or training at or above Certificate III.

TABLE 2: National Education Agreement – Outcomes and Performance Indicators

Source: Council of Australian Governments. National Education Agreement, 8.

- ACT teacher education courses accredited through Teacher Quality Institute.¹²

Whereas the state of Queensland has much more detailed and specific targets:

- participants in Professional Development Pathways programs: 2012 = 30, 2013 = 60;
- Principals on performance-based contracts: 2012 = 65, 2013 = 131; and
- implement several School Centres of Excellence models, including the establishment of five University Teaching Schools.¹³

Table 3 provides a comparison of requirements under the former teacher quality program prior to the IGA and the Teacher Quality National Partnership, focusing on the performance-related aspects of the different approaches.

The focus on the longer-term and outcomes distinguishes the National Partnership agreements from the old SPPs. This is emphasized in the type of reporting required, where key measures are performance indicators, rather than inputs. Some notable examples of the kind of detailed reporting on inputs and processes that schools were required to report on under SPPs prior to the IGA include:

- whether the individual school had a functioning flag pole and flew the national flag;
- whether the school displayed the nationally-supplied and approved Values for Education poster in a prominent position in the school;
- the number of hours of physical education students undertook at primary and secondary levels;
- instructions that “Project or activity evaluation costs must be listed as a separate budget item or attributed to the activities being evaluated with the proviso that the evaluation costs must not be included under project administration.”¹⁴; and
- directions that “Information on the membership and proposed operations of cross-sectoral committees must be provided in strategic plans. As membership composition changes, updated advice is to be provided to the national Department at the time of change.”¹⁵

As indicated above, CRC will report against the objectives, outcomes and performance indicators included in the National Agreements and National Partnership agreements. Its reports may assist in addressing the

CHARACTERISTIC	OLD SPECIFIC PURPOSE PAYMENT	NATIONAL PARTNERSHIP
Funding timing	Advance payments	Advance and post (rewards)
Withholding provisions	If failed to meet contract terms	Proportion of rewards for reform targets not met (eg, 50% reward for 50% of target)
Performance reporting	Semi-annually, annually	Annual
General monitoring and reporting	Detailed content specified in contract	Agreed under bilateral agreements and implementation plans
Assessment of performance	Commonwealth	Independent COAG Reform Council for agreements supporting the National Agreements or involving reward payments; otherwise Commonwealth
Evaluation	Required to co-operate and to provide own evaluation report	Commonwealth responsibility
Flexibility	National arrangements - one size fits all	Underpinned by implementation agreements which can vary considerably by state
Focus	Short-term: inputs, outputs and some outcomes	Longer-term: outputs and outcomes

TABLE 3: Comparison of SPP and NP teacher quality programs - Performance

Source: Compiled by the Australian Public Service Commission project team from the documents of the National Partnership Agreements (www.federalfinancialrelations.gov.au) and “Client Guidelines October 2006”

issue that “program managers make a limited use of performance information and that performance information is rarely used as the basis of new public policy decisions.”¹⁶ The CRC aims to produce “digestible” reports that are understandable by citizens and the media and, thereby, encourage public debate and greater transparency and accountability. Reports will be delivered directly to COAG and will be released publicly with an active communication strategy undertaken by the CRC. Reports will include, as far as possible, comparable data enabling inter-jurisdictional comparisons and intra-jurisdictional comparisons over time.

A COLLABORATIVE APPROACH TO MULTI-LEVEL GOVERNMENT

“Achieving system-wide or societal results is beyond the control of a single government agency working alone ... the centre of government can use networks to ensure interdepartmental coherence in support of government-wide priorities. This can shift their role from comptroller to change-agent in support of the government agenda within a framework of shared accountability for results. Governments from different jurisdictions and operating under different governance structures with different forms of accountability to citizens can use networks to enhance cooperation among them.”¹⁷

The IGA is based on a collaborative approach to federal financial relations. The objectives, outcomes, performance indicators and roles and responsibilities in National Agreements and National Partnerships have been negotiated on a partnership basis between the national and state governments. The IGA recognizes that while the states have primary responsibility for the delivery of services in the areas covered by the six National Agreements, “coordinated action is necessary to address many of the economic and social challenges which confront the Australian community”.¹⁸ It recognizes that national and state governments need to work in a networked way to achieve improved societal level outcomes. An examination of Attachment A, which depicts relationships among the major institutions involved in the IGA, shows that

there are several formal networks involving groups of ministers and groups of public officials. A number of the people interviewed for this case study made the point that the new framework has also encouraged more informal networks among public officials and, in general, a more collaborative and cooperative way of working with officials from other governments.

To assist in achieving the goal of more collaborative federal relations, the IGA included a principle that National Agreements would:

- clarify the responsibilities of each level of government;
- provide a clear link between roles and responsibilities and public accountability for those agreed roles and responsibilities; and
- frame shared accountability for outcomes.

It is useful to return to the example of the National Education Agreement to illustrate the principle of greater clarity in the roles and responsibilities of each level of government. The NEA explicitly addresses the roles and responsibilities of the national and state governments and includes the following shared responsibilities:

- jointly responsible for developing, progressing and reviewing the national objectives and outcomes for schooling;
- jointly responsible for funding school education to enable improved performance in the nationally agreed outcomes and to achieve national objectives;
- responsible for developing policy and reform directions to support achievement of Indigenous education outcomes;
- responsible for working together to develop evidence to support the achievement of the national objectives and outcomes, and to promote its application to policy and practice;
- jointly responsible for designing the funding mechanism by which the Commonwealth allocates funds to the states to support improved

service delivery and reform;

- responsible for public leadership which encourages the community to recognize and embrace the importance of the nationally agreed outcomes; and
- consistent with their roles, responsible for monitoring and reviewing performance of school systems and individual schools to support improved performance against the nationally agreed outcomes, as well as being accountable for these outcomes through the Performance Reporting Framework.¹⁹

The particular roles for the national government, in addition to the above shared responsibilities, include:

- allocating funding to states to support improved service delivery and reform to meet nationally agreed outcomes and to achieve the national objective, including for students with particular needs;
- investing in actions to secure nationally agreed policy priorities, in consultation with states; and
- a number of other roles in relation to higher education policy and non-government schools.²⁰

The states' responsibilities include:

- ensuring that all school-aged children are given the opportunity to enrol in a safe and supportive school that provides a quality education, including where students have particular needs. States are also responsible for ensuring that children of compulsory school-age attend school and therefore are responsible for:
 - developing policy;
 - delivering services;
 - monitoring and reviewing performance of individual schools; and
 - regulating schools;

so as to work towards national objectives and achievement of outcomes compatible with local circumstances and priorities;

- ensuring that schools provide clear performance reporting to parents, carers and to their local communities;
- the regulatory framework for all schools, including registration and accreditation, educational quality and their performance in educational outcomes, in monitoring and reviewing performance of school systems;
- the employment conditions of teachers in the government school sector, and its impact on teacher supply;
- implementing the National Curriculum; and
- working with the non-government school sector in their state to ensure their participation in relevant aspects of this agreement.²¹

The above clarification of roles, coupled with the independent role of the CRC in assessing and reporting performance, is helping to shift the role of the national government from comptroller to change-agent in support of the government agenda within a framework of shared accountability for results.

Table 4 provides a comparison of requirements under the former SPP teacher quality program and the new National Partnership, in terms of a networked approach to multi-level government.

That the NEA is an agreement, rather than a contract under the former SPP model, changes the relationship between the respective parties. An agreement emphasizes collaboration; an enabling partnership that has the potential for participants to focus on what they do best, rather than engage in continual, ongoing negotiation, project planning and approval processes. Opening up the system in this way gives the opportunity for both the states and the Commonwealth to co-create value in the interests of the wider community, empowering state education authorities to commit resources in a coordinated way that avoids some of the disadvantages of the old system of SPPs.

CHARACTERISTIC	OLD SPECIFIC PURPOSE PAYMENT	NATIONAL PARTNERSHIP
Form of agreement	Legal contract	Non-binding Agreement
Key responsibilities/roles	Determined by Constitution but national government used tied funding to influence state service delivery	Agreed between partners within the boundaries of the Constitution and designed to avoid overlap but also identify shared responsibilities
Language in agreement	Legalese	Plain English
Definition of parties to agreement	Provider/recipient	Partners
Administration	National education department	Jointly with states
Funding allocation	Calculated annually	Specified for five years
Co-investment by states	Mandated	Agreed under bilateral agreements and implementation plans
Objectives/priorities	Set by Commonwealth	Agreed between partners

TABLE 4: Comparison of SPP and NP teacher quality programs - Networked Government

Source: Compiled by the Australian Public Service Commission project team from the documents of the National Partnership Agreements (www.federalfinancialrelations.gov.au) and "Client Guidelines October 2006"

CONCLUSION

The IGA and associated National Agreements, National SPPs and National Partnerships have been operating since 1 January 2009. The majority of people interviewed for this case study were optimistic that the new collaborative approach to federal financial relations had the potential to deliver significant benefits in terms of:

- enabling national and state governments to work together more collaboratively to better achieve national outcomes in response to cross-cutting, complex issues;
- providing more flexibility for states to adopt tailored and innovative service delivery;
- improving accountability for outcomes for each government;
- enabling the better use of performance data to drive policy and program delivery;
- enabling governments to focus more on longer term strategy in relation to their respective roles and avoid duplication of effort; and
- achieving greater efficiency and administrative savings.

The emphasis, however, was on *potential* benefits because in most cases there is not yet enough evidence

to judge the success or otherwise of the IGA. A common sentiment was "so far, so good". A number of those interviewed for the case study noted that further action is required if these benefits are to be realized:

- There may need to be improvements in capability and further cultural change within state and Commonwealth portfolio agencies so that:
 - state governments can take full advantage of their increased flexibility to deliver services in innovative ways; and
 - national portfolio agencies consolidate their shift away from their previous comptroller role to being a collaborative and facilitative partner.
- State officials noted it was imperative that National Partnership agreements and individual state implementation plans do not become prolific and too prescriptive akin to the old SPPs.
- Given that measuring whether agreed objectives and outcomes are achieved is central to the success of the IGA reforms, it will be important that the quality and timeliness of data is improved.
- In the short-term, where there is an absence of performance data and reporting from the CRC on outcomes in the National Agreements and Partnerships, state and national officials have

felt a need to continue to rely on data concerning inputs and processes to satisfy governments that reforms/benefits were happening. This makes the process of cultural change to an outcome-focussed environment more difficult.

- Other political and policy developments may undermine or be inconsistent with the IGA. For example, the findings of a recent fundamental review of the tax system, the Henry Tax Review, may have implications for how the IGA operates, depending on the government's response to the Review. There has also been a recent proposal for the national government to reform health-care funding arrangements which may have significant implications for the National Health Agreement.

There are a range of review mechanisms that have been put in place that will monitor progress in achieving the goals of the IGA and enable remedial action to be taken in light of experience with implementation. COAG has tasked Heads of Treasuries, in consultation with senior line agency officials, to undertake a review of National Agreements, National Partnerships and Implementation Plans, and report their findings through the Ministerial Council for Federal Financial Relations to COAG by the end of 2010. The review will consider:

- how consistent agreements are with the design principles of the IGA;
- the clarity and transparency of objectives, outcomes, outputs and responsibilities; and
- the quantity and quality of performance indicators and benchmarks.

The Ministerial Council for Federal Financial Relations has been tasked with reviewing the quality and timeliness of data supporting the IGA agreements and with developing, and continually improving, a National Performance Reporting System to provide the necessary evidence on which decisions about programs can be based.

The CRC, in addition to its role in reporting on performance in National Agreements and Partnerships, is also tasked by COAG, with monitoring the aggregate pace of

activity in progressing COAG's reform agenda. To assist the CRC in this role, the Productivity Commission will report every two to three years on the economic impacts and benefits of COAG's agreed reform agenda.

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INTERVIEWEES

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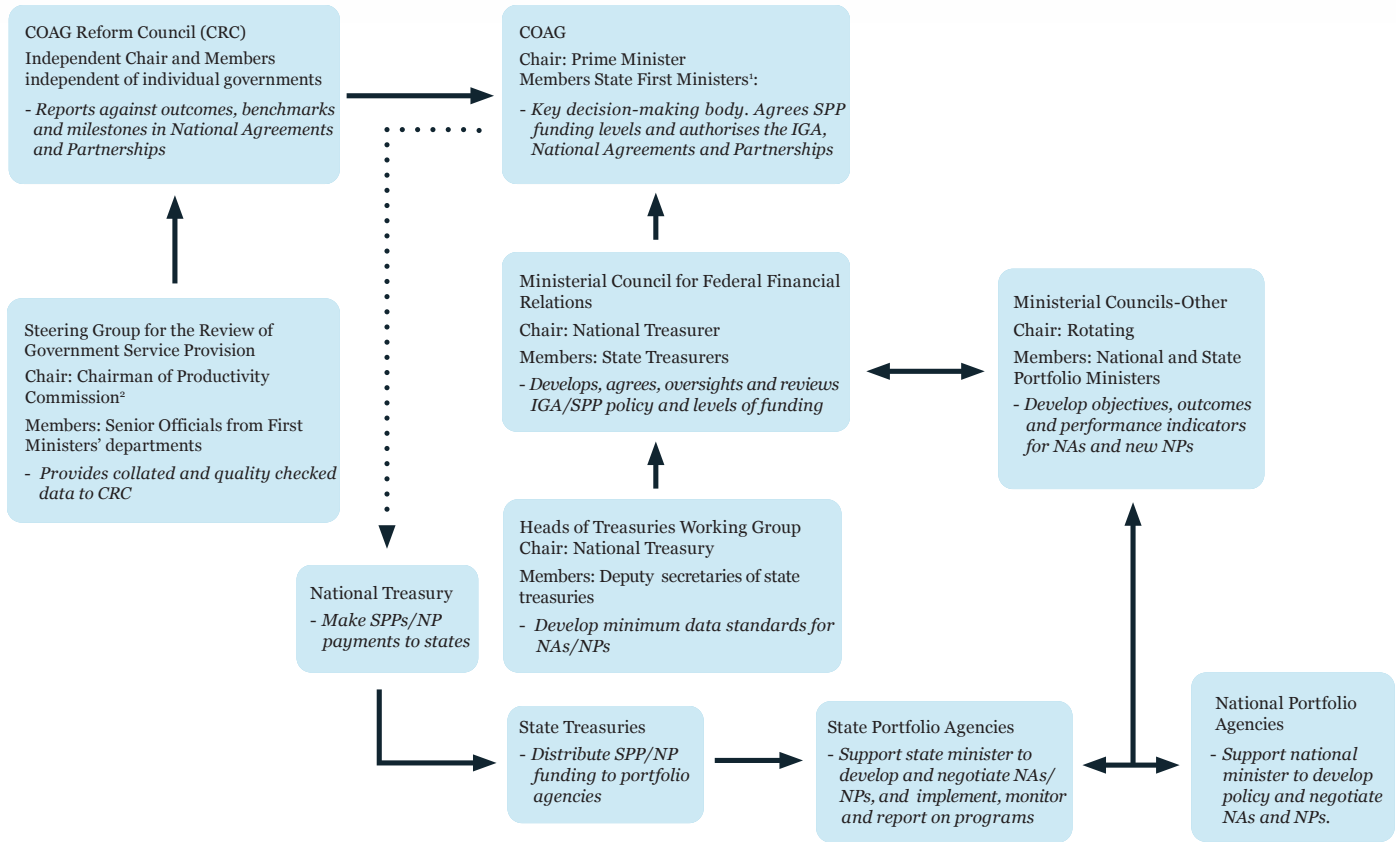
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1. The term 'states' is used throughout to refer both to the six states, and the two mainland territories with their own legislatures. These territories operate in a state-like manner under powers delegated by the national government.
2. Department of the Treasury. *Budget Paper No. 3: Australia's Federal Relations 2009-10*, 14.
3. Scherini. *Reforming Specific Purpose Payments to achieve the best outcomes for the community: A practitioner's perspective*, 5.
4. *Ibid.*, 3.
5. Allen Consulting Group. *Governments Working Together? Assessing Specific Purpose Payment Arrangements*, 2-3.
6. Commonwealth of Australia. *Intergovernmental Agreement on Federal Financial Relations*, 3
7. Under the IGA framework, COAG is also pursuing a substantial deregulation agenda through the *National Partnership Agreement to Deliver a Seamless National Economy*, aimed at harmonising regulation between states and reducing the regulatory burden.
8. Bourgon. *The Future of Public Service*, 18.
9. This initial performance report relates to calendar year 2008 and provides a baseline for future reports, along with recommendations for improved data collection and performance indicators to support the NEA and associated NPs.
10. Council of Australian Governments. *National Education Agreement*, 1.
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17. Ibid., 15-16.
18. Commonwealth of Australia. *Intergovernmental Agreement on Federal Financial Relations*, 3
19. Council of Australian Governments. National Education Agreement, 6.
20. Ibid., 6.
21. Ibid., 7.

ATTACHMENTS

ATTACHMENT A: INSTITUTIONAL ARRANGEMENTS FOR THE INTER-GOVERNMENTAL AGREEMENT ON FEDERAL FINANCIAL RELATIONS



¹ 'First Ministers' is a collective term for the state Premiers and territory Chief Ministers.

² The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues.

Source: Compiled by the Australian Public Service Commission project team from discussions with various agencies and from the head agreements for the National Partnerships.

FROM NS6 TO NS WORLD

THE NEW SYNTHESIS PROJECT

The New Synthesis Project is an international partnership of institutions and individuals who are dedicated to advancing the study and practice of public administration. While they hail from different countries, different political systems and different historical, economic and cultural contexts, all share the view that public administration as a practice and discipline is not yet aligned with the challenges of serving in the 21st century.

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In 2009, Madame Jocelyne Bourgon invited six countries to join the New Synthesis Network (NS6), composed of officials, scholars and experts from Australia, Brazil, Canada, the Netherlands, Singapore and the United Kingdom. Committed to supporting practitioners whose work is becoming increasingly difficult, this network has engaged close to 200 people from more than 24 organizations. Their efforts have resulted in five international roundtables, five post-roundtable reports, and 17 case studies. Collectively, this work has generated significant insights into preparing governments to serve in the 21st century.

The Network's findings have been captured in the publication of a new book entitled *A New Synthesis of Public Administration: Serving in the 21st Century*, and is available in print and electronic formats from McGill-Queen's University Press. Its signature contribution is the presentation of an enabling governance framework that brings together the role of government, society and people to address some of the most complex and intractable problems of our time.

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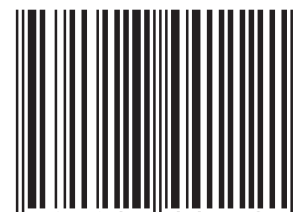
TOWARDS NS WORLD

So where to from here? Reconfiguring and building the capacities of government for the future cannot be accomplished through the publication of a single book. It is a continuous journey which requires the ongoing sharing and synthesis of ideas, as well as the feedback, learning and course adjustments that can only be derived by testing ideas in action.

And so the journey continues and the conversation expands. Our goal is to build upon the rich partnership of the original six participating countries by opening up this exchange with others—wherever they may be located. We seek to create an international community that connects all leaders—from government, the private sector and civil society—committed to helping prepare governments for the challenges ahead.

Next stages of this work will include virtual exchanges supported by web 2.0 technologies, as well as possible thematic and regionally-based networks and events. But no matter the vehicles, success can only be achieved through the active participation and collaboration of those passionate about making a difference.

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