

# Treasurer's Direction – Commonwealth funding agreements

## Treasurer's Direction (mandatory)

<b>Purpose</b>	To outline the requirements for entering into and managing Commonwealth funding agreements
<b>Last reviewed</b>	December 2018
<b>Operative date</b>	May 2024
<b>References</b>	<ul style="list-style-type: none"><li>• Guidance Document – Commonwealth Funding Agreements (to be read in conjunction with this Treasurer's Direction)</li><li>• Federal Financial Relations - Guide to drafting new FFA schedules and templates</li><li>• Intergovernmental Agreement on Federal Financial Relations</li></ul>
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## Overview

### Scope

1. This Treasurer's Direction outlines the minimum requirements for Northern Territory Government agencies when entering into in-scope funding agreements with the Commonwealth Government.
2. Government business divisions are exempt from applying this Treasurer's Direction.
3. Commonwealth funding agreements under the Federation Funding Agreement Framework are included in the scope of this Treasurer's Direction and comprise:
  - national federation funding agreements
  - sectoral federation funding agreements
  - federation funding agreement schedules
  - national intergovernmental agreement on federal financial relations agreements, including national specific purpose payments (currently being phased out)
  - national partnership agreements (currently being phased out)
  - project agreements (currently being phased out)

- associated agreements, including implementation plans, project plans, memorandums of understanding, and tripartite agreements.
4. Commonwealth own-purpose expense (COPE) agreements are excluded from the scope of this Treasurer's Direction.

## Definitions

5. **Central agencies** provide support and advice to portfolio agencies on Commonwealth funding agreements and are:
- Department of Treasury and Finance
  - Department of the Chief Minister and Cabinet.
6. **COPE agreements** are Commonwealth payments for goods and services, mostly under a fee for service arrangement where funding is paid directly to agencies.
7. **Council on Federal Financial Relations (CFFR)** comprises the Commonwealth Government Treasurer and all state and territory treasurers and is responsible for overseeing the financial relationship between the Commonwealth and state and territory governments. CFFR is responsible for Commonwealth-state funding agreements under the Federation Funding Agreements Framework, including overseeing the operation of the Intergovernmental Agreement on Federal Financial Relations (IGA FFR), and progressing fiscal and economic reforms in areas of national significance at National Cabinet's direction and on its own initiative.
8. **Federation Funding Agreements (FFA) Framework** comprises five elements: the Intergovernmental Agreement on Federal Financial Relations (IGA FFR), CFFR and its role as gatekeeper of the FFA Framework, the eight FFA principles, the agreement architecture, and administrative arrangements.
9. **IGA FFR** is the National Cabinet agreement governing financial relations between the Commonwealth and state and territory governments.
10. **Sectoral FFA** are overarching agreements with no funding that provide a framework for facilitating sector wide initiatives under the five categories of health, education and skills, infrastructure, environment, affordable housing, community services and other.
11. **Federation funding agreement schedules** sit under Sectoral FFAs and provide funding for specific sector outcomes for states and territories.
12. **National IGA FFR agreement** is an overarching agreement that defines the objectives, outcomes, outputs, performance indicators, and the roles and responsibilities that will guide the Commonwealth, states and territories in the delivery of services across a particular sector.
13. **National federation funding agreement** is an agreement that contains significant policy content and acts as a source of ongoing funding through time-limited bilateral schedules to states and territories with relatively complex and bespoke terms and conditions.
14. **National specific purpose payment (NSPP)** is a Commonwealth financial contribution to support state and territory delivery of services in a particular sector, and is linked to a National IGA FFR Agreement. These payments are being phased out.
15. **National partnership agreement (NPA)** defines the objectives, outputs and performance benchmarks related to the delivery of specified projects, to facilitate reforms or to provide rewards for delivery of national reforms or achieving service delivery improvements. NPAs were part of the former federal financial relations architecture and are being phased out or renewed as FFA schedules as they expire.

16. **Project agreements (PA)** are a simpler form of an NPA used for low-value or low-risk agreements. PAs were part of the former federal financial relations architecture and are being phased out or renewed as FFA schedules as they expire.

## Development, negotiation and approval of Commonwealth agreements

17. The development, negotiation and approval of Commonwealth agreements, and any associated schedules, should follow the processes set out in this section.

### Agreement initiation

18. An agency must, as soon as practicable:
- a. notify central agencies of the Commonwealth Government's intention to develop and negotiate an agreement
  - b. provide central agencies with:
    - the agency's primary contact details for each Commonwealth funding agreement
    - a copy of any draft or proposed funding agreement received from the Commonwealth Government.

### Risk assessment

19. As soon as practicable upon receipt of a draft Commonwealth funding agreement, an agency must:
- a. undertake a risk assessment to determine whether the agreement or associated schedules are a low, medium or high risk level.
  - b. consult with central agencies on the risk assessment.
20. Central agencies will review the risk assessment and advise the agency of appropriate negotiation and approval processes for the agreement.
21. All National federation funding agreements are considered high risk agreements.

### Negotiation parameters

#### High risk agreements

22. For high risk Commonwealth funding agreements, an agency must develop negotiation parameters in consultation with central agencies and seek Cabinet approval for this and any required Territory-funded co-contributions.
23. For high risk Commonwealth funding agreements, central agencies will:
- a. provide support and advice to the relevant portfolio agencies on developing negotiation parameters
  - b. provide support and advice to the relevant portfolio agencies on developing a submission to Cabinet seeking approval for negotiation parameters and any required Territory-funded contributions.

### Medium risk agreements

24. For medium risk Commonwealth funding agreements, an agency must develop negotiation parameters in consultation with central agencies, and seek Cabinet approval for any required Territory-funded contributions.
25. For medium risk Commonwealth funding agreements, central agencies will:
  - a. provide support and advice to the relevant portfolio agencies on developing negotiation parameters
  - b. provide support and advice to the relevant portfolio agencies on any required submission to Cabinet.

### Low risk agreements

26. For low risk Commonwealth funding agreements, an agency must develop negotiation parameters in consultation with central agencies.
27. For low risk Commonwealth funding agreements, central agencies will provide support and advice to the relevant portfolio agencies on developing negotiation parameters.

## Negotiation

### High risk agreements

28. For high risk Commonwealth funding agreements, an agency must:
  - a. coordinate and lead the development and negotiation processes in collaboration with central agencies
  - b. negotiate the draft funding agreement with the Commonwealth according to Cabinet-approved negotiation parameters
  - c. seek feedback from central agencies on each draft funding agreement iteration.
29. For high risk Commonwealth funding agreements, central agencies will:
  - a. participate in the development and negotiation processes with relevant portfolio agencies
  - b. provide support and advice to portfolio agencies on iterations of draft agreements.

### Medium risk agreements

30. For medium risk Commonwealth funding agreements, an agency must:
  - a. coordinate and lead the development and negotiation processes in collaboration with central agencies
  - b. negotiate the draft funding agreement with the Commonwealth according to the negotiation parameters agreed with central agencies
  - c. seek feedback from central agencies on each draft funding agreement iteration.
31. For medium risk Commonwealth funding agreements, central agencies will:
  - a. participate, where necessary, in the development and negotiation processes with relevant portfolio agencies
  - b. provide support and advice to portfolio agencies on iterations of draft agreements.

### Low risk agreements

32. For low risk Commonwealth funding agreements, an agency must:
- a. coordinate and lead the development and negotiation processes
  - b. negotiate the draft funding agreement with the Commonwealth according to the negotiation parameters agreed with central agencies.
  - c. seek feedback from central agencies on first and final draft funding agreement iterations.
33. For low risk Commonwealth funding agreements, central agencies will provide, where necessary, support and advice to portfolio agencies on first and final iterations of draft agreements.

## Approval and signature

### High risk agreements

34. For high risk Commonwealth funding agreements, an agency must:
- a. endorse the final draft agreement
  - b. seek Cabinet approval to accept the agreement and for the relevant portfolio minister to sign the agreement
  - c. request the relevant portfolio minister to sign the agreement
  - d. forward the signed agreement to the Commonwealth
  - e. provide signed copies of the agreement to central agencies.
35. For high risk Commonwealth funding agreements, central agencies will provide support and advice to portfolio agencies on developing a submission to Cabinet seeking approval to accept the agreement.

### Medium risk agreements

36. For medium risk Commonwealth funding agreements, an agency must:
- a. endorse the final draft agreement
  - b. seek approval from the relevant minister to accept and sign the agreement
  - c. forward the signed agreement to the Commonwealth
  - d. provide signed copies of the agreement to central agencies.

### Low risk agreements

37. For low risk Commonwealth funding agreements, an agency must:
- a. endorse the final draft agreement
  - b. seek approval from the relevant minister to accept and sign the agreement
  - c. forward the signed agreement to the Commonwealth
  - d. provide signed copies of the agreement to central agencies.

## Management, monitoring and evaluation of Commonwealth Agreements

38. An agency must:

- a. establish and maintain appropriate performance reporting, monitoring and evaluation processes to meet relevant obligations under the Commonwealth funding agreement
- b. notify central agencies if any material funding available under a Commonwealth funding agreement will not or is unlikely to be paid as soon as practicable, and advise on the strategy to be implemented to minimise risks to the Territory
- c. meet any funding shortfalls associated with a Commonwealth funding agreement from within existing resources, unless alternative arrangements have been approved by Cabinet through a separate Cabinet submission
- d. advise central agencies, as soon as practicable, of any review of a Commonwealth funding agreement initiated by a party external to the agency
- e. provide a copy of any Commonwealth funding agreement review report to central agencies.

## Variation to agreements

39. Variations to Commonwealth funding agreements should follow the same process for new Commonwealth funding agreements as previously outlined in this Treasurer's Direction.

## Expiring agreements

40. An agency must consult with central agencies on how to manage expiring Commonwealth funding agreements before engaging with the Commonwealth as soon as practicable, about 12 months prior to expiry.

## Accounting treatment

41. Agencies must apply the Treasurer's Direction – Income for all Commonwealth funding agreements. This Treasurer's Direction outlines key principles for income management including how to measure and account for income in accordance with Australian accounting standards.

## Record keeping

42. A record of signed Commonwealth agreements must be retained by agencies in accordance with each agency's recordkeeping policies.

## Change history

Version	Date	Author	Change details
1.0	December 2023	DTF Intergovernmental Relations	Initial version