

Government responses to the recommendations of the Public Accounts and Estimates Committee (PAEC)
Report on the *Inquiry into the Impact on Victorian Government Service Delivery of Changes to National Partnership Agreements*

Pursuant to section 36 of the *Parliamentary Committees Act 2003*, this paper provides a response to the recommendations in the PAEC *Inquiry into the Impact on Victorian Government Service Delivery of Changes to National Partnership Agreements*.

Report on the inquiry into the impact on Victorian Government service delivery of changes to National Partnership Agreements		
PAEC recommendation	Response	Action to date and commitment to further action
Chapter 2, Overview and key observations from the inquiry		
<p>RECOMMENDATION 1: The Victorian Government should negotiate with the Commonwealth Government, via the Council of Australian Governments and Treasury forums, to secure an appropriate recurrent funding arrangement for those ongoing services and programs currently funded through National Partnership Agreements.</p>	Support	<p>Victoria will continue to negotiate with the Commonwealth for more appropriate and better funding arrangements to secure ongoing services currently funded through National Partnership Agreements (NPs). This principle, that NPs are generally expected to have time limited horizons, is reflected in the Intergovernmental Agreement on Federal Financial Relations (IGA FFR). Schedule E23(b) of the IGA FFR outlines that upon completion, NPs would either cease or be replaced by an appropriate recurrent funding arrangement.</p> <p>Victoria currently uses and will continue to use processes such as the Annual State Treasurers' Expiring NP report to advocate for appropriate recurrent funding arrangements. This will be across portfolios, in COAG, COAG Councils, ministerial meetings and intergovernmental working groups.</p>
<p>RECOMMENDATION 2: The Victorian Government should seek assurances from the Commonwealth Government that any future significant cuts to National Partnership funding will be given reasonable advance notice, to enable the State to take appropriate and considered action and to plan a measured response to the funding change.</p>	Support	<p>Through COAG and COAG Councils, Victoria will continue to advocate for reasonable advance notice of any significant cuts to NP funding, to allow Victoria to plan any related program and service delivery adjustment accordingly.</p> <p>This issue has been raised at Treasury fora in the past, where Victoria has pursued options such as a proposal that States and Territories receive notice of the future of expiring agreements at MYEFO in the past. Victoria is currently participating in the preparation of further advice from State Treasurers, to the Commonwealth, on suitable options to increase certainty of future funding.</p>
<p>RECOMMENDATION 3: As part of the ongoing review of federal financial relations, there is a need for the Council of Australian Governments to revisit the principles outlined in the <i>Intergovernmental Agreement on Federal Financial Relations</i> as they relate to National Partnership Agreements and to encourage Commonwealth and State and Territory Governments to abide by the principles and guidelines supporting the <i>Intergovernmental Agreement</i>.</p>	Support	<p>Victoria remains committed to the principles in the IGA FFR and would support efforts to revisit and reaffirm these principles. Victoria will seek to incorporate consideration of the principles for use and design of NPs, and adherence to those principles, in any further significant reform to federal financial relations progressed via COAG.</p>

Report on the inquiry into the impact on Victorian Government service delivery of changes to National Partnership Agreements		
PAEC recommendation	Response	Action to date and commitment to further action
Chapter 3, Establishment of National Partnership Agreements		
<p>RECOMMENDATION 4: The Victorian Government should investigate opportunities to have earlier input to the Commonwealth Government's design and drafting of National Partnership Agreements. Earlier engagement and consultation would enable Victoria to maximise its knowledge and expertise in the design of the delivery and targeting of services to areas of highest priority, in the most efficient and effective manner.</p>	Support	<p>Victoria agrees that early engagement and consultation with the Commonwealth maximises Victoria's ability to contribute its practitioner knowledge and experience in policy and programs to the design of the NP delivery. Victoria does seek opportunities for early engagement with the Commonwealth in the development and negotiation of NPs.</p> <p>Where possible, Victoria seeks to co-produce NPs with the Commonwealth that:</p> <ul style="list-style-type: none"> • draw on a strong evidence-base; • build on existing experience and efforts; and • effectively utilise the respective policy levers of the Commonwealth, States and Territories. <p>Victoria will continue to engage and strengthen its relationship with the Commonwealth to input broad policy directions, service development and design into the development of NPs. The intent of these discussions with the Commonwealth is to impart service system knowledge, client expectations and experience on policy and program design issues to influence the Commonwealth in its design and drafting of NPs.</p>
<p>RECOMMENDATION 5: The Victorian Government should develop a strategy which identifies the key improvements which could be made to the consultation and negotiation of National Partnership Agreements with the Commonwealth Government. These improvements should be consistently advocated by the Victorian Government during any informal and/or formal interactions with the Commonwealth Government.</p>	Support	<p>Victoria agrees that there are improvements which could be made to the consultation and negotiation of NPs with the Commonwealth, using the other recommendations identified in this Inquiry as a starting point.</p> <p>Victoria has established internal processes through its central agencies for the implementation and negotiation of agreements under the IGA FFR. This includes the Victorian Government guidelines for negotiating NPs.</p> <p>Victoria will develop a strategy to identify the key improvements which could be made to these existing processes, including a review of the Victorian Government guidelines for negotiating IGAs. Improvements to internal processes and the Victorian Government Guidelines will be made where identified, and in consultation with an interdepartmental working group.</p>
Chapter 4, Funding for National Partnership Agreements		
<p>RECOMMENDATION 6: The Department of Treasury and Finance should report actual payments received from the Commonwealth Government, including National Partnership funding, in its <i>Annual Financial Reports</i> with a view to providing the same detailed format as that provided in the State Budget Papers.</p>	Support-in-principle	<p>Victorian supports this recommendation in-principle.</p> <p>In keeping with accounting standards, the Department of Treasury and Finance <i>Annual Financial Report</i> is prepared as a streamlined general purpose report. In the future, the Annual Financial Report will direct readers to actual payments received from the Commonwealth under NPs, which will be reported on the DTF website in a format which matches information provided in the State budget papers.</p>

Report on the inquiry into the impact on Victorian Government service delivery of changes to National Partnership Agreements		
PAEC recommendation	Response	Action to date and commitment to further action
Chapter 5, Impact of changes to National Partnership Agreements		
<p>RECOMMENDATION 7: The Victorian Government should actively encourage the Commonwealth Government to commit to maintaining the initial length of agreement and funding terms specified in National Partnership Agreements and avoid amendments and deferrals.</p>	Support	<p>Victoria approaches NPs in the understanding that they are negotiated in good faith and that the Commonwealth is committed to maintaining the terms of the agreement.</p> <p>Victoria will continue to engage with the Commonwealth and other jurisdictions to maintain the initial length and terms of NPs.</p>
<p>RECOMMENDATION 8: The Victorian Government should seek to negotiate and work with the Commonwealth Government to achieve a formalised and transparent funding model with indexation that considers appropriate factors relevant to specific areas of service delivery when negotiating and agreeing funding for each National Partnership Agreement. This would provide for fairer and more productive negotiation and discussion between the Commonwealth and Victoria about needs and priorities within specific service delivery areas.</p>	Support	<p>Victoria will continue to negotiate for funding to be indexed over time to maintain its real value, and that the indexation reflects factors appropriate to services to be delivered.</p> <p>Victoria supports the recommendation that negotiating transparent and explicitly indexed funding models would provide for fairer negotiation of NPs, however recognises that opportunities to do so can be limited by Commonwealth willingness to engage on these issues. Nevertheless, on a case-by-case basis, Victoria will attempt to increase the transparency of funding indexation, and negotiate the inclusion of relevant indexation factors in NPs.</p>
<p>RECOMMENDATION 9: The Victorian Government should negotiate and work with the Commonwealth Government to develop a robust process and mechanism to take appropriate account of population growth, service demand, and cost/price factors, in funding indexation formulas. This is critically important to maintain the relevance and effectiveness of National Partnerships as a realistic method of support for ongoing services, such as legal assistance and homelessness services, to vulnerable members of the Victorian community.</p>	Support	<p>Victoria supports the development of better and more consistent processes and mechanisms to index funding for ongoing services, although ideally funding for ongoing services such as legal assistance and homelessness would be transferred to a more appropriate agreement framework. Victoria will seek to pursue these issues, on a case-by-case basis, with the Commonwealth through relevant opportunities and processes to ensure that NPs are appropriately indexed.</p>
<p>RECOMMENDATION 10: The Victorian Government should stress to the Commonwealth Government the critical importance of longer term National Partnership Agreements, which provide some certainty around both future funding levels and the timing of the renegotiation of expiring agreements, or transitioning to other suitable and sustainable funding</p>	Support	<p>Victoria has advocated and will continue to advocate the importance of longer term NPs through COAG and COAG Councils.</p> <p>In early childhood and vocational education and training there are key NPs which are due to expire in the next two years – the Universal Access to Early Childhood Education NP expires in December 2017, the NP on the National Quality Agenda for Early Childhood Education and Care (NP NQA) expires in June 2018 and the Skills Reform NP expires in June 2017. Victoria endeavours to negotiate with the Commonwealth for longer-term NPs, including these</p>

Report on the inquiry into the impact on Victorian Government service delivery of changes to National Partnership Agreements		
PAEC recommendation	Response	Action to date and commitment to further action
arrangements. This would assist the efficient and effective delivery of important community services in Victoria and the achievement of effective outcomes for Victorians in receipt of those services.		agreements.
<p>RECOMMENDATION 11: There is a need for the Commonwealth Government to recognise that National Partnership funding enables the establishment of increased service capacity in a number of important areas of State service provision in the education and health sectors. In its negotiation with the Commonwealth Government, the Victorian Government should stress the need for longer term financial support for programs and initiatives which have proven to be effective in terms of their outcomes, such as programs to assist disengaged youth transition to training and/or employment opportunities.</p>	Support	<p>Victorian supports the need for longer-term financial support for programs and initiatives which have proven to be effective to support ongoing service delivery.</p> <p>Victoria reflects this position in the Annual State Treasurer's Expiring NP Report.</p> <p>Victoria will seek to incorporate greater regard for this principle in any further significant reform to federal financial relations progressed via Council on Federal Financial Relations (CFFR) and COAG, as well as through individual negotiations.</p>
<p>RECOMMENDATION 12: The Victorian Government should seek confirmation from the Commonwealth Government about its commitment to the clauses and provisions set out in National Partnership Agreements and seek to reach an agreement with the Commonwealth Government on a suitable process for renegotiating National Partnership Agreements, in the event of a change in Commonwealth Government policy and funding priorities.</p>	Support	<p>Victoria approaches NPs in the understanding that they are negotiated in good faith and that the Commonwealth is committed to maintaining the terms of the agreement.</p> <p>As outlined in the IGA FFR, when negotiating NPs, Victoria liaises with the Commonwealth to ensure that there are specific provisions in NPs for:</p> <ul style="list-style-type: none"> • renegotiation following expiry of the agreement • amendment to the agreement where there are changes to Commonwealth or State and Territory policy or funding priorities. <p>To the extent these must be renegotiated, Victoria will encourage the Commonwealth to engage early and openly through relevant fora, to assist planning and adjustment of services at the State and Territory level.</p>
Chapter 6, Other issues relating to the use of National Partnership Agreements		
<p>RECOMMENDATION 13: Victorian Government central agencies should present a strong case to the Council on Federal Financial Relations that National Partnership Agreements are an inappropriate funding mechanism for ongoing services and that there are</p>	Support	<p>Victoria will continue to present a strong case to CFFR that NPs are unsuitable for funding ongoing services.</p> <p>In the past Victoria has used processes such as the Annual State Treasurers' Expiring NP report to present this case to CFFR.</p>

Report on the inquiry into the impact on Victorian Government service delivery of changes to National Partnership Agreements		
PAEC recommendation	Response	Action to date and commitment to further action
significant benefits for both the Commonwealth and the State in moving the funding arrangements for these services to a more effective and appropriate recurrent funding arrangement		In the future, Victoria will pursue this principle through any future material reform to federal financial relations progressed through the CFFR, noting that this remains reliant on Commonwealth appetite for genuine reform.
<p>RECOMMENDATION 14:</p> <p>The Victorian Government central agencies should actively advocate, through the Council on Federal Financial Relations, for the development and agreement of clear and objective criteria to assess the continued suitability of National Partnership funding arrangements for the delivery of certain programs and services in Victoria. Such criteria could be used to determine whether funding should be placed on a more suitable and sustainable funding basis. This is especially critical where services are well established and there is evidence of increasing demand within the community.</p>	Support	<p>Victoria supports the recommendation that central agencies use CFFR to advocate for the use of criteria to assess the continued suitability of NPs for certain programs.</p> <p>There are existing guidelines, in the form of CFFR circulars and guidance material. In 2010 Heads of Treasuries prepared a report on the <i>Review of National Agreements, National Partnerships and Implementation Plans</i>, which includes detailed options for assessing the future of expiring NPs. These options were attached to the State Treasurers' 2012 Expiring NPs Report and broadly guide subsequent advice.</p>
<p>RECOMMENDATION 15:</p> <p>The Victorian Government should continue to enhance its engagement activity and processes with the Commonwealth Government in an effort to minimise the negotiation and administrative costs associated with National Partnership Agreements.</p>	Support	<p>When negotiating NPs, Victoria will continue seeking to reduce negotiation and administration costs, commensurate with the value and size of the NP and in line with the shared objectives in the IGA FFR.</p> <p>In some instances, the overarching financial or policy benefit to Victoria is deemed to be sufficient to warrant entering into an agreement despite incurring some negotiation and administrative costs. Victorian portfolio agencies do, and will continue to, work with central agencies to ensure that NPs comply with the principles and guidelines of the IGA FFR, which includes the principle that fewer and more strategic agreements will reduce the administrative burden for both the Commonwealth and the States and Territories.</p>
<p>RECOMMENDATION 16:</p> <p>In their negotiations with the Commonwealth Government, it is important that Victorian Government portfolio departments take action to ensure that National Partnership Agreements:</p> <ul style="list-style-type: none"> provide flexibility to allow for innovation and service delivery responses that reflect changing needs and evolving evidence of best practice within the State of 	Support	<p>Victoria supports this recommendation and notes that it is consistent with Victorian guidelines for negotiating IGAs.</p> <p>Central agencies will continue to provide support to portfolio departments negotiating NPs, to identify appropriate agreement design, avoid over prescription and comply with the principles of the IGA FFR to promote:</p> <ul style="list-style-type: none"> flexibility in delivery of services including through reduced Commonwealth prescription a focus on public outcomes not on reporting on financial or other input controls.

Report on the inquiry into the impact on Victorian Government service delivery of changes to National Partnership Agreements		
PAEC recommendation	Response	Action to date and commitment to further action
<p>Victoria; and</p> <ul style="list-style-type: none"> avoid over prescription by Commonwealth Government portfolio departments with regard to how funds provided by the Commonwealth are applied by the State. 		<p>Where draft agreements are overly prescriptive or highly inflexible, Victoria will negotiate with the Commonwealth to seek to have the relevant conditions omitted or redrafted.</p> <p>Victorian Departments will engage in active and ongoing consultation with the Commonwealth, both in terms of establishing the performance measures and ongoing refinement of program delivery.</p>
<p>RECOMMENDATION 17: The Victorian Government continue to work with the Commonwealth Government, local government and service providers to streamline data collection processes in an effort to enable more economic reporting on the effectiveness of National Partnership Agreements.</p>	Support	<p>Victoria supports the streamlining of data collection processes to enable more efficient reporting on the effectiveness of NPs, which can often be onerous and resource-intensive for departments.</p> <p>Victorian central agencies will continue to support this through coordination across negotiations, as relevant. Victoria notes that while the IGA FFR was intended to reduce the number and complexity of agreements between the States and Territories and the Commonwealth in order to focus governments' attention of reforms of national significance, in practice, there has been a proliferation of smaller agreements since the framework came into practice. While it is important to keep track of system outcomes it is doubtful that these smaller, often input focused, agreements warrant the same reporting framework which applies to reforms of national significance.</p>
<p>RECOMMENDATION 18: In negotiating National Partnership Agreements, Victorian Government portfolio agencies should ensure that key performance indicators and measures set out in Agreements are practical, appropriate and align with the objectives, principles and guidelines established under the Intergovernmental Agreement on Federal Financial Relations.</p>	Support	<p>Victoria supports this recommendation. In negotiating new NPs, Victoria seeks to ensure that they align with the IGA FFR, including containing performance indicators and outcomes are realistic, achievable and reasonable given the quantum of funding available and the expected benefits and risks to Victoria.</p> <p>During negotiations, the Commonwealth usually proposes the performance indicators against which implementation of the NP will be measured. Where these are unrealistic or unachievable, Victoria seeks to have them omitted or redrafted through the negotiation process.</p> <p>Consistent with recommendation 16 and with the principles of the IGA FFR, Victoria advocates to the Commonwealth for more flexibility in the way implementation is measured and assessed so that funding can be directed to those priorities that are likely to generate the best outcomes.</p>
<p>RECOMMENDATION 19: New reporting requirements prescribed in a National Partnership Agreement should be verified or audited against existing reporting and compliance requirements to minimise unnecessary duplication in data collection and reporting activity for Victorian Government departments and local service providers.</p>	Support	<p>Victoria supports this recommendation.</p> <p>Victoria does, and will continue to, engage with relevant stakeholders when negotiating NPs and developing appropriate Implementation Plans to minimise the relevant burden of reporting for service providers associated with performance indicators and measures.</p>

Report on the inquiry into the impact on Victorian Government service delivery of changes to National Partnership Agreements		
PAEC recommendation	Response	Action to date and commitment to further action
<p>RECOMMENDATION 20: Lead Victorian Government portfolio agencies, such as the Department of Health and Human Services and the Department of Education and Training, responsible for funding community sector organisations, should liaise with peak organisations, such as the Victorian Council of Social Service, the Victorian Healthcare Association and the Australian Charities and Not-for-Profit Commission, in an effort to streamline reporting requirements for community service providers.</p>	Support	<p>Victoria supports this recommendation. Victoria acknowledges the reporting burden on community sector organisations and notes that portfolio agencies liaise with community sector organisations to streamline reporting requirements, where appropriate.</p> <p>For example, Department of Education and Training provides funding to Victorian Council of Social Service (VCOSS) to implement the <i>DET-Victorian Community Sector Partnership Agreement 2014-18</i> and associated actions. This agreement outlines a shared vision for the Department of Education and Training and community sector organisations, through VCOSS, to improve the learning and development outcomes for Victorians, especially those who are experiencing vulnerability or disadvantage.</p> <p>To ensure alignment of VCOSS and DET activities, DET holds quarterly meetings of the partnership's governance group and co-hosts at least one annual roundtable or forum on a mutually relevant theme. There is also an expectation that both parties to the agreement will endeavour to promote the partnership and seek further ways in which the sectors can collaborate to bring about better learning and development outcomes for Victorians, which could include reporting requirements.</p>
<p>RECOMMENDATION 21: The Victorian Government portfolio departments and central agencies continue to actively negotiate with their Commonwealth Government counterparts for improvements and simplifications to intergovernmental reporting processes related to funding provided by the Commonwealth Government through National Partnership Agreements.</p>	Support	<p>Victoria supports this recommendation.</p> <p>Victoria agrees that portfolio departments and central agencies should continue to actively negotiate with their Commonwealth Government counterparts through COAG and its forums for improvements and simplifications to reporting processes where they are duplicative or unduly onerous compared with agreements of a similar size and value. This is consistent with the principles outlined in the IGAFFR, which seek to enhance the accountability of governments to the community through simpler, standardised and more transparent performance reporting by all jurisdictions.</p>
Chapter 7, Impact of changes to National Partnerships on the cost of living for Victorians		
<p>RECOMMENDATION 22: The Victorian Government should negotiate with the Commonwealth Government to ensure that indexation reflects appropriate factors relevant to the nature of the services being funded through National Partnership Agreements. This would assist in ensuring that Commonwealth financial support for State delivered government services and programs is more sustainable.</p>	Support	<p>Victoria will continue to negotiate for funding to be indexed over time to maintain its real value, and that the indexation reflects factors appropriate to services to be delivered.</p> <p>Victoria agrees that, where possible, indexation should reflect appropriate factors relevant to each NP. For example, funding provided by the Commonwealth for the Universal Access to Early Childhood Education NP does not adequately account for growth in population and funding for the National Quality Agenda NP does not account for growth in the number of services.</p> <p>Victoria will continue to negotiate with the Commonwealth to ensure that indexation reflects appropriate factors.</p>