

The Voice of the Profession

Institute of Public Administration Australia
Submission to Senate Select Committee on State Government Financial
Management

27th March 2008

Commonwealth and State/Territory Fiscal Relations: Funding to the States and Territories.

Background

1. The Institute of Public Administration is a public sector professional association whose aim is to promote excellence in the provision of public services in Australia. IPAA has approximately 5,000 members nationally.
2. In 2007 National IPAA developed some high level principles that might guide improvements to Australia's Federal arrangements.
3. These principles are relevant to the Senate Select Committee's terms of reference to enquire into fiscal relations between the Commonwealth and State/Territories.
4. The five points or principles concerning federalism were identified following a Roundtable of academic and practitioner experts hosted by IPAA and the Academy of Social Sciences Australia (ASSA), supported by commissioned research¹ and current literature. The Roundtable focused on the issues and challenges, as well as options and how to make Federalism work better.
5. The Roundtable was also provided with a paper produced by the Commonwealth Grants Commission entitled "Trends in Commonwealth-State Financial Relations: a Grants Commission Perspective". The Roundtable concluded that fiscal issues would become very important over the next twenty years and that national issues would need increased national leadership.
6. IPAA in conjunction with Griffith University and the Australian and New Zealand School of Government will be holding a follow up Roundtable on Federal Arrangements in Australia in October 2008 as per the attached programme.

Principles

IPAA's 5 points for improved federal relations

1. Clarification of future roles and responsibilities in priority areas including health, education, water and business regulation;
2. In areas of shared responsibilities, better clarification of respective roles to ensure efficient achievement of national objectives;
3. Recognition of the authority and expertise of the states in particular fields, including (but not limited to) place management through local, regional and city planning and the integration of community services;
4. Promotion of efficient public services that are responsive to regions and localities below the level of the states, with increased choice for individuals and families;
5. Stronger capacity to support inter-governmental relations, including through publicly available research and evaluation, as well as improved political and bureaucratic decision-making arrangements.

Comment

- The principles as above, were sent to heads of all governments in Australia, and many have responded to the suggestions in some detail.
- Victoria, South Australia, Queensland, Tasmania and Northern Territory all gave support for improving Commonwealth-State relations, identifying the opportunity available under the new Rudd Government's priority towards cooperative federalism.
- IPAA plans to follow-up this correspondence to encourage further consideration by all jurisdictions, particularly of those specific points or principles not currently supported actively.

Specific Reform Suggestions

The IPAA Federalism Roundtable of May 07 made the following broad reform suggestions to improve federal arrangements;

- Co ordinate the activities of ministerial councils – especially in relation to national agendas, whole of government concerns and longer term strategies.
- Provide COAG with a joint Commonwealth State permanent secretariat (perhaps allied to the Commonwealth Grants Commission or Productivity Commission) to advise on policy reforms, monitor projects and/or provide progress reports on agreed initiatives.

- COAG's prospective agenda should include a longer term and strategic menu.
- The 90 or more specific purpose payment schemes totalling some \$23 billion could be rationalised, to standardise their terms and conditions and to better focus on outcomes.
- Allow the Commonwealth to focus on national issues, single markets and functions within its own constitutional powers, and redistributive policies. Allow the States to focus on areas of service delivery.
- In areas of shared responsibilities, the Commonwealth and States/Territories should agree the broad parameters of their separate roles.
- Renew micro-economic agendas including the rationalisation of regulations, further harmonisation of standards and regulations. Extend mutual recognition regimes to the professions and professional services.
- COAG should encourage States/Territories to devolve and decentralise responsibilities within the States and Territories themselves.
- Reduce the duplicate administrative structures that have arisen between the Commonwealth and State/Territory jurisdictions. Address the proliferation of parallel or similar departments.
- Provide the States with a guaranteed revenue share to fund their responsibilities. The GST goes part way in this direction
- Use the community, public, private and academic sectors for ideas to provide wider perspectives and alternative view points are needed.

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Attachments

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¹ See the Australian Journal of Public Administration September 2007 Vol 66 No.3