8 Intergovernmental financial relations

Features

- The Australian Government collects 70.9 per cent of all government revenue, a large proportion of which is transferred to states and territories (states), which are primarily responsible for service delivery and infrastructure provision.
- Federal financial relations are critical to Queensland's ongoing recovery. Given the Australian Government's greater revenue-raising capacity, it is well-positioned to undertake and fund broad economic stimulus and income support measures where necessary to support businesses, communities and households.
- It is also critical that the Australian Government invests in productivity-enhancing and critical social infrastructure needed to support the Queensland Government's efforts to drive ongoing productivity and economic growth, and deliver essential services to Queensland's growing population.
- However, the Australian Government's planned large tax cuts for high-income earners, at a time when it is already experiencing structural deficit, is likely to erode its fiscal capacity and may lead to it reducing support for Queensland infrastructure and services.
- The Australian Government and state and territory governments continue to implement the new National Cabinet governance model, developed in the context of the COVID-19 crisis, and develop new funding and service delivery arrangements to meet the future demand for essential services.
- Australian Government payments represent approximately 49 per cent of all of Queensland's General Government revenue.
- It is estimated the Australian Government will provide the Queensland Government with $30.966 billion[1] in 2021–22 ($639 million more than in 2020–21), comprising:
  - $15.350 billion[2] in payments for specific purposes ($167 million less than 2020–21)
  - $15.616 billion in payments for general purposes ($807 million more than 2020–21).
- Payments for specific purposes in 2021–22 comprise:
  - $5.814 billion for National Health Reform funding
  - $5.630 billion for Quality Schools funding[3]
  - $3.253 billion for National Partnership payments (Infrastructure Investment Program, Disaster Recovery Funding Arrangements and COVID-19 response payments)
  - $334 million for National Housing and Homelessness funding

[1] Queensland Treasury estimate. Differs from estimate in Chapter 4, which also includes direct Australian Government payments to Queensland agencies for Australian Government own purpose expenditure.

[2] Total payments for specific purposes may not add due to rounding.

[3] Quality Schools funding includes payments for government schools (exclusive of GST) and non-government schools (inclusive of GST).

- $320 million for National Specific Purpose Payments (National Skills and Workforce Development).
- Payments to Queensland for specific purposes will be lower in 2021–22 primarily due to:
  - additional back payment from the DisabilityCare Australia Fund in 2020–21
  - payments for roads infrastructure in 2020–21, including funding for the National Land Transport Network, stimulus packages and other accelerated payments
  - one-year funding in 2020–21 for the JobTrainer Fund
  - additional funding provided in 2020–21 only for remote Indigenous housing.
- Payments for general purposes relate to GST revenue. In 2021–22, Queensland expects to receive $15.616 billion of GST revenue (including $24 million in Horizontal Fiscal Equalisation (HFE) transition payments). This is $807 million (5.4 per cent) more than in 2020–21. This is primarily due to an increase in the national GST pool, reflecting economic recovery from the COVID-19 crisis, and the Commonwealth Grants Commission recommending Queensland receive a larger share of GST.
- Queensland has 14 funding agreements expiring in 2020–21. While national funding was allocated in the 2021–22 Federal Budget to continue support in most of these areas, 2 of these agreements had no funding allocated beyond 2020–21. In relation to the remaining 12 policy areas, state funding allocations are yet to be determined and/or funding is to be provided under yet to be negotiated funding agreements.
- Of note, funding for public dental services for adults has been extended for another year to 2021–22, while the National Partnership Agreement on Universal Access to Early Childhood Education will initially be replaced by a new 4-year funding agreement covering the 2022 to 2025 preschool years.
- The Queensland Government provides considerable assistance to local governments, recognising the important services they provide to the community. In particular, a number of state grant programs are provided specifically to Indigenous councils, recognising the higher cost of providing services in remote locations.
- In 2021–22, the Queensland Government will provide a total of $1.447 billion in grants to local governments.

8.1 Federal financial arrangements

National governance

In May 2020, the Australian Government and state and territory governments agreed to new national governance arrangements.

First Ministers agreed to cease the Council of Australian Governments and permanently establish National Cabinet. National Cabinet meets regularly and is the intergovernmental forum for all First Ministers. National Cabinet is supported by National Cabinet Reform Committees covering priority areas of Health, Skills, Energy, Infrastructure and Transport, and Rural and Regional Development. Similarly, Treasurers meet as the Council on Federal Financial Relations.

The National Federation Reform Council (NFRC) was additionally established to address new areas of reform. The NFRC meets annually and is comprised of First Ministers, Treasurers and the Australian Local Government Association.

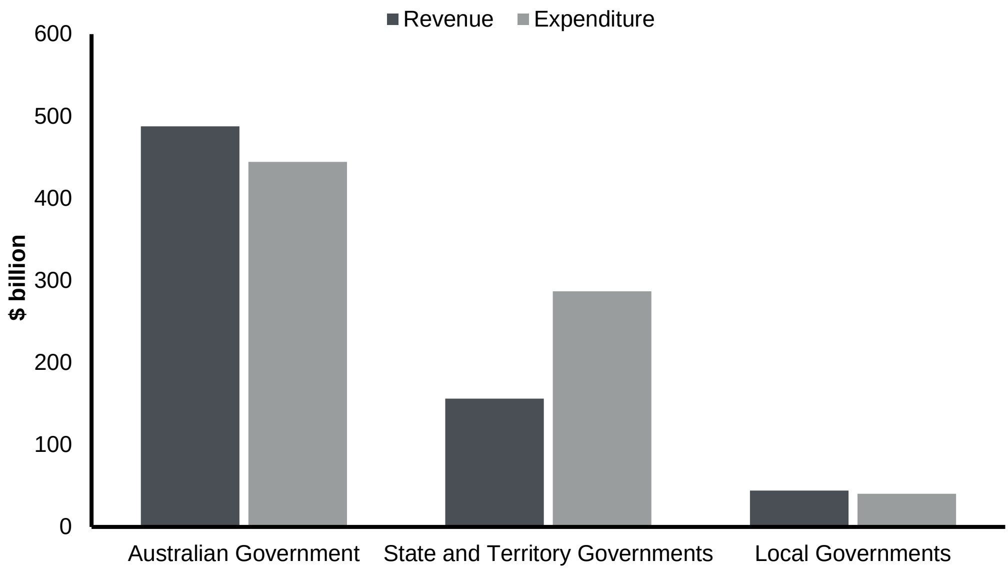
Vertical fiscal imbalance

Federal financial relations in Australia are characterised by different levels of government sharing responsibility for raising revenue and delivering services to communities.

The Australian Government has greater capacity to raise revenue than is required to meet its service delivery responsibilities. Conversely, states' ability to raise revenue is less than required to meet their service delivery and infrastructure responsibilities. This is called vertical fiscal imbalance (VFI) and requires the sharing of revenue between the Australian Government and states.

In 2019–20, the Australian Government collected the majority of government revenue (70.9 per cent), while states collected 22.7 per cent and local governments the remaining 6.4 per cent[1]. Chart 8.1 illustrates the revenue and expense disparity between the different levels of government.

Chart 8.1 Own-source revenue and expenses by levels of government, 2019–20[1,2]



Notes:

1. Revenue calculated as total revenue minus grant revenue.
2. Expenses calculated as total expenses minus grant expenses.

Source: ABS Government Finance Statistics.

[1] ABS Government Finance Statistics.

In Australia, VFI is addressed through a system of intergovernmental payments from the Australian Government to the states to address this imbalance between revenue raised and service delivery and infrastructure responsibilities. The Australian Government makes 2 types of payments in this regard:

- general revenue assistance payments (largely GST revenue) which can be used by states for any purpose ('untied' funding)
- payments for specific purposes ('tied' funding) such as National Specific Purpose Payments (SPPs), which are a contribution toward states' service delivery priorities, and National Partnership (NP) payments, which represent funding to support the delivery of specific outputs or projects and to facilitate or incentivise reforms.

Given the Australian Government's significant revenue raising capability, states are heavily reliant on these intergovernmental transfers in order to provide essential services and infrastructure to their communities.

Horizontal fiscal imbalance and horizontal fiscal equalisation

Another feature of federal financial relations is horizontal fiscal imbalance (HFI), which arises from disparities between the states' capacity to raise revenue and deliver services.

Some states can raise higher revenue and/or deliver services at a lower cost compared to other states, therefore providing the capacity to offer higher levels of services. Over time, absent of any equalisation, this would distort capital and labour mobility towards states providing a higher level of services.

To address HFI, GST revenue collected by the Australian Government is distributed to states with the objective of ensuring all Australians can expect to receive a comparable level of services and infrastructure, regardless of the state they reside in. This is known as horizontal fiscal equalisation (HFE). The Commonwealth Grants Commission (CGC) uses the principle of HFE in recommending to the Australian Government how GST revenue should be distributed to the states.

8.2 Australian Government funding to the states

In total across all states, the Australian Government estimates that it will provide funding of $148.982 billion in 2021–22, $6.531 billion (4.6 per cent) more than in 2020–21, comprising:

- $72.530 billion in payments as shares of general revenue assistance including GST revenue ($2.770 billion more than in 2020–21)
- $73.794 billion in payments for specific purposes ($3.072 billion more than in 2020–21) including:
  - $25.6 billion in National Health Reform funding, including $410.9 million in COVID-19 public health response funding
  - $24.439 billion in Quality Schools funding
  - $1.616 billion in National Housing and Homelessness funding

  - $20.562 billion in National Partnership payments (e.g. Infrastructure Investment Program, HomeBuilder and DisabilityCare Australia Fund) including COVID-19 initiatives[1] such as:
    - $1.516 billion for HomeBuilder
    - $339.1 million for the JobTrainer Fund
    - $130 million for family, domestic and sexual violence responses.
  - $1.578 billion in National Specific Purpose Payments (National Skills and Workforce Development).
- $2.658 billion in other payments to states, including:
  - $2.115 billion for GST top-up payments to Western Australia
  - $376.9 million for certain royalty payments to Western Australian
  - $41.7 million for municipal services to the Australian Capital Territory.

Australian Government payments for specific purposes may not fully fund all underlying programs. Some require states to provide matching contributions (e.g. JobTrainer Fund) or other, significant financial or in-kind contributions (e.g. Disaster Risk Reduction). This reduces budget flexibility for states, particularly where it is not a Queensland Government priority, or the Australian Government dictates specific conditions related to the funding.

[1] Queensland contributes to COVID-19 initiatives, including the COVID-19 public health response and the JobTrainer Fund.

Box 8.1 Eroding Australian Government fiscal capacity – a material risk to Queensland

In the 2021–22 Federal Budget, the Australian Government forecast that its net debt will grow to $980.6 billion by 2024–25.

A key contributor is that the Australian Government forecasts underlying cash deficits totalling $342.4 billion from 2020–21 to 2024–25, with expectations that the Federal Budget will still be in deficit by $57 billion (9.0 per cent of Australian Government estimated expenditure) in 2024–25. Despite these ongoing deficits, the Australian Government plans to pursue Stage 3 income tax cuts in 2024–25.

This presents a material long-term risk to all states. As a function of federal financial relations, the Australian Government has greater revenue raising capacity than states and territories. It collects approximately 70.9 per cent of tax revenue in Australia. A proportion of this revenue then flows to states in the form of Australian Government payments (general revenue assistance and payments for specific purposes).

Queensland will receive approximately $31 billion in Australian Government payments in 2021–22 (about 50 per cent of the state's total revenue).

In addition to pursuing income tax cuts, it is likely that the Australian Government will seek to reduce its payments to states, thereby requiring states to increase their level of funding or reduce services.

This would not be the first time an Australian Government has sought to reduce its expenses in this manner. In the 2014–15 Federal Budget, the Australian Government foreshadowed reducing its contributions to state-run public hospitals and schools by more than $80 billion in the period to 2024–25. This was met with significant resistance from states and eventually reversed.

Alternatively, it may look to apply generic cost benchmarks, ignoring a state's actual costs of service delivery, as has been evident in recent negotiations of funding agreements. This represents an effective cut in payments without a headline arbitrary cut.

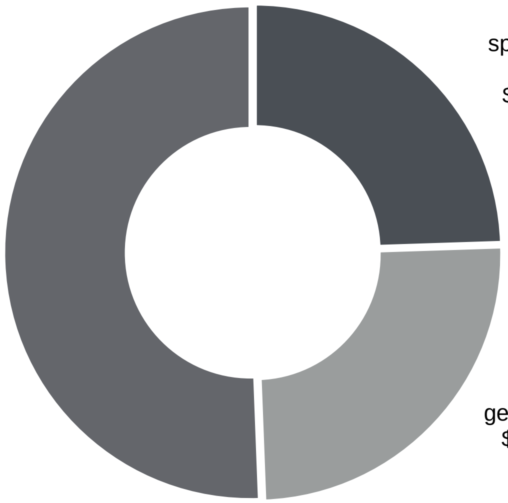
The Queensland Government will continue to advocate that the Australian Government provide an appropriate level of funding to support the state's delivery of essential infrastructure and services to all Queenslanders across the state.

8.3 Australian Government funding to Queensland

It is estimated the Australian Government will provide the Queensland Government with $30.966 billion in 2021–22 ($639 million more than in 2020–21).

Australian Government funding is estimated to account for 49 per cent of Queensland's total General Government Sector revenue sources in 2021–22 (shown in Chart 8.2). The proportion of Queensland's revenue derived from Australian Government funding has grown significantly from 35 per cent[1] at the time of the introduction of the GST in 2000.

Chart 8.2 General Government Sector revenue sources, Queensland 2021–22[1,2,3]



Notes:

1. Queensland own-source revenue figure includes direct Australian Government payments to Queensland departments for Australian Government own-purpose expenditure (e.g. financial assistance grants to local government and funding to HHS's).
2. Queensland Treasury estimates. Differs from Chapter 4 due to the inclusion of direct Australian Government payments to Queensland agencies for Australian Government own purpose expenditure.
3. Queensland own-source revenue includes taxation revenue, sales of goods and services and royalties and land rents.

Sources: 2021–22 Federal Budget Paper No. 3 and Queensland Treasury estimates.

[1] Per cent of Queensland's revenue derived from Australian Government Funding in 1999–00.

Box 8.2 Queensland's ongoing need for a fair share of Australian Government funding

Queensland has a large, diverse and geographically dispersed population that presents unique service delivery challenges.

Historically, the Australian Government has recognised these challenges by providing Queensland with a greater share of Australian Government payments for specific purposes.

While the value of payments to Queensland is estimated to increase, Queensland's share of national funding is set to decrease. The 2021–22 Federal Budget announced that the Australian Government intends to decrease Queensland's share of these payments over the next 2 years. In 2020–21, Queensland received 23.11 per cent of Australian Government payments, but this decreases to 21.55 per cent and 21.78 per cent in 2021–22 and 2022–23, respectively.

This occurs at a time when Queensland is experiencing faster population growth than any other state, with the Queensland Government needing to fund the necessary infrastructure and essential services to meet the demands of this growing population, the vast majority of whom are coming to Queensland from other states and territories.

Instead of supporting this growth in Queensland, the Australian Government has indicated it will increase investment elsewhere. For example, it will boost infrastructure payments to New South Wales and Victoria by at least $3 billion each, while directing only an additional $1.6 billion to Queensland.

This comes on the back of other decisions made by the Australian Government in recent years that have impacted on other major payments to Queensland, including GST revenue.

The Commonwealth Grants Commission independently calculates states' shares of GST revenue based on their relative revenue raising capacity and service delivery needs. As such, states with greater revenue raising capacity (e.g. Western Australia with mining royalties or New South Wales with transfer duty) require lesser shares of GST revenue and states with greater service delivery needs (e.g. Queensland) require greater shares of GST revenue.

However, in recent years, the Australian Treasurer has intervened in this process by directing the Commission to quarantine a range of Australian Government payments from their calculations. This artificially reduces some states' revenue raising capacities and guarantees them more GST, to Queensland's detriment.

In the last 6 years, the Australian Treasury has quarantined 24 Australian Government payments, but only one of those payments has been for a Queensland-specific program, remote housing.

The Queensland Government continues to strongly advocate for the Australian Government to ensure that Queensland receives its fair share of Australian Government payments, and for equitable consideration of Queensland's funding needs when determining the treatment of Australian Government payments in the context of GST.

8.4 GST revenue

In 2021–22, Queensland expects to receive $15.616 billion of GST revenue (including $24 million in HFE transition payments), an increase of $807 million (5.4 per cent) over 2020–21. This increase in GST revenue is primarily due to:

- the Australian Government forecasting a substantial increase in the national GST pool in 2021–22 compared with 2020–21, reflecting the ongoing economic recovery from COVID-19
- the Commonwealth Grants Commission (CGC) recommending to the Australian Government that Queensland should receive a larger share of GST.

Average annual growth in GST revenue of around 5 per cent is forecast across the 4 years ending 2024–25.

Revisions to the GST pool

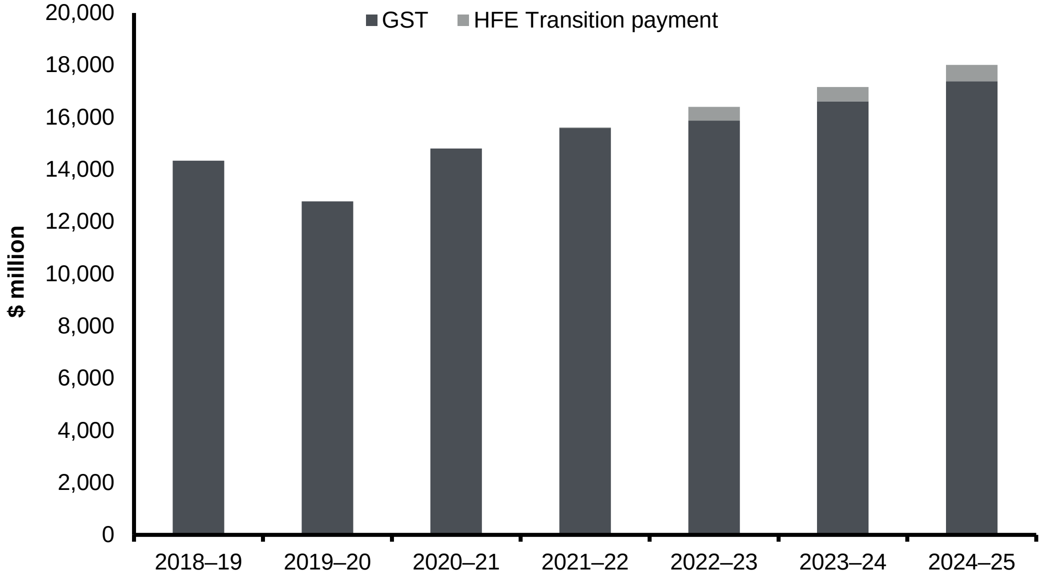
GST revenue is expected to grow across the forward estimates as the economy continues to recover from the impacts of the COVID-19 pandemic. Since the 2020–21 Federal Budget, the GST pool estimate is, in aggregate, around $26 billion higher over the years from 2020–21 to 2023–24.

In the 2021–22 Federal Budget, the Australian Government estimated the GST pool to total $72.53 billion in 2021–22, 4 per cent higher than 2020–21 and 9.7 per cent higher than forecast at the time of the 2020–21 Federal Budget.

Following growth of 4 per cent in 2021–22, the Australian Government forecast average annual growth of around 5 per cent in the GST pool over the 3 years to 2024–25.

Chart 4.9 compares GST revenue pool forecasts published in the 2020–21 Federal Budget and 2021–22 Federal Budget (including Final Budget Outcome for 2020–21), including the impacts of the Australian Government's payments for horizontal fiscal equalisation transition.

Chart 8.3 Estimated GST and HFE transition payments to Queensland, 2018–19 to 2024–25



Source: 2021–22 Federal Budget Paper No. 3 and past federal budget papers

GST – Queensland's assessed fiscal capacity

In early-2021, the Australian Government accepted the CGC's recommendation that Queensland requires a larger share of GST revenue in 2021–22 compared to 2020–21. The CGC's recommendation were driven by a range of factors, including the following:

- below-average growth in the value of property sales and higher growth in national land tax revenue also increased Queensland's assessed needs
- an increase in mining royalties for Western Australia led to a reduction in Queensland's relative capacity to generate mining revenue
- these changes were partly offset by revisions to state natural disaster relief expenses and above average growth in Australian Government payments.

States' shares of GST revenue fluctuate based on the CGC's assessment of their fiscal capacity and expenditure needs. The key drivers of changes to Queensland and all states' shares of GST mainly include the impacts of changes in royalties from iron ore in Western Australia and transfer duty in New South Wales.

Box 8.3 Australian Government changes to state shares of GST

In 2018, the Productivity Commission (PC) released a report on its Inquiry into Horizontal Fiscal Equalisation (HFE), the basis for determining states' shares of GST revenue. The purpose of the Inquiry was to investigate how GST distribution influences productivity, efficiency and economic growth.

One of the key drivers of the Inquiry was the Western Australian Government's claim that it carried a disproportionate burden in funding the federation because of its enhanced ability to raise mining royalties.

The Australian Government subsequently legislated changes to HFE in 2018 with the aim of improving the resilience of the HFE system against economic shocks and to reduce volatility.

Among the changes, states will no longer receive GST revenue to equalise them to the same standard as the fiscally strongest state. Instead states will be equalised to a 'similar standard'. Effectively, this will see states being equalised to the second strongest state.

Most states, including Queensland, did not support the changes when they were announced. Queensland maintains that the purpose of HFE is to ensure that all states have equal opportunity to provide a high-level of service to Australians no matter where they live. As such, if a state's capacity to raise own-source revenue increases, it should not need as much GST revenue to achieve this aim.

However, under the Australian Government's changes, the fiscally strongest state will now retain a greater share of GST revenue at the expense of all other states.

The Australian Government's changes are being implemented between 2019–20 and 2026–27. Changes only impacted Western Australia and the Northern Territory in the first 2 years, with all states impacted for the first time in 2021–22.

During the implementation and transition period (until end of 2026–27), states are protected from the adverse impacts of the changes by a 'no worse off' guarantee. Under the guarantee, the Australian Government will ensure that all states receive at least as much GST revenue as they would have under the previous system.

Queensland, like several other states, is concerned that these changes will ultimately lead to a fundamental reshaping of states' fiscal capacities.

Under the Australian Government's changes, Western Australia will benefit from heightened mining royalties without losing GST revenue. This will allow it to deliver more services, accrue less debt and implement lower taxes.

The Australian Government's payments under the 'no worse off' guarantee are estimated to total $7.6 billion over the forward estimates. When the guarantee expires at the end of 2026–27, this cost will be borne by states unless the Australian Government responds appropriately.

In attempting to fix a perceived problem, the Australian Government's unilateral changes could result in a substantial distortion of HFE and create a funding issue that states will need to grapple with in the future.

The Queensland Government, along with other states, will continue to engage with the Australian Government in advance of 2026–27 to provide greater certainty and fairness in relation to future GST payments in order to inform future state budgets.

8.5 Payments to Queensland for specific purposes

In 2021–22, Queensland expects to receive $15.350 billion in payments for specific purposes, $167 million (1.1 per cent) less than in 2020–21.

Table 8.1 Estimated payments to Queensland for specific purposes[1]

	2019–20 Actual $ million	2020–21 Est. Act. $ million	2021–22 Budget $ million
Skills and Workforce Development National Specific Purpose Payment	309	315	320
National Health Reform funding[2]	5,392	5,473	5,814
Quality Schools funding[3]	5,017	5,155	5,630
National Housing and Homelessness funding	321	328	334
National Partnership payments (incl. DRFA)	2,612	4,247	3,253
Total payments for specific purposes	**13,651**	**15,518**	**15,350**

Notes:

1. Numbers may not add due to rounding.
2. Includes funding for the COVID-19 public health response of $345.3 million in 2019–20, $229.7 million in 2020–21 and $83.2 million in 2021–22.
3. Quality Schools funding includes payments for government schools (exclusive of GST) and non-government schools (inclusive of GST).

Sources: 2021–22 Federal Budget Paper No. 3, 2020–21 Queensland Budget Paper No. 2 and Queensland Treasury estimates.

Payments for specific purposes comprise funding for National Health Reform, Quality Schools, National Housing and Homelessness, the Skills and Workforce Development National Specific Purpose Payment (SPP) and National Partnership (NP) payments.

In 2021–22, National Health Reform funding, which accounts for 37.9 per cent of the total payments for specific purposes, is estimated to increase by $341 million (6.2 per cent) from 2020–21 in line with expected growth in hospital activity.

National Health Reform funding from 2019–20 to 2021–22 includes funding for the COVID-19 public health response ($345.3 million in 2019–20, $229.7 million in 2020–21 and $83.2 million in 2021–22). The COVID-19 public health response funding in 2019–20 included contracted payments made to private hospitals, which were covered 100 per cent by the Australian Government.

Queensland projections of National Health Reform funding differ from the projections contained in the 2021–22 Federal Budget, as Australian Government projections assume higher activity growth than projected in service agreements between the Queensland Department of Health and Hospital and Health Services. Actual National Health Reform payments vary from estimates provided in budget papers as they are based on actual public hospital activity delivered each year.

Quality Schools funding, which accounts for 36.7 per cent of the total payments for specific purposes, is estimated to increase by $475 million (9.2 per cent) to $5.630 billion in 2021–22.

National Housing and Homelessness funding is estimated to increase by $6 million (1.8 per cent) in 2021–22 due to additional funding allocated by the Australian Government in the 2021–22 Federal Budget to support social and community service workers in the housing and homelessness sectors. This funding is subject to further negotiation with the Australian Government.

The Skills and Workforce Development SPP is expected to increase by $5 million (1.6 per cent) in 2021–22 compared to 2020–21. The Australian Government and state and territory governments are currently working towards finalising a new National Skills Agreement to replace the National Agreement for Skills and Workforce Development.

NP payments (including Disaster Recovery Funding Arrangements (DRFA)), which account for 21.2 per cent of the total payments for specific purposes, are estimated to decrease by $994 million (23.4 per cent) in 2021–22 compared to 2020–21. A significant proportion of NP payments is allocated to infrastructure, DRFA and community services (refer to Chart 8.4).

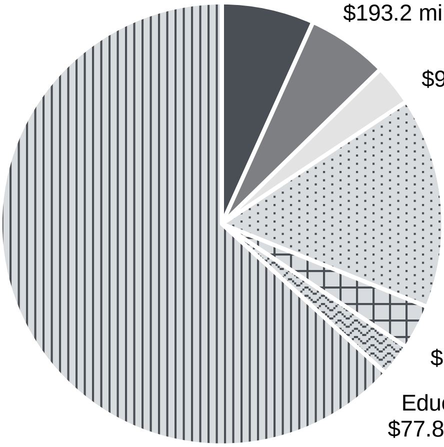
The reduction in payments for specific purposes between 2020–21 and 2021–22 is mainly due to:

- an additional back payment in 2020–21 from the DisabilityCare Australia Fund for reimbursement of state expenditure on the National Disability Insurance Scheme in previous years
- significant Australian Government funding payments for roads infrastructure in 2020–21, including $400 million for the National Land Transport Network as part of the Inland Rail agreement, stimulus packages and other Australian Government payments accelerated in 2020–21
- one-year funding for the JobTrainer Fund in 2020–21. In the 2021–22 Federal Budget, the Australian Government announced an extension to the JobTrainer Fund over 2 years, with matched contributions expected from states and territories[1]
- additional funding in 2020–21 to Queensland to assist with costs associated with the provision of remote housing.

---

[1] Funding not included in 2021-22, as subject to negotiation of agreement

Chart 8.4 National Partnership Payments by sector, 2021–22[1]



Note:

1. Excludes Australian Government funding to local government and payments direct to Queensland Government departments for Australian Government own-purpose expenditure.

Sources: 2021–22 Federal Budget Paper No. 3 and Queensland Treasury estimates.

8.5.1 Projections of payments for specific purposes to Queensland

Across the forward estimates, total payments for specific purposes are expected to steadily increase, with average growth of approximately 3.7 per cent between 2021–22 and 2024–25.

While increases in overall funding are welcome, having those payments tied to specific purposes and Australian Government criteria does impact states' capacity to respond to local needs, reduces states' budget flexibility, adds administrative costs, and impacts on the achievement of state policy outcomes and priorities. This negative impact is amplified when funding is conditional on states' matching Australian Government funding, unrealistic timeframes, national price benchmarks and competing priorities.

Under the Addendum to the National Health Reform Agreement, the Australian Government will fund 45 per cent of efficient growth in hospital activity subject to a national growth cap of 6.5 per cent per annum. National Health Reform funding for Queensland is expected to increase broadly in-line with the conditions set by the Australian Government.

Growth in Quality Schools funding for Queensland is expected to average 4.5 per cent between 2021–22 and 2024–25 as a result of enrolment growth and increased funding per student. Queensland is expecting to receive $9.321 billion for state schools and $14.894 billion (including GST) for non-government schools from 2021–22 to 2024–25.

Subject to further negotiations with the Australian Government, funding under the National Housing and Homelessness Agreement is expected to increase in 2021–22 and 2022–23 due to additional funding to support social and community service workers in the housing and homelessness sectors.

8.5.2 Expiring agreements

Under the Intergovernmental Agreement on Federal Financial Relations, the Australian Government provides time-limited funding to states and territories through NP payments to support the delivery of specific projects, facilitate reforms or reward states that deliver on reforms or achieve service delivery improvements.

However, over time, some NPs have been extended beyond their intended time-limited purpose. NPs were never intended, and are not considered the optimal way, to fund ongoing community service needs.

Conversely, when NP agreements expire, states have been left with limited opportunities to deal with the expiring NP as the final decision on continued funding is made through the Australian Government's budget process. The expiry of many large NPs over the last few years, such as the National Partnership on Remote Housing, which has required Queensland to invest approximately $100 million a year, has highlighted this risk.

Unilateral termination by the Australian Government of funding for essential programs, with little or no notice, impacts on states' ability to plan, budget and continue delivering essential services to communities. Early indication as to the continuation, lapse or other treatment of funding for an expiring agreement is necessary to enable states to effectively manage their service delivery responsibilities.

There are 14 agreements[1] expected to expire in 2020–21:

- Essential vaccines
- Improving trachoma control services for Indigenous Australians
- Encouraging more clinical trials in Australia
- Expansion of the BreastScreen Australia program
- Rheumatic fever strategy
- Public dental services for adults
- National Infection Control Training Fund
- North Queensland strata title inspection scheme
- COVID-19 domestic and family violence responses
- On-farm emergency water infrastructure rebate
- National varroa mite eradication program
- Implementing water reform in the Murray-Darling Basin
- Small business regulatory reform
- Remote self-isolation facilities.

[1] Includes any expiring schedules to Federation Funding Agreements.

Of these expiring agreements, the National Infection Control Training Fund and Remote self-isolation facilities have no funding allocated beyond 2020–21 in the 2021–22 Federal Budget.

National funding was allocated in the 2021–22 Federal Budget to continue support in the remaining 12 policy areas, however state funding allocations are yet to be determined and/or funding is to be provided under yet to be negotiated funding agreements.

The 2021–22 Federal Budget provides for a one-year extension for Public Dental Services for Adults to 2021–22. Queensland is expecting $21.7 million under the extension. While this funding is welcomed, short-term extensions create significant uncertainty for the sector and for Queenslanders who use these services. Queensland continues to advocate for a long-term funding arrangement from the Australian Government for this agreement.

The 2021–22 Federal Budget also committed funding over the forward estimates for Essential Vaccines ($18.7 million from 2020–21 to 2024–25), indicating broad support for the program's continuation.

A further 17 agreements are expected to expire in 2021–22. Of note, the current National Partnership Agreement on Universal Access to Early Childhood Education only covers service delivery to 31 December 2021.

The 2021–22 Federal Budget also announced $1.6 billion nationally over 4 years from 2021–22 and then $589 million per year (indexed) to provide an ongoing Australian Government funding contribution to preschool. Funding for the 2022 to 2025 preschool years will be delivered through a new 4-year funding agreement to be negotiated with states and territories.

8.6 State-local government financial relations

The Queensland Government allocates considerable funding in the Queensland Budget to support local governments across the state. The Queensland Government acknowledges the shared responsibilities in serving the people of Queensland and the critical role local governments play in supporting their local communities.

In 2021–22, the Queensland Government will provide a total of $1.447 billion in grants to local governments.

This includes current, capital and asset grants to local government authorities and Indigenous councils, as well as Australian Government grants paid through the state to local governments.

Grants to local governments are delivered through numerous Queensland Government departments and agencies for a variety of purposes, including through the programs discussed below.

Significant stimulus delivered in response to the COVID-19 pandemic included the COVID Works for Queensland program and the Unite and Recover Community Stimulus Package. These initiatives have assisted Queenslanders in the ongoing economic recovery.

As part of the 2021–22 Queensland Budget, the Works for Queensland program received an additional $200 million and the SEQ Community Stimulus Program received an additional $150 million in funding, to enable investment in new infrastructure and community assets that create jobs in local communities.

A summary of grant programs that are exclusively available to local governments are listed in Table 8.2.

Table 8.2 Grant programs exclusively available to local governments

Program name	Description	Total funding (from 2015–16 to 2024–25)
Works for Queensland	Supports local governments in regional areas to undertake job creating maintenance and minor infrastructure works.	$900 million[1]
COVID Works for Queensland	Supports all local governments to respond to and recover from the COVID-19 pandemic to deliver job creating new infrastructure, maintenance or minor works projects.	$200 million
South East Queensland (SEQ) Community Stimulus Program	Supports South East Queensland local governments to fast-track investment in new infrastructure and community assets that create jobs and deliver economic stimulus to local communities.	$150 million[2]
Unite and Recover Community Stimulus Package	Supports SEQ local governments to recover from the COVID-19 pandemic by fast-tracking investment in new infrastructure and community assets that create jobs and deliver economic stimulus to local communities.	$50 million
Transport Infrastructure Development Scheme	Provides targeted investment in regional local government transport infrastructure.	$700 million
Building our Regions	Provides funding for critical infrastructure in regional areas to support economic development, including generating jobs.	$418.3 million[3]
Local Government Grants and Subsidies Program	Provides funding for priority infrastructure projects that will enhance sustainable and liveable communities.	$286.5 million[4]
Coastal Hazard Adaptation Program – QCoast2100	Assists coastal local governments to prepare plans and strategies for addressing the impact of climate change.	$15 million
Queensland Water Regional Alliances Program	Assists regional councils to collaborate and improve the efficiency and administration of water infrastructure.	$6 million

In addition to the above grant programs, the Queensland Government has signed the National Partnership Agreement on Disaster Risk Reduction, which is a 5-year partnership between the Australian Government and the states to support disaster mitigation projects and build resilience to natural disasters. This fund is administered by the Queensland Reconstruction Authority (QRA) and replaces the Queensland Disaster Resilience Fund.

[1] Total funding of $1 billion for Works for Queensland referenced in other sections of this budget paper relate to a longer time period.

[2] Total funding of $200 million for SEQ Community Stimulus Program referenced in other sections of this budget paper relate to a longer time period.

[3] Figure includes $70 million in new funding for Building our Regions Round 6.

[4] Funding is ongoing. Figure is based on current projections.

The QRA also administers the Disaster Recovery Funding Arrangements which is a joint funding initiative of the Queensland and Australian Governments to provide disaster relief and recovery payments to help communities recover following the effects of natural disasters. Under these arrangements the government administers significant funding (over $700 million) to provide disaster relief and assist with reconstruction of local government infrastructure damaged during natural disasters. The amount of funding administered is dependent on the final number and value of claims submitted.

The Queensland Government also understands there are added challenges faced by Indigenous councils, which are often located in very remote areas of the state, to ensure their communities have access to essential services and critical infrastructure. To address these challenges, the government has allocated substantial funding to specifically support Indigenous councils and their communities.

A summary of grant programs available to Indigenous councils and their communities are listed in Table 8.3.

Table 8.3 Grant programs to support Indigenous councils and their communities

Program name	Description	Total funding (from 2015–16 to 2024–25)
Indigenous Councils Critical Infrastructure Program	Contributes to the cost of water, wastewater and solid waste infrastructure in Indigenous communities.	$120 million
Major Infrastructure Program	Deliver environmental health and other infrastructure upgrades within the Torres Strait Island Regional Council, Torres Shire Council and Northern Peninsula Area Regional Council areas.	$15 million
State Government Financial Aid	A financial contribution (in lieu of rates) to meet the costs incurred by Indigenous councils in the provision of local government services.	$354.4 million[1]
Indigenous Local Government Sustainability Program (2016–18)	Assisted Indigenous councils to increase their capacity, capability and sustainability.	$8.2 million

[1] Funding is ongoing. Figure is based on current projections.