

7 Intergovernmental financial relations

Features

- The federal financial relations framework recognises that coordinated action and clear lines of responsibility for funding and service delivery are crucial for maximising economic and social outcomes and to strategically position the nation for the future.
- One of the Australian Government’s functions under this framework is to provide funding to states to deliver essential services and infrastructure, representing approximately 45 per cent of all Queensland’s General Government revenue in 2024–25.
- It is estimated the Australian Government will provide the Queensland Government with \$39.811 billion in 2024–25 (\$622 million more than in 2023–24), comprising:
 - \$19.923 billion¹ in payments for specific purposes (\$699 million more than 2023–24)
 - \$1.364 billion in other Australian Government grants, including payments direct to Queensland Government agencies for Australian Government own-purpose expenditure (\$857 million more than 2023–24)
 - \$18.525 billion in payments for general purposes (\$934 million less than 2023–24). Further detail is provided in Chapter 4.
- Payments for specific purposes to Queensland in 2024–25 include:
 - \$7.070 billion for National Health Reform funding
 - \$6.980 billion for Quality Schools funding²
 - \$5.067 billion for National Partnership payments (including the Infrastructure Investment Program, Disaster Recovery Funding Arrangements (DRFA), National Energy Bill Relief, the South East Queensland City Deal and the Brisbane 2032 Olympic and Paralympic Games)
 - \$450 million for National Skills Agreement funding
 - \$355 million for National Agreement on Social Housing and Homelessness funding.
- The Queensland Government provides considerable assistance to local governments, recognising the important services they provide to the community, and will provide a total of \$3.550 billion to local governments in 2024–25.

7.1 Federal financial arrangements

The Australian Government has greater capacity to raise revenue than is required to meet its service delivery responsibilities. Conversely, states and territories’ (states) ability to raise revenue is less than required to meet their service delivery and infrastructure responsibilities. This vertical

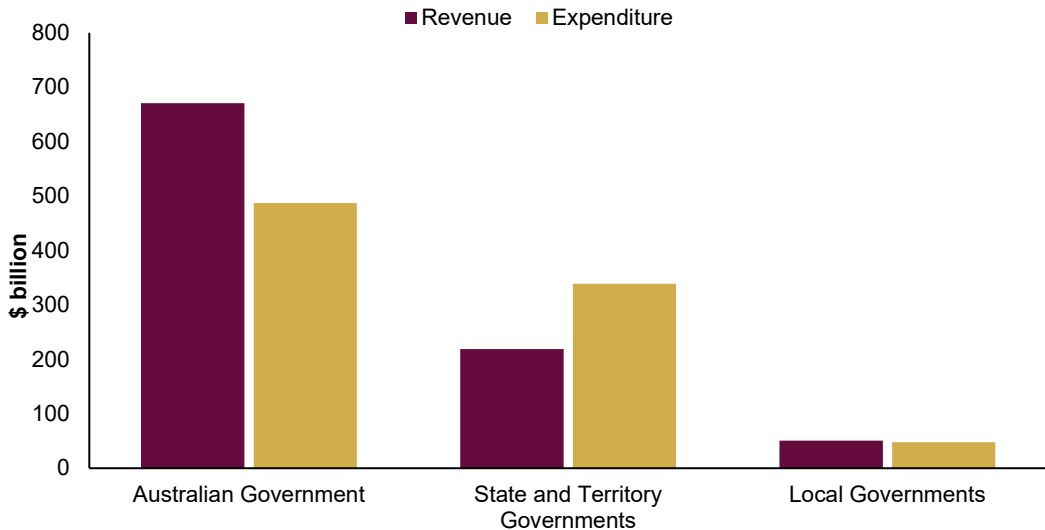
¹ Total payments for specific purposes may not add due to rounding.

² Quality Schools funding includes payments for government schools (exclusive of GST) and non-government schools (inclusive of GST).

fiscal imbalance (VFI) is addressed through a system of intergovernmental payments from the Australian Government to the states.

In 2022–23 the Australian Government collected 71.3 per cent of government revenue nationally, while states collected 23.3 per cent, with local governments responsible for the balance (5.4 per cent). Chart 7.1 illustrates the revenue and expense disparity between the different levels of government.

Chart 7.1 Own-source revenue and expenses by levels of government, 2022–23^{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.

To address VFI, the Australian Government makes 2 types of payments:

- 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:
 - payments for National Health Reform, the National Skills Agreement, the National Agreement on Social Housing and Homelessness and Quality Schools funding, which are a contribution toward states' service delivery priorities
 - National Partnership (NP) payments, which represent funding to support the delivery of specific priorities, 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 to provide essential services and infrastructure.

As part of the national governance arrangements, the Council on Federal Financial Relations — CFFR; chaired by the Australian Treasurer and comprising all state Treasurers — oversees national agreements and transfers between the Australian Government and states.

States have also formed the Board of Treasurers (the Board) to collaborate on common issues, advance national reform priorities from state perspectives, and promote united agenda setting in federal affairs. The Board is chaired by a state Treasurer on a rotational basis for a calendar year — Queensland was the Chair in 2023 and Western Australia is the Chair in 2024.

Key priority areas for CFFR and the Board in 2024 include health, housing, education, disability services, productivity and regulatory reform, and infrastructure. Part of Treasurers' work on these priority areas includes overseeing negotiations of several major funding agreements that expire within the next 12 months (see Box 7.1).

This chapter largely focuses on the Australian Government's payments for specific purposes (sections 7.2 to 7.4). Detail on GST revenue is provided in Chapter 4. Information on State–Local Government Relations is provided in section 7.5.

7.2 Australian Government funding to states and territories

In the *2024–25 Federal Budget Paper No.3: Federal Financial Relations*, the Australian Government estimates it will provide funding of \$185.931 billion in 2024–25 across all states, which is \$9.859 billion (or 5.6 per cent) more than in 2023–24, comprising:

- \$93.7 billion in payments as shares of general revenue assistance (i.e. GST revenue) (\$2.369 billion more than in 2023–24)
- \$91.519 billion in payments for specific purposes (\$7.554 billion more than in 2023–24) including:
 - \$30.156 billion in Quality Schools funding
 - \$30.149 billion in National Health Reform funding
 - \$2.432 billion in National Skills Agreement funding
 - \$1.778 billion in National Agreement on Social Housing and Homelessness funding
 - \$3 billion in National Energy Bill Relief funding
 - \$24.004 billion in National Partnership payments.
- \$711.4 million in other payments to states, including:
 - \$666.1 million for certain royalty payments to Western Australia
 - \$45.4 million for municipal services to the Australian Capital Territory.

Australian Government payments for specific purposes may not fully fund all underlying programs. Most require states to provide matching financial or in-kind contributions. This reduces budget flexibility for states, particularly in cases where programs are not Queensland Government priorities or where the Australian Government dictates specific conditions related to the funding.

Box 7.1 Major funding agreements expiring in the next 12 months

The Queensland Government is committed to collaborating with the Australian Government to secure sustainable and long-term funding arrangements for major service delivery and infrastructure funding agreements expiring within the next 12 months.

These agreements include the National Health Reform Agreement, National School Reform Agreement, National Housing and Homelessness Agreement and Land Transport Infrastructure Projects Agreement.

Combined, these 4 agreements account for \$16.691 billion (83.8 per cent) of the \$19.923 billion Queensland will receive in 2024–25 in specific purpose funding from the Australian Government.

Housing

The National Housing and Homelessness Agreement (NHHA) – an agreement between the Australian and state and territory governments to improve access to secure and affordable housing and homelessness services – will expire on 30 June 2024.

On 31 May 2024, Queensland signed a new 5-year National Agreement on Social Housing and Homelessness (NASHH), commencing 1 July 2024. Under the agreement, the Australian Government will contribute funding to the effective operation of Australia’s social housing and homelessness services and help those people who are at risk or are experiencing homelessness.

Health

The 2020–25 Addendum to the National Health Reform Agreement (NHRA) – an agreement between the Australian and state and territory governments to improve health outcomes for all Australians and ensure a sustainable health system – will expire on 30 June 2025.

Through this agreement the Australian Government contributes funds to states and territories for public hospital services, including services delivered through emergency departments, hospitals, and community health settings.

On 6 December 2023, National Cabinet endorsed reforms to strengthen the health system including increasing the Australian Government’s NHRA contribution to 45 per cent over a 10-year glide path from 1 July 2025 to 30 June 2035, with an achievement of 42.5 per cent before 2030, as well as a more generous approach to the funding cap.

The Queensland Government is working with the Australian Government to embed these long-term and system-wide structural health reforms in the new NHRA to achieve a sustainable and efficient health system that will give Australians better access to health services they need, when they need it.

Education

The National School Reform Agreement (NSRA) – an agreement between the Australian and state and territory governments to lift student outcomes across Australian schools – will expire at the end of 2024.

As the majority funder and operator of government schools, the Queensland Government is working with the Australian Government to ensure a well-resourced school system that enables better learning and wellbeing outcomes for all Queensland school students.

Land transport infrastructure

The National Partnership Agreement on Land Transport Infrastructure Projects – an agreement between the Australian and state and territory governments to deliver nationally significant infrastructure projects – will expire on 30 June 2024.

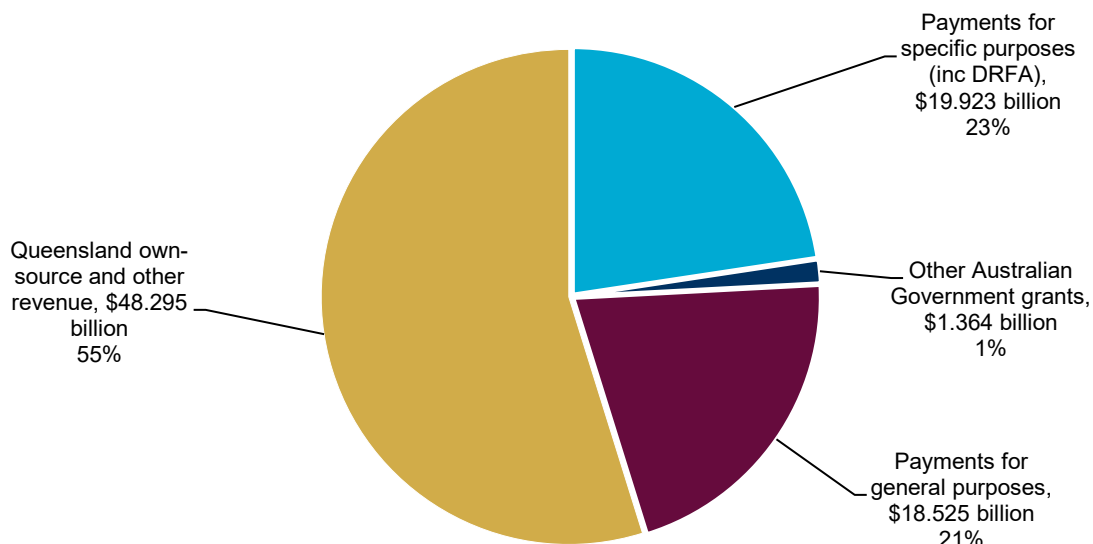
The Queensland Government will continue to advocate for the state's fair share of national infrastructure funding to ensure Queensland will not be worse off and that the Australian Government maintains its current level of funding for transport corridors that connect the state's dispersed population centres.

7.3 Australian Government funding to Queensland

It is estimated the Australian Government will provide the Queensland Government with \$39.811 billion in 2024–25 (\$622 million more than in 2023–24).

Australian Government funding is estimated to account for 45 per cent of Queensland's total General Government Sector revenue sources in 2024–25 (shown in Chart 7.2).

Chart 7.2 General Government Sector revenue sources, Queensland 2024–25^{1,2}



Notes:

1. Queensland own-source and other revenue figure includes taxation revenue, sales of goods and services, royalties and land rents.
2. Queensland Treasury estimates. Other Australian Government grants include payments direct to Queensland Government agencies for Australian Government own-purpose expenditure.

Sources: 2024–25 Federal Budget Paper No. 3 and Queensland Treasury estimates.

Box 7.2 Foundational supports for people with disability

On 6 December 2023, National Cabinet agreed an initial response to the National Disability Insurance Scheme Review to secure the future of the NDIS and jointly develop and fund additional foundational supports for people with a disability. These were agreed alongside reforms to the National Health Reform Agreement (NHRA).

National Cabinet agreed funding for foundational supports would be split 50/50 by the Australian Government and states with costs to states capped and states and territories to be better off under the combined health and disability reforms.

National Cabinet tasked the Council on Federal Financial Relations (CFFR) to oversee the funding and costings for foundational supports and settle final funding details.

Queensland’s contribution is contingent on ongoing negotiation with the Australian Government on foundational supports and the finalisation of a new NHRA.

The Queensland Government is committed to working with the Australian Government to negotiate a deal that honours the National Cabinet agreement guaranteeing Queensland would be fiscally better off across both disability and health agreements and ensures Queenslanders with disability can access the right mix of support they need at the right time in a connected and inclusive way.

7.4 Payments to Queensland for specific purposes

In 2024–25, Queensland expects to receive \$19.923 billion¹ in payments for specific purposes, \$699 million (3.6 per cent) more than in 2023–24.

Payments for specific purposes comprise funding for National Health Reform, Quality Schools, National Skills Agreement, National Agreement on Social Housing and Homelessness, and NP payments.

¹ Queensland Treasury estimates.

Table 7.1 Estimated payments of Australian Government grants¹

	2022–23 Actual \$ million	2023–24 Est. Act. \$ million	2024–25 Budget \$ million
Payments for specific purposes			
National Health Reform funding ²	6,226	6,699	7,070
Quality Schools funding ³	6,255	6,769	6,980
National Skills Agreement funding ⁴	331	391	450
National Agreement on Social Housing and Homelessness funding ⁵	344	355	355
National Partnership payments (incl. DRFA)	4,927	5,009	5,067
Total payments for specific purposes	18,083	19,223	19,923
Other Australian Government grants ⁶	1,461	506	1,364
Total payments for specific purposes and other Australian Government grants	19,545	19,730	21,286
Notes:			
1. Numbers may not add due to rounding.			
2. Includes funding for the COVID-19 public health response of \$188.707 million in 2022–23. The National Partnership on COVID-19 Response expired on 31 December 2022.			
3. Quality Schools funding includes payments for government schools (exclusive of GST) and non-government schools (inclusive of GST).			
4. The National Skills Agreement commenced on 1 January 2024, replacing the National Agreement on Skills and Workforce Development.			
5. The National Agreement on Social Housing and Homelessness will replace the National Housing and Homelessness Agreement from 1 July 2024.			
6. Includes direct Australian Government payments to Queensland agencies for Australian Government own-purpose expenditure (e.g. financial assistance to local governments and funding to Hospital and Health Services).			
<i>Sources: 2024–25 Federal Budget Paper No. 3 and Queensland Treasury estimates.</i>			

In 2024–25, National Health Reform funding, which accounts for 35.5 per cent of the total payments for specific purposes, is estimated to increase by \$371 million (5.5 per cent) from 2023–24.

Queensland Government projections of National Health Reform funding differ from the projections contained in the 2024–25 Federal Budget as Australian Government projections represent cash payments made in the financial year (rather than the entitlement amount for the financial year) and include adjustments for services delivered in prior years. Actual National Health Reform payments vary from estimates provided in budget papers as they are based on actual public hospital activity delivered each year.

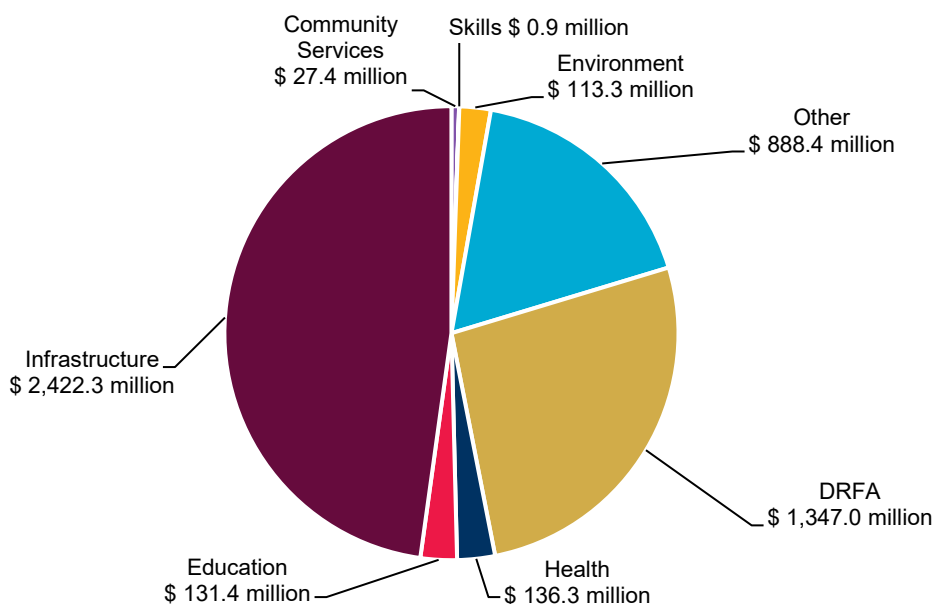
Quality Schools funding, which accounts for around 35 per cent of total payments for specific purposes, is estimated to increase by \$212 million (3.1 per cent) to \$6.980 billion in 2024–25.

The National Skills Agreement (NSA) commenced on 1 January 2024, replacing the National Agreement on Skills and Workforce Development (NASWD). Funding in 2023–24 reflects combined estimates for NASWD (1 July 2023 to 31 December 2023) and the NSA (1 January 2024 to 30 June 2024). NSA funding is estimated to increase by \$59 million (15 per cent) to \$450 million in 2024–25.

The National Agreement on Social Housing and Homelessness (NASHH) will replace the National Housing and Homelessness Agreement (NHHA) from 1 July 2024. NASHH funding in 2024–25 is \$355 million, which is unchanged from 2023–24.

NP payments (including DRFA) account for 25.4 per cent of the total payments for specific purposes in 2024–25. It is estimated to increase by \$58 million (1.2 per cent) from 2023–24 to 2024–25. A significant proportion of NP payments in 2024–25 is allocated to infrastructure, DRFA and other (refer to Chart 7.3).

Chart 7.3 National Partnership Payments by sector, 2024–25¹



Note:

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

Sources: 2024–25 Federal Budget Paper No. 3 and Queensland Treasury estimates.

The increase in NP payments in 2024–25 is mainly due to the Australian Government extending its Energy Bill Relief Fund, to provide \$300 to all Queensland households and \$325 to small businesses in 2024–25. Increases in NP payments are partly offset by the cessation of Australian Government funding under the DisabilityCare Australia Fund.

Other Australian Government grants include payments direct to Queensland Government agencies for Australian Government own-purpose expenditure.

In 2024–25, Queensland expects to receive \$1.364 billion in other Australian Government grants, \$857 million (169.2 per cent) more than in 2023–24. The significant increase is mainly due to the Australian Government's bring forward of financial assistance to local governments from 2023–24 to 2022–23.

7.4.1 Projections of payments for specific purposes to Queensland

Across the forward estimates, total payments for specific purposes (including DRFA payments) are expected to increase modestly, with average growth of approximately 1.2 per cent between 2024–25 and 2027–28. If the impact of DRFA payments is removed, the average growth of total payments for specific purposes is expected to be 3.6 per cent between 2024–25 and 2027–28.

National Health Reform funding is expected to grow by an average of 6.5 per cent over the forward estimates. Under the NHRA, 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. Current estimates are based on this methodology.

Growth in Quality Schools funding for Queensland is expected to average 3.8 per cent between 2024–25 and 2027–28 in line with enrolment changes, increased funding per student and legislated Australian Government funding shares. Queensland is expecting to receive \$10.768 billion for state schools and \$18.796 billion (including GST) for non-government schools from 2024–25 to 2027–28.

DRFA payments of \$3.796 billion are estimated from 2023–24 to 2026–27. These mainly reflect Australian Government funding for eligible expenditure under DRFA for Queensland disaster events in 2021–22, 2022–23 and 2023–24.

7.4.2 Expiring agreements

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

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 services to meet community needs.

Expiring NP agreements that support long standing and effective services or programs leave states with limited opportunities to appropriately manage consequences as final funding decisions are made through the Australian Government's budget process.

Early indication from the Australian Government 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 29 agreements¹ expected to expire in 2023–24. At the 2024–25 Federal Budget, the Australian Government allocated funding beyond 2023–24 for 17 expiring agreements, including the following key agreements:

- National Partnership Agreement on Land Transport Infrastructure Projects – a new 5-year agreement is currently under negotiation, with funding allocated over the forward estimates
- Management of Torres Strait / Papua New Guinea cross-border health issues – funding extended to 2027–28
- Mosquito control in the Torres Strait Protected Zone – funding extended to 2027–28
- Addressing blood-borne viruses and sexually transmissible infections in the Torres Strait – funding extended to 2027–28
- Specialist dementia care program – national funding allocated over 3 years from 2024–25 to continue the program, with state allocations yet to be finalised
- Comprehensive palliative care in aged care program – funding extended to 2025–26
- Hummingbird House – funding extended to 2024–25
- Implementing water reform in the Murray-Darling Basin – national funding allocated to continue implementation of the Murray-Darling Basin Plan, with state allocations yet to be finalised
- Great Artesian Basin Water Security Program – funding extended to 2027–28.

The 2024–25 Federal Budget did not allocate funding beyond 2023–24 for 4 expiring funding agreements:

- DisabilityCare Australia Fund
- Primary Care Pilots
- Disaster Risk Reduction
- Ehrlichia Canis Pilot Program.

A funding extension or renewal was not sought for the remaining 8 expiring agreements due to the short-term nature of the program or completion of the project. These include completion of the Cunnamulla Hot Springs and Warrego River Walk and the multi-use conveyor at Port of Bundaberg, one-off funding boost for the Student Wellbeing and BreastScreen Australia programs, and temporary funding for the Raine Island Recovery project.

7.5 State-local government financial relations

The Queensland Government allocates considerable funding in the 2024–25 Queensland Budget to support local governments across the state. This recognises the critical role local governments play in supporting their local communities.

In 2024–25, the Queensland Government will provide a total of \$3.550 billion in grants to local governments.

¹ Includes any expiring schedules to Federation Funding Agreements.

This includes recurrent and capital 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.

A summary of Queensland Government grant programs that have been made exclusively available to local governments are listed in Table 7.2.

Table 7.2 Grant programs exclusively available to local governments

Program name	Description	Total funding (from 2015–16 to 2027–28)
Works for Queensland	Supports local governments in regional areas to undertake job creating maintenance and minor infrastructure works.	\$1.1 billion
COVID-19 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 ¹
South East Queensland 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.	\$200 million
Unite and Recover Community Stimulus Package	Supports South East Queensland 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 ²
Transport Infrastructure Development Scheme	Provides targeted investment in regional local government transport infrastructure.	\$939.8 million ³
Building our Regions	Provides funding for critical infrastructure in regional areas to support economic development, including generating jobs.	\$418.3 million
Local Government Grants and Subsidies Program	Provides funding for priority infrastructure projects that will enhance sustainable and liveable communities.	\$376.9 million ³
Coastal Hazard Adaptation Program – QCoast2100	Assists coastal local governments to prepare plans and strategies for addressing the impact of climate change.	\$20.2 million
Queensland Water Regional Alliances Program	Assists regional councils to collaborate and improve the efficiency and administration of water infrastructure.	\$18 million
Notes:		
1. This program is a stimulus measure in response to the COVID-19 pandemic and expenditure will cease in 2024–25.		
2. This program has ceased in 2023–24.		
3. Funding is ongoing. Figure is based on current projections.		

In addition to the above grant programs, the Queensland Reconstruction Authority (QRA) administers funding available under 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 Queensland Government administers significant funding to local governments (more than \$1.214 billion expected in 2024–25), including 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.

QRA also administers several resilience programs of the Queensland and Australian Governments to support disaster mitigation projects and build resilience to natural disasters. These programs include the Queensland Resilience and Risk Reduction Fund, the North Queensland Natural Disasters Mitigation Program, and the National Flood Mitigation Infrastructure Program.

The Queensland Government also understands there are added challenges and disadvantages faced by Indigenous councils to ensure their communities have access to essential services and critical infrastructure, including low populations, remoteness and dispersion. To help address these challenges, the Queensland Government has allocated substantial operating funding to specifically support Indigenous councils and their communities.

The 2024–25 Budget commits \$25.8 million in 2024–25 and 2025–26 in addition to existing funding for the Indigenous Council Funding Program. The 2024–25 Budget also commits an additional \$10 million over 2 years from 2024–25 to establish an entity to support Indigenous Councils.

A summary of grant programs that have been made available to Indigenous councils and their communities are listed in Table 7.3.

Table 7.3 Grant programs to support Indigenous councils and their communities

Program name	Description	Total funding (from 2015–16 to 2027–28)
Indigenous Council Funding Program	Assists Indigenous councils to address financial sustainability and capacity issues.	\$306.7 million
Indigenous Councils Critical Infrastructure Program	Contributes to the cost of water, wastewater and solid waste infrastructure in Indigenous communities.	\$120 million
Indigenous Economic Development Grant	Contributes funding towards service positions to support permanent jobs that deliver local government services.	\$11.5 ¹ 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
Revenue Replacement Program	Provided funding to assist Indigenous councils that have divested or surrendered profitable liquor licenses.	\$28.2 ¹ 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.	\$265.7 ¹ million
Indigenous Local Government Sustainability Program (2016–18)	Assisted Indigenous councils to increase their capacity, capability and sustainability.	\$7.7 million
<p>Note:</p> <p>1. These grant programs ceased at the end of the 2022–23 financial year and were replaced by the Indigenous Council Funding Program. The table reports Funding for the Indigenous Council Funding Program from the 2023–24 financial year to avoid double counting of the original ceased programs.</p>		