



Australian Government

Department of Infrastructure, Transport,
Regional Development and Local Government

Guidelines

For Implementation of the Better Regions Program 2008

1. Introduction

The Australian Government (the Government) has committed to fund various projects throughout regional Australia, through the Better Regions Program. The Government will provide \$176 million over four years to assist regions build their strengths, improve liveability and create jobs. The funding will be used to help local communities deliver local infrastructure and other regional community projects.

The provision of funding will be conditional upon proponents of Better Regions projects entering into Funding Agreements (contracts) with the Commonwealth (represented by the Department of Infrastructure, Transport, Regional Development and Local Government). The Funding Agreement (contract) is a legally enforceable document which clearly defines the obligations of both parties. These Guidelines have been developed to assist proponents meet the Funding Agreement's (contract) requirements.

2. How Better Regions project proposals are analysed

2.1 Obtaining information about the project

In order that a Better Regions proposal can be approved for funding by the Government and a Funding Agreement (contract) can be developed, each proponent will need to provide information about their organisation and the project. This information includes:

- Details and credentials of the proponent's organisation and any related entities in the corporate group;
- Details of the project, including funding arrangements;
- Financial information including quotations, cost estimates and budgets;
- Project timeframes;
- Project delivery information including project and business plans; and
- All statutory and other approvals required if relevant for the project.

The level of detail sought from proponents will depend on the potential risk of the project which is based on the level of funding:

- Up to \$50,000;
- \$50,001 to \$250,000; and
- over \$250,000.

To ensure that these projects are implemented as quickly as possible so that communities can start to benefit from them, all supporting documentation needs to be provided to the Government by no later than 1 February 2009. Where proponents are unable to meet this timeframe, the reasons for any delays will be assessed and the likelihood of these projects proceeding will be considered by the Government.

2.2 Analysis of the project

Based on the information provided, the Department will undertake a risk analysis of the proposal which may include an assessment of the financial viability (Financial Viability Assessment) by an appropriately qualified external consultant engaged by the Department. This will ensure that the risks associated with the viability of the proponent and the project are managed. The following will be analysed:

- Project results;
- Proponent viability; and
- Project viability.

Results

The material results of the project might include the construction of a community centre, renovation of a community hall or construction of new sporting facilities. The results of the project need to be consistent with those identified in the announcement of the election commitment.

Proponent viability

In the risk analysis of the project, consideration will be given to the nature of the proponent organisation and the type of project to be funded. Important considerations will include:

- the type of organisation (whether it is a local government, private enterprise, non-profit organisation or community group);
- the legal and financial credentials of the proponent (including any related entities); and
- evidence of the proponent's expertise/skills to manage and complete the project, and sustain it into the future.

Project viability

Project viability will be considered from two perspectives. Initial viability relates to whether the project can be completed on time and within budget, and ongoing project viability relates to how the project outputs will be maintained over time.

Important aspects to consider in relation to the overall viability of the project include:

- ownership and/or lease arrangements of equipment or facilities or other assets that may be funded under the project;
- the level and status (eg contribution received; contribution committed but yet to be received; contribution in negotiation) of any funding contributions for the project and whether there are conditions attached to this funding;
- the accuracy of the budget and costings;
- the accuracy of feasibility studies or project plans;
- information on whether there is any need for planning approvals or licences and that these requirements have been met or fully considered;
- the provision of business plans and cash flow projections;
- ongoing maintenance and management;
- funding that may be required for future stages of the project;
- identification of key milestones and the proportion of project funding for each of the milestones;
- whether the project had previous stages, how it was funded in the past; and/or
- the results of any independent viability assessments if undertaken (copies of independent viability assessments undertaken by the proponent should be provided).

2.3 Financial Viability Assessments

An initial assessment of the project will be undertaken and, where there is reason to believe that the project or proponent organisation could be of a high risk, based on the size and complexity of the overall project as well as the amount of funding to be provided, an independent Financial Viability Assessment (FVA) will be undertaken by an appropriately qualified external consultant engaged by the Department. The findings of the FVA will be included in the project analysis.

3. Approval of Funding

Following an assessment of the project and recipient organisation by the Department to ensure that the project is ready for funding, approval will be sought from the Parliamentary Secretary for Regional Development and Northern Australia for the release of funds. The Parliamentary Secretary will consider whether your project will make efficient and effective use of public money as required by Commonwealth legislation and whether any risk management strategies will need to be imposed as a condition of funding, based on risk assessments undertaken. A letter will be sent to the proponent advising funding has been approved and if there are any conditions attached to that funding. Before any Better Regions funding can be paid the proponent will need to enter into a Funding Agreement (contract) with the Australian Government that will set out the terms and conditions under which the funding is provided. Proponents should not make financial commitments based on

receiving funding from the Australian Government until the Funding Agreement (contract) has been executed.

Requests for additional funding from the Government will not be approved. Changes to the partnership arrangements or requests to change the scope of the project that do not involve the provision of additional funding by the Government will be considered.

4. Contracting and Funding

4.1 Accountability

Proponents will be required to enter into a Funding Agreement (contract) with the Government (represented by the Department). The Department will work with the proponent with the aim of finalising the Funding Agreement (contract) within **16 weeks** of the project being approved by the Parliamentary Secretary. The offer of funding may be withdrawn if the proponent cannot meet the timeframe, has not obtained agreement from the Department to obtain an extension to this timeframe, or if there are significant reasons as to why the project cannot commence.

The Funding Agreement (contract) is a legally enforceable document that sets out the terms and conditions of funding, including:

- a description of the project;
- reporting requirements;
- milestones in the progress of the project;
- a payment schedule; and
- agreed project outputs and performance measures.

The Funding Agreement (contract) aims to:

- protect the Government's interests and ensure the effective and efficient use of public funds;
- set out arrangements covering treatment of any cost savings;
- ensure the achievement of the agreed outputs of the project; and
- 1. ensure appropriate recognition of Australian Government funds.

4.2 Negotiation – Milestones, Timeliness and Payments

The executed Funding Agreement (contract) will clearly define the obligations of both parties. It will describe the purpose for which Australian Government funding must be used and will provide a description of how, when and where the project will be delivered and any requirements or conditions that must be met prior to funding being provided. It will also detail any identified risk management strategies approved by the Parliamentary Secretary.

If there are any conditions which need to be satisfied, evidence must be provided to, and accepted by, the Government that these conditions have been met prior to grant payments being made.

If this condition relates to the securing of partnerships funding, proponents will be required to secure that funding within 12 months of the Australian Government approval. Where it relates to obtaining statutory approvals, proponents will be required to obtain all necessary approvals within a period

of 6 months of the relevant timeframes detailed in their project plans at the time of approval by the Australian Government. Action may be taken to terminate Funding Agreements (contracts) where these requirements cannot be met.

5. Managing the project

5.1 Progress reports and site visits

Once funding is confirmed the proponent will be required to actively manage the project.

It is recommended that proponents consider appointing a designated project manager (for large projects this may be a full-time position) and a project management steering committee. If established, a steering committee should manage the project (using the project plan to monitor the achievement of milestones), review progress and manage risks to the project that could result in delays or cost overruns.

The project's progress against the Funding Agreement (contract) will be monitored by the proponent providing progress reports and the Department conducting site visits.

Progress reports

Proponents must provide regular reports on their progress against the achievement of agreed milestones. The requirement to acquit expenditure will also be covered in these reports.

The timing of reports will be determined as part of the Funding Agreement (contract) negotiations and will be directly linked to the agreed milestones.

Payments will not be made until the following items are received and accepted:

- an acquittal showing that previous payments have been fully expended;
- progress reports as identified in the Funding Agreement (contract); and
- a tax invoice, which meets the requirements of the Australian Taxation Office, for the amount of the payment.

Where progress payments are linked to the achievement of specific activities, these payments will only be made after the relevant progress report is accepted and it is agreed that the requirements for payment stated in the Funding Agreement (contract) have been met, including expenditure of the previous payment.

Additionally, if funding has been approved subject to the meeting of certain conditions, evidence that the conditions have been met must be presented to, and accepted by the Government.

5.2 Acquittals

Proponents are required to provide the Government with financial acquittals, and audited statements upon completion of the project, that demonstrate that they have spent the Australian Government funding on the purposes agreed

upon in the Funding Agreement (contract). For large projects, audited statements may be required as part of milestone reports.

Proponents should familiarise themselves with the Funding Agreement (contract) to ensure they are able to comply with the acquittal requirements.

When the project has been completed, proponents must complete:

- a 'Project Completion report', to demonstrate that they have achieved all the agreed milestones;
- a financial acquittal, and audited statement, of all expenditure of Australian Government funding and other funding sources as set out in the Funding Agreement (contract); and
- once this report has been accepted by the Department, the final grant payment will be made.

5.3 Evaluation

To enable evaluation of the benefits of Government funding, each proponent is required to identify the project's key outputs and the manner in which they will be measured (performance measures). These outputs and performance measures will be included in the Funding Agreement (contract). The Project Completion report is a requirement and will be important for documenting what was achieved with the funding provided for the project by the Australian Government.