

MS19-000958



Australian Government

**Department of Infrastructure, Transport,
Cities and Regional Development**

To: The Hon Michael McCormack MP (for decision)

cc: Pip Spence PSM, A/g Secretary

cc: Dr Rachel Bacon, Deputy Secretary

cc: Ms Diana Hallam, Executive Director

Community Development Grants Programme - Revised Program guidelines

Action required by: 19 September 2019

Reason: To allow the revised guidelines to be published in late September.

Recommendation/s:

1. That you **Approve** the content of the revised Community Development Grants (CDG) Programme Guidelines under which grants are provided for the construction and upgrade of facilities to provide long term improvements in social and economic viability of local communities at **Attachment A**.

Approved / Not Approved

2. That you **Note** the CDG Programme Guidelines Self Assessment Risk Analysis at **Attachment B**.

Noted / Please Discuss

3. That you **Sign** the letter to the Minister for Finance, Senator Mathias Cormann seeking agreement to release the updated Community Development Grants (CDG) Programme Guidelines and your approval to exempt the CDG Programme from delivery by the Department of Industry, Science and Innovation's Business Grants Hub at **Attachment C**.

Signed / Not Signed

M. Michael McCormack

The Hon Michael McCormack MP

23/9/19

Date:

Comments:

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Transport, Regional Development, Communications and the Arts

Key Points:

1. On 7 June 2019 you agreed the process for delivering the Government's 2019 election commitments through the Community Development Grants (CDG) Programme (MS19-001049 refers). This includes updating the CDG Program Guidelines to reflect the inclusion of the 2019 election commitments.
2. You are required to publish Program Guidelines for all grant programs. The revised CDG Programme Guidelines (Guidelines) at **Attachment A** are substantially the same as those approved in 2013 and 2016 Federal elections. While no eligibility changes have been made, the Guidelines include minor administrative updates to align with the whole of government program guidelines template, help applicants better understand their requirements, and reflect decisions to provide additional funding for the program.
3. As per the current Guidelines, grants funded under the program are provided for the construction and upgrade of facilities that provide long term improvements in social and economic viability of local communities. The grant cannot be used for ongoing operational and maintenance costs, and existing staff member salaries of the funding recipients' organisation.
4. The Department of Infrastructure, Transport, Cities and Regional Development is also required to conduct a risk self-assessment and analysis of the program and related Guidelines, as part of the process in revising the Guidelines. Refer to **Attachment B**.
5. The self-assessment and risk analysis was informed by the assessment undertaken in 2013, as part of the establishment of the program. While the implementation and delivery of the program is assessed as low risk, the Department has assessed the overall risk associated with the program as high, which is due to the constitutional risk associated with the program.
6. The Department of Finance and the Department of Prime Minister and Cabinet have reviewed the draft revised Guidelines and self assessment and risk analysis and confirm the risk remains high.
7. Where programs are considered medium or high risk, you are required to write to the Finance Minister seeking agreement to release the Guidelines. You are required to provide the Guidelines at least 10 working days prior to the intended release of the Guidelines.
8. Once the Finance Minister has agreed the revised Guidelines, the Department will make the Guidelines available to the public on GrantsConnect and the Department's website.
9. Under the Government's policy on streamlining government grants arrangements, grants programs are to be delivered through the whole of government grants hubs unless an exemption has been approved by the Minister for Finance. We propose that you seek an exemption for the CDG Programme, as delivery through the Grants Hub would increase administrative complexity and double handling.
10. Delivery of this program requires bespoke case management arrangements with significant support provided to funding recipients and assessment of adhoc grants, which does not suit the streamlined Hub delivery.
11. The Department has already adopted the main Hub efficiencies such as streamlined template contracts and grant opportunity guidelines. The program was audited by the ANAO in 2018 as compliant with CGRGs and appropriately designed to deliver an efficient outcome.
12. s34(2) Cabinet agreed to the relocation of the Department's Regional Programs Branch from Canberra to Orange NSW as part of implementing the Government's decentralisation agenda.

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As advised in that submission, the delivery of the CDG Programme represents the main workload of that branch, which is relocating to Orange before 30 June 2020.

13. The Grants Hubs do not have a regional presence that would enable the Government to meet the intent of the decision to relocate those functions to regional Australia and Cabinet had also previously agreed to not further consider the Grants Hubs for decentralisation.
14. The letter at **Attachment C** seeks agreement from the Finance Minister to release the revised Guidelines and to exempt the CDG Programme from delivery through the Grants Hub.

Financial impacts:

15. Australian Government funding of \$2.6 billion is available under the CDG Programme up to 2025-26. This includes additional funding for more than 290 election commitments added to the CDG Programme following the 2019 election.

Legal/Legislative impacts:

16. s42 
17. Item 61 of Schedule 1AB of the *Financial Framework (Supplementary Powers) Regulation 1997* (as currently in-force) provides the legislative authority for this program. This item covers the expenditure on grants for 'community and regional infrastructure'. There will not need to be amendments to the legislative authority if there are no changes to program guidelines that relate to coverage of the program.
18. Should you wish to expand the coverage of the program, for example, to provide grants for non-infrastructure projects or for infrastructure projects that do not provide community or regional benefits, we will need to seek and provide advice on whether amendments to the legislative authority are required.

Stakeholder Implications:

19. The Department does not anticipate any implications to funding recipients under the CDG Programme as the revisions are minor administrative changes.
20. The Department has engaged an additional 10 contractors to manage the increased workload, enabling timely assessment, approval and contracting of these projects.
21. It will be important to continue to manage stakeholders' expectations, including members of Parliament and funding recipients, on what projects and expenses are eligible under the CDG Programme.

Consultation:

22. Department of Finance and the Department of the Prime Minister and Cabinet.
23. Community consultation has not been undertaken.

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Name: Donna Wieland
Position: General Manager
Division: Regional Development and Local
Government, Regional Programs Branch
Ph: 6274 7446
Mob: 22 [REDACTED]

Contact Officer: 22 [REDACTED]
Section: Community Development Grants
Ph: 22 [REDACTED]

Attachments:

- A: Revised Draft Community Development Grants Programme Guidelines
- B: Community Development Grants Programme Guidelines Self Assessment Risk Analysis
- C: Letter with attachments to Minister for Finance, Senator the Hon Mathias Cormann

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Program Guidelines Self Assessment Risk Analysis

Program details

Name of Agency: Department of Infrastructure, Transport, Cities and Regional Development

Name of Program: Community Development Grants Programme

Summary of Program, including program objectives and the relevant agency outcomes it contributes to:

The objective of the Community Development Grants Programme (CDG program) is to support needed infrastructure that promotes stable, secure and viable local and regional economies.

The outcome of the program is new or upgraded facilities or infrastructure that provide long-term improvements in social and economic viability of local communities.

The program will be delivered under the Department's Outcome 3: Strengthening the sustainability, capacity and diversity of our cities and regional economies including through facilitating local partnerships between all levels of government and local communities; through reforms that stimulate economic growth; and providing grants and financial assistance.

Only projects identified by the Australian Government will be considered for funding under the program, including the Government Election Commitments since 2013 and other government initiated projects.

The program is a non-competitive grants program. When the program was established in 2013, the then Government decided to deliver their commitments through this program rather than through states and territories or a competitive grants program.

Total cost of program and cost over the Budget and forward estimates:

In the 2019-20 Budget, the CDG program was extended to 30 June 2026 and funding increased to \$2.6 billion to deliver projects agreed in the Budget and the 2019 election.

The funding profile (as at 1 July 2019) is as follows:

| Budget Measure | 2013-14 \$M | 2014-15 \$M | 2015-16 \$M | 2016-17 \$M | 2017-18 \$M | 2018-19 \$M | 2019-20 \$M | 2020-21 \$M | 2021-22 \$M | 2022-23 \$M | 2023-24 \$M | 2024-25 \$M | 2025-26 \$M |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 4.4 | 60.6 | 111.2 | 66.0 | 131.2 | 264.2 | 643.1 | 223.3 | 811.6 | 162.2 | 30.0 | 30.0 | 30.0 |

Summary of activity, including operational objectives, and the relevant program objective it contributes to for the CDG:

The Australian Government identifies projects to upgrade and construct facilities to provide long-term improvements in social and economic viability of local communities. Most grants are between \$2,000 to \$35 million, depending on the scope of the grant activity and its complexity.

Examples of smaller low risk projects include: renovations or upgrades to existing buildings, installation of shade structures, fences, and upgrades to sports ground lighting.

Examples of more complex and high risk projects include new buildings, larger multi-room extensions or upgrades of existing buildings.

Policy authority for the CDG program:

s34(2)

The Prime Minister agrees the projects to be invited to apply for grants under this program. Over 500 projects have been approved from the 2019 Government election.

Legislative authority for program:

Schedule 1AB of the *Financial Framework (Supplementary Powers) Regulation 1997 (Item 61)*.

s42

Other relevant information:

The Department has successfully managed programs of this size, nature and complexity over many years, including the program which was established in 2013. As a result, Departmental staff have considerable experience preparing, assessing and managing funding commitments for non-competitive grant programs.

The Guidelines have been updated to reflect the 2019 election commitments, including the extended program delivery timeframe and the increased appropriation available to the program. The Guidelines clearly state the scope of the program, eligibility requirements, assessment criteria, contracting and reporting requirements that must be met. Key information will be provided to grantees through written communication, the Department's website and GrantsConnect.

The Department will continue to provide regular status updates and reporting on the program to the Department's Executive, the Minister and/or Assistant Minister and other key stakeholders.

Discussion of key issues and implementation risks:

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Funding grantees fail to provide project information and/or deliver projects

It is anticipated that some small not-for-profit organisations may have limited experience in providing required information and limited capacity to manage projects as agreed and within expected timeframes. This can lead to project delivery delays or project failure.

This risk will be mitigated by the Department through providing a case management approach to service delivery: with clear advice on the requirements in the program guidelines; providing program information on the Department's website; holding regular phone conversations; and providing written communication with grantees.

The Department will also monitor project progress through milestones and compliance with contract requirements, including regular reporting requirements, regular contact with grantees and conducting site visits and/or meetings with grantees as necessary.

The Department also advises the relevant Minister of potential risks and mitigation strategies to be included in the grant agreement, as part of the funding approval process.

Risks associated with Decentralisation of Regional Programs Branch

As announced at the 2019 Budget, the Regional Programs Branch will be relocated to Orange NSW in 2019-20. This poses a risk of disruption to the efficient operation of the Branch and to business continuity. The Department is managing this risk through careful planning to maintain business continuity during the transition period. In addition to the existing experienced program staff already based in the Orange NSW regional office, the program will continue to be delivered within the Canberra Office until the relocation is complete to ensure the program continues to be delivered efficiently and effectively. The Department also has comprehensive procedural materials and other knowledge management and knowledge transfer strategies in place to mitigate this risk.

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Risk management

The risk mitigation strategy for the Department's delivery of the program has been underpinned by the experience and learning from delivery of grants programs.

The Department has extensive experience in managing grants programs of this nature and will rely on existing structures in place within the Department, including robust management and governance oversight coupled with effective planning to ensure business continuity.

The Department has already adopted whole of government grants administration efficiencies, such as streamlined template contracts and grant opportunity guidelines. The program was audited by the ANAO in 2018 as compliant with Commonwealth Grants Rules and Guidelines (CGRGs) and appropriately designed to deliver an efficient outcome for the delivery of election and other commitments.

Delivery of this program requires bespoke case management arrangements with significant support provided to grantees, and eligibility assessment as adhoc grants, which does not suit the streamlined Grants Hub delivery model. The projects to be funded are infrastructure projects and the administration of the program will be the sole responsibility of the Department without involvement from other agencies or third parties. The Department will seek an exemption from implementing grants via the Hub.

Funding under this program will be delivered in accordance with the requirements of the *Public Governance, Performance and Accountability Act 2013* and the CGRGs.



The Hon Michael McCormack MP

**Deputy Prime Minister
Minister for Infrastructure, Transport and Regional Development
Leader of The Nationals
Federal Member for Riverina**

Ref: MS19-000958

Senator the Hon Mathias Cormann
Minister for Finance
Parliament House
CANBERRA ACT 2600

Dear Minister

I am writing to seek your agreement to release the updated Community Development Grants (CDG) Programme Guidelines and your approval to exempt the CDG Programme from delivery by the Department of Industry, Science and Innovation's Business Grants Hub.

The CDG Guidelines are substantially the same as those approved in 2013 and 2016 with minor administrative changes made to provide greater clarity for applicants, and updates to reflect the 2019 government election commitments and extension to the CDG Programme timeframe.

The assessed risk level for the CDG Programme has not changed since the Guidelines were approved in 2013 and 2016. My Department has consulted with your Department and the Department for Prime Minister and Cabinet in undertaking the risk assessment. As the overall risk for the program is high, your Department has advised your agreement is required. A copy of the completed Program Guidelines Self Assessment Risk Analysis is also attached for your consideration.

The CDG Programme delivers on our election commitments for community infrastructure. The program is currently delivered by my Department and I propose to continue this arrangement. It requires bespoke case management arrangements, with significant support provided to funding recipients and individual rolling assessments as adhoc grants.

s34(2) Cabinet agreed to the relocation of the Department's Regional Programs Branch from Canberra to Orange NSW as part of implementing the Government's decentralisation agenda. As advised in that submission, the delivery of the CDG Programme represents the main workload of that branch, which is relocating to Orange before 30 June 2020. The Grants Hubs do not have a regional presence that would enable the Government to meet the intent of the decision to relocate those

The Hon Michael McCormack MP
Parliament House Canberra | (02) 6277 7520 | minister.mccormack@infrastructure.gov.au
Suite 2, 11-15 Fitzmaurice Street, Wagga Wagga NSW 2650 | michael.mccormack.mp@aph.gov.au

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functions to regional Australia and Cabinet had also previously agreed to not further consider the Grants Hubs for decentralisation. I therefore seek your agreement to a permanent exemption for the CDG Programme from the Grants Hub arrangements.

I have copied this letter to the Prime Minister, the Hon Scott Morrison MP, and the Treasurer, the Hon Josh Frydenberg MP.

Yours sincerely

Michael McCormack

Enc

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Australian Government

Department of Infrastructure, Regional Development and Cities

Ref: MS18-003152

To: The Hon Michael McCormack MP (for decision)

cc: Dr Steven Kennedy PSM, Secretary

cc: Dr Rachel Bacon, Deputy Secretary

COMMUNITY DEVELOPMENT GRANTS – WESTERN SYDNEY COMMUNITY AND CONFERENCE CENTRE, PENRITH, NEW SOUTH WALES, (2013 ELECTION COMMITMENT)

Action required by: 16 January 2019

Recommendations:

1. That, for the purposes of s71 of the PGPA Act, you **agree** with the Department of Infrastructure, Regional Development and Cities' assessment at **Attachment A** that expenditure of relevant money as a grant for funding of up to \$12 million (GST exclusive) from the Community Development Grants Programme to the Penrith Rugby League Club Ltd for the Western Sydney Community and Conference Centre project would be a proper use of relevant money

Agreed / Not Agreed

2. That you **approve** the expenditure of relevant money as a grant for funding of up to \$12 million (GST exclusive) from the Community Development Grants Programme to the Penrith Rugby League Club Ltd for the Western Sydney Community and Conference Centre project, subject to the Department imposing the risk treatments identified at **Attachment A** and any conditions requested by you in writing.

Approved / Not Approved

3. That you **sign** the attached letters to the proponent and Senator the Hon Marise Payne, Minister for Foreign Affairs and Senator for New South Wales, advising of your decision at **Attachment B**.

Signed / Not Signed

Signatory:  The Hon Michael McCormack MP

Date:

15/1/19

Comments:

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Key Points:

| | |
|---|--|
| Date the project was committed and by whom | This project is a 2013 election commitment announced by the Hon Tony Abbott MP, the then Prime Minister and Ms Fiona Scott, the then Member for Lindsay, on 13 August 2013. |
| Brief project description | The project is Stage One of a larger project which includes a hotel and serviced apartment building with basement and surface car parking, function centre, landscaping, open space and public domain upgrade. CDG funding will be used for the construction of a community centre with flexible community spaces, community public exhibition and art space, a lobby and office, a convention centre and associated car park. |
| Project timeline | The project is expected to commence on approval of Australian Government funding and be completed by June 2020. |
| Does the project meet the value for money guidelines? | Yes |
| Are there any identified risks? | Yes, as detailed in the Risk Analysis Summary Table at Attachment A , the following risks have been identified: <ul style="list-style-type: none"> • final designs have not been confirmed, and • final costs have not been confirmed. |
| Can these risks be managed? | Yes, as detailed in the Risk Analysis Summary Table at Attachment A , the following mitigation strategies will be required in the Agreement: <ul style="list-style-type: none"> • confirmation of final designs, and • confirmation of final costs. |
| Sensitivities | On 27 July 2017, the proponent requested that the Australian Government funding of \$12 million go towards a community centre with flexible community spaces, community public exhibition and art spaces, a lobby and office space, a convention centre and associated car parking rather than the multi-purpose community and sports centre as stated in the media release. On 13 October 2017, Ms Fiona Nash, the then Minister for Regional Development, agreed that the Department undertake an assessment on the re-scoped project proposed by the proponent. Sufficient project information to finalise a value with relevant money assessment was provided on 28 November 2018. |

Stakeholder Implications:

Following your approval, the Department will commence negotiation of an Agreement with the Penrith Rugby League Club Ltd for the Western Sydney Community and Conference Centre project.

Donna Wieland
General Manager
Regional Programs Branch
Ph: 6274 7446
Mob: 22 [REDACTED]
14/12/2018

Contact Officer: 22 [REDACTED]
Community Development Grants
22 [REDACTED]

Attachments

- A: Assessment of project proposal and proponent organisation
- B: Letters advising of your decision
- C: Public Governance, Performance and Accountability Act 2013, Rules and the Commonwealth Grants Rules and Guidelines, 1 July 2014 requirements

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ASSESSMENT OF COMMUNITY DEVELOPMENT GRANTS PROJECT

Project ID: CDG047

Project Title: Western Sydney Community and Conference Centre

Proponent/Organisation Name: Penrith Rugby League Club Ltd

Proponent/Organisation Type: Australian Public Company

Project Location: 123 Mulgoa Road, Penrith, NSW, 2750

Primary Electorate: Lindsay

Funding Cash Commitment: \$12 million (GST exclusive)

Total Cash Project Value: \$47,968,763 (GST exclusive)

Project Description: The project is Stage One of a larger project which includes a hotel and serviced apartment building with basement and surface car parking, function centre, landscaping, open space and public domain upgrade. CDG funding will be used for the construction of a community centre with flexible community spaces, community public exhibition and art space, a lobby and office, a convention centre and associated car park.

Project Funding Cash – Total Cash Project Cost

| Name of Partner | Value of Contribution GST Excl. (\$) | Status of Contribution | Cash | % of Total Project Cost |
|-------------------------------|---|------------------------|------|-------------------------|
| Australian Government | 12,000,000 | Sought | Cash | 25 |
| NSW Government | 12,000,000 | Confirmed | Cash | 25 |
| Penrith Rugby League Club Ltd | 23,968,763 | Confirmed | Cash | 50 |
| Total | 47,968,763 | | | |

Penrith Rugby League Club Ltd is GST registered. In accordance with the terms of Australian Taxation Office ruling GSTR 2012/2, if payments to other entities who are registered or required to be registered for GST with the Australian Taxation Office are payments in consideration for a taxable supply, those payments are expected to attract GST. Therefore, if you approve funding, the proponent organisation will be provided with a 10 percent GST component, which is in addition to the amount of Community Development Grants Programme funding committed to the project (i.e. \$12,000,000 Grant + \$1,200,000 GST = \$13,200,000 total).

Project Assessment

The Department has conducted an assessment of this project against the programme criteria, including a risk analysis of:

- outcomes
- proponent viability
- project viability and sustainability.

The seven key areas of risk that have been analysed are:

- the financial position of the proponent
- corporate and personnel matters relating to the proponent
- the proponent's ability to manage grant funds
- the proponent's ability to deliver the project and intended results
- the proponent's ability to sustain the project and intended results
- is the project reliant on new technology and how will this impact on the project and intended results
- any other risk which may be identified as part of the assessment.

Based on the assessment of the project against the programme criteria the Department considers the project fully meets the selection criteria.

Announced Project

Project Description

The project is Stage One of a larger project which includes a hotel and serviced apartment building with basement and surface car parking, function centre, landscaping, open space and public domain upgrade. CDG funding will be used for the construction of a community centre with flexible community spaces, community public exhibition and art space, a lobby and office, a convention centre and associated car park.

Project Timing

The proponent has advised the project is expected to commence on approval of Australian Government funding and be completed by June 2020.

Election Commitment

The project was announced by the Hon Tony Abbott MP, the then Prime Minister and Ms Fiona Scott, the then Member for Lindsay on 13 August 2013, who stated the Penrith Rugby League Club Ltd will receive \$12 million for a multi-purpose community and sports centre which includes an indoor sports hall, a gymnasium, various community rooms, events and exhibition halls, and improvements to the public domain comprising landscaping, upgrade of roads, car parks and services infrastructure.

On 26 July 2017, the proponent requested that the Australian Government funding of \$12 million go towards a community centre with flexible community spaces, community public exhibition and art spaces, a lobby and office space, a convention centre and associated car parking rather than the multi-purpose community and sports centre as stated in the media release.

On 13 October 2017, Ms Fiona Nash, the then Minister for Regional Development, agreed that the Department undertake an assessment on the re-scoped project proposed by the proponent.

