



Australian Government

Department of Infrastructure, Transport,
Regional Development, Communications, Sport and the Arts

FINANCIAL SUPPORT FOR STATE AND TERRITORY INFRASTRUCTURE PROJECTS

SUBMISSION TO THE FINANCE AND PUBLIC ADMINISTRATION REFERENCES COMMITTEE

30 January 2026

The Australian Government has a long history of providing financial support to state and territory governments for infrastructure projects. For example, the Commonwealth has made grants to the states for roads for over a century, beginning in 1922.

The Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts (department) currently administers a number of programs, in partnership with states and territories, to deliver road and rail, enabling, community and telecommunications infrastructure in urban and regional areas across Australia. These programs help to connect Australian communities, underpin our economy and society, and empower our regions.

While each of these programs is unique, they are largely administered under schedules to the [Federation Funding Agreement – Infrastructure](#) (Infrastructure FFA), which forms part of the Federation Funding Agreements Framework overseen by the Treasury. Separately, some programs are administered via grant arrangements, which are subject to the Commonwealth Grant Rules and Principles 2024 (CGRPs). For some programs, including road infrastructure sub-programs and community infrastructure programs, implementation is also supported by program guidelines that operate in conjunction with the relevant Infrastructure FFA schedule or grant arrangements.

Given the Committee's short timeframes for this inquiry, this submission provides a brief overview of the FFA framework as it relates to the department. Several examples are provided for illustrative purposes which focus on the Infrastructure Investment Program (IIP), the largest infrastructure program administered by the department. The IIP supports productivity growth, makes travel safer, increases transport access, improves network resilience, supports regional development and improves connectivity for communities and freight. It is delivered in partnership with states and territories to support nationally significant projects. The IIP provides funding of over \$100 billion over ten years for road and rail projects.

The department would be pleased to assist the Committee with further detail across the broad range of its functions should the Committee require it.

Project assessment and prioritisation

Prioritising which infrastructure projects to fund, and when to fund them, is a decision of Government. For the IIP's major projects, the Government invites project proposals from state and territory governments, which it considers through Budget and Mid-Year Economic Fiscal Outlook updates. In the case of grant programs (that are subject to the CGRPs), funding applications are typically brought forward through defined program rounds.

For grant programs, the department seeks applications through funding rounds, and assesses projects against defined merit criteria. Under the CGRPs, projects may be assessed and prioritised through an open, competitive, merit-based process; in other cases, applications for specific projects may be sought and funding allocated through a closed, non-competitive process.

The department supports the Government's decision-making and provides project assurance across the project life cycle. During the project planning phase, the department's activities include reviewing project proposals and business cases, undertaking cost estimate and cost and benefit assurance, engaging with state and territory governments to ensure the Australian Government has adequate information to inform decisions, and providing recommendations to Government on investment priorities.

For major infrastructure projects, including those funded under the IIP, the department's advice to Government considers aspects such as:

- Analysis of the eligibility and strategic fit of projects, which may include consideration of the Government's policy objectives, states' strategic plans, and Infrastructure Australia's Infrastructure Priority List.
 - The Government has published several policy statements to articulate its policy objectives and help guide investment prioritisation. This includes the [Infrastructure Policy Statement \(IPS\)](#) for land transport infrastructure; the [Regional Investment Framework](#); and the [National Urban Policy](#).
- Project cost, risk and benefits, as detailed in a project proposal and/or business case and examined by the department.
 - Business cases where Australian Government funding of more than \$250 million is sought also require an independent evaluation by Infrastructure Australia
 - Infrastructure Australia's Assessment Framework provides a national standard for best-practice infrastructure development, requiring proponents to use robust analysis in their business cases to demonstrate the merit of each proposal across three overarching assessment criteria: strategic fit, societal impact and deliverability.
- Consideration of the market's capacity to deliver projects. [Infrastructure Australia's annual Market Capacity Report](#) provides an assessment of Australia's ability to deliver its Major Public Infrastructure Pipeline, tracking demand for labour, plant, equipment, and materials against the market's supply.

Infrastructure Australia also plays an important role as the Government's independent expert adviser on nationally significant investments in transport, energy, communications, water and social infrastructure. Its role includes providing strategic advice throughout the project life cycle, evaluating and endorsing evaluations of business cases for projects; and undertaking periodic post-completion evaluations of select projects against targets set before or during delivery. Advice provided by Infrastructure Australia is generally publicly available, with the *Infrastructure Australia Act 2008* establishing timelines for publication and tabling in Parliament.

Infrastructure Australia supports the Government's decision-making through Annual Statements to the Minister, tabled in the Parliament ahead of the release of the annual Budget. The Annual Budget Statement includes proposed national infrastructure investment priorities and consideration for infrastructure investment prioritisation and delivery in the short, medium and long term.

Additionally, Infrastructure Australia informs the Government's decision-making through the Infrastructure Priority List (IPL) and independent advice on projects as part of Budget and Mid-Year Economic Fiscal Outlook

updates. The IPL helps the Government to prioritise investments, by presenting independent advice on the highest infrastructure priorities across the country over the next 10 years. The IPL incorporates cross-jurisdictional and cross-sector views to inform decisions on when Government investment will best meet the needs of communities.

Example – the Infrastructure Investment Program embeds an informed approach to assessment and prioritisation of funding.

The Federation Funding Agreement Schedule on Land Transport Infrastructure Projects 2024–2029 (LTIP FFAS) is the funding agreement that governs the IIP. The LTIP FFAS was informed by findings from the 2023 Strategic Review of the IIP, and the Independent Review of the National Partnership Agreement on Land Transport Infrastructure Projects 2019-2024.

As a result, the LTIP FFAS has a focus on improved governance, risk and financial management at all stages of the project life cycle, including assessment, prioritisation and allocation of funding.

The LTIP FFAS positions the Government as an informed investor in land transport infrastructure. The LTIP FFAS formalises:

- A requirement for states to provide Annual Infrastructure Plans, which provide a long-term (10-year) strategic view of a state’s land transport infrastructure priorities.
- The requirement for project proposals to demonstrate alignment to the IPS, which sets out three strategic themes (productivity and resilience, liveability and sustainability) that guide investment priorities.
- Improved due-diligence on proposed projects before an investment decision is made.
- Risk-based governance and reporting, and improved use of gateway reviews and independent assurance processes.
- An outcomes-based performance reporting approach.

These components support the department to undertake effective analysis and assessment of project proposals and governance of projects, both to inform recommendations about investment and in project delivery.

Under the LTIP FFAS, states have also committed to optimise their procurement practices to deliver wider economic, social and environmental benefits including:

- An uplift in socioeconomic outcomes for First Nations people and businesses and First Nations cultural heritage protection.
- Reducing embodied carbon in transport infrastructure in line with Australia’s Net Zero commitments.
- Increasing women’s participation at all levels of the construction industry.
- Optimising recycled content in transport infrastructure to support Australia’s transition to a circular economy by 2030.
- Supporting opportunities for Australian and local businesses and industry
- Optimising opportunities for trainees and apprentices, including Australian Skills Guarantee targets, to ensure a pipeline of skilled workers.
- Enhancing construction sector culture and participation, including flexibility, wellbeing and diversity.

Under the IIP, 76 major road and rail projects were completed in 2024–25. This involved projects across every state and territory.

See project life cycle at **Attachment A** for further details.

Project delivery - transparency and accountability

Once Government has committed to fund a project, information is made publicly available.

The *Federation Reform Fund Act 2008* provides transparency of federal funding decisions by requiring the terms and conditions for financial assistance to states and territories to be set out in a written agreement. For programs administered under the Infrastructure FFA, the published schedules include funding tables, which set out agreed project funding amounts and any funding conditions. The schedules are publicly available and can be accessed at the [Federal Financial Relations website](#). For example, the LTIP FFAS contains tables for each jurisdiction setting out details of the Commonwealth and state financial contributions for projects funded under the agreement.

Similarly, for grant programs administered under the CGRPs, program guidelines, eligibility, assessment criteria, and the process to award grants are published on Grant Connect; supporting transparency of decision-making.

There are also rigorous measures to support accountability of government spending during project delivery. In accordance with the Infrastructure FFA and its schedules, Government funding to states and territories is milestone-based, and is paid subject to performance reporting that demonstrates that relevant milestones have been met. In the case of grant programs administered under the CGRPs, the department will establish funding agreements with grantees; whereby payments are typically tied to deliverables and the department requires evidence of progress before releasing funds. Government and state officials have legislative obligations – through the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and states' equivalent frameworks - to ensure proper use and management of public resources, which informs assurance over funding decisions.

The Annual Performance Statement provided by Infrastructure Australia includes analysis on the performance outcomes being achieved by states, territories and local government authorities in relation to the IIP and existing project initiatives. Along with the Annual Budget Statement, outlined above, the Annual Performance Statement is tabled in Parliament ahead of the annual Budget.

Additionally, Infrastructure Australia's IPL takes into consideration how demand may change over time, bringing transparency on how best to sequence projects and provide benefits that enhance productivity and support Australia's long-term growth.

Example – the Infrastructure Investment Program is underpinned by a robust governance and legislative framework

Legislative authority for Government spending on land transport infrastructure projects is sourced from both the legislative framework for federal financial relations (*Federation Reform Fund Act 2008* and the *Federal Financial Relations Act 2009*) and the *National Land Transport Act 2014* (NLTA). This means that authorised Government expenditure under the LTIP FFAS needs to comply with both sets of legislation.

Government ministers and officials must also comply with the PGPA Act in making infrastructure investment decisions. This includes the duty of ministers and officials to only use Commonwealth funds for proper (meaning efficient, effective, economical and ethical) purposes.

Project planning for IIP projects is undertaken by state and territory governments who provide project proposals to the department. The department provides policy advice to the Minister for Infrastructure, Transport, Regional Development and Local Government to enable funding and project approval decisions that are consistent with the NLTA, PGPA and *Federal Financial Relations Act 2009*.

Project delivery and post-completion - performance monitoring and oversight

Throughout project delivery, the department undertakes governance and oversight of projects, which can include participation on project boards or other meetings to monitor the progress of projects, site visits, and

analysis of project reporting. This applies to projects being delivered under both FFA and grant arrangements that are subject to the CGRPs.

The Infrastructure FFA also sets out a requirement for states and territories to provide performance reports in accordance with requirements agreed in each schedule, with reporting at least annually; supported by indicators that are meaningful, proportionate to risk, and comprehensible to the public. Exact expectations are tailored to each schedule; noting the range of infrastructure projects delivered under the Infrastructure FFA.

Through a Statement of Expectations issued by the Minister for Infrastructure, Transport, Regional Development and Local Government, Infrastructure Australia is expected to undertake a post-completion review of a selection of significant completed infrastructure projects each year. These reviews identify potential enhancements to project selection and assessment methodologies and reporting requirements and are intended to provide greater evidence that projects are achieving their outcomes.

Example - The Infrastructure Investment Program supports effective project outcomes through a risk-based governance approach and an outcomes-based approach to performance reporting

The LTIP FFAS includes risk-based project governance and reporting arrangements, including:

- a confidence index to help rate a project's delivery risk, which informs project governance arrangements (such as steering committees) and the frequency of reporting.
- positive obligation reporting requirements, which places an onus on states to disclose risks to project delivery timeframes and costs in a timely manner to the Government;
- improved use of gateway reviews and other independent assurance processes.

Under the LTIP FFAS, the Australian, state and territory governments support a process of continuous improvement in setting outcomes-based performance indicators and reporting.

When properly planned and targeted, transport infrastructure is an enabler that helps unlock a range of significant economic, social and environmental objectives. It can improve safety, reduce travel times and create job opportunities during construction.

Key Performance Indicators under the LTIP FFAS enable the assessment of outcomes achieved in the areas of productivity and resilience, liveability, and sustainability, with a focus on the National Land Transport Network. The states are required to provide a Road Performance Data Report annually, including agreed data on road condition and usage, as well as associated maintenance expenditure. Additionally, the states are required to provide an annual report on the bilateral indicators outlined in the LTIP FFAS, that relate to shared priorities including:

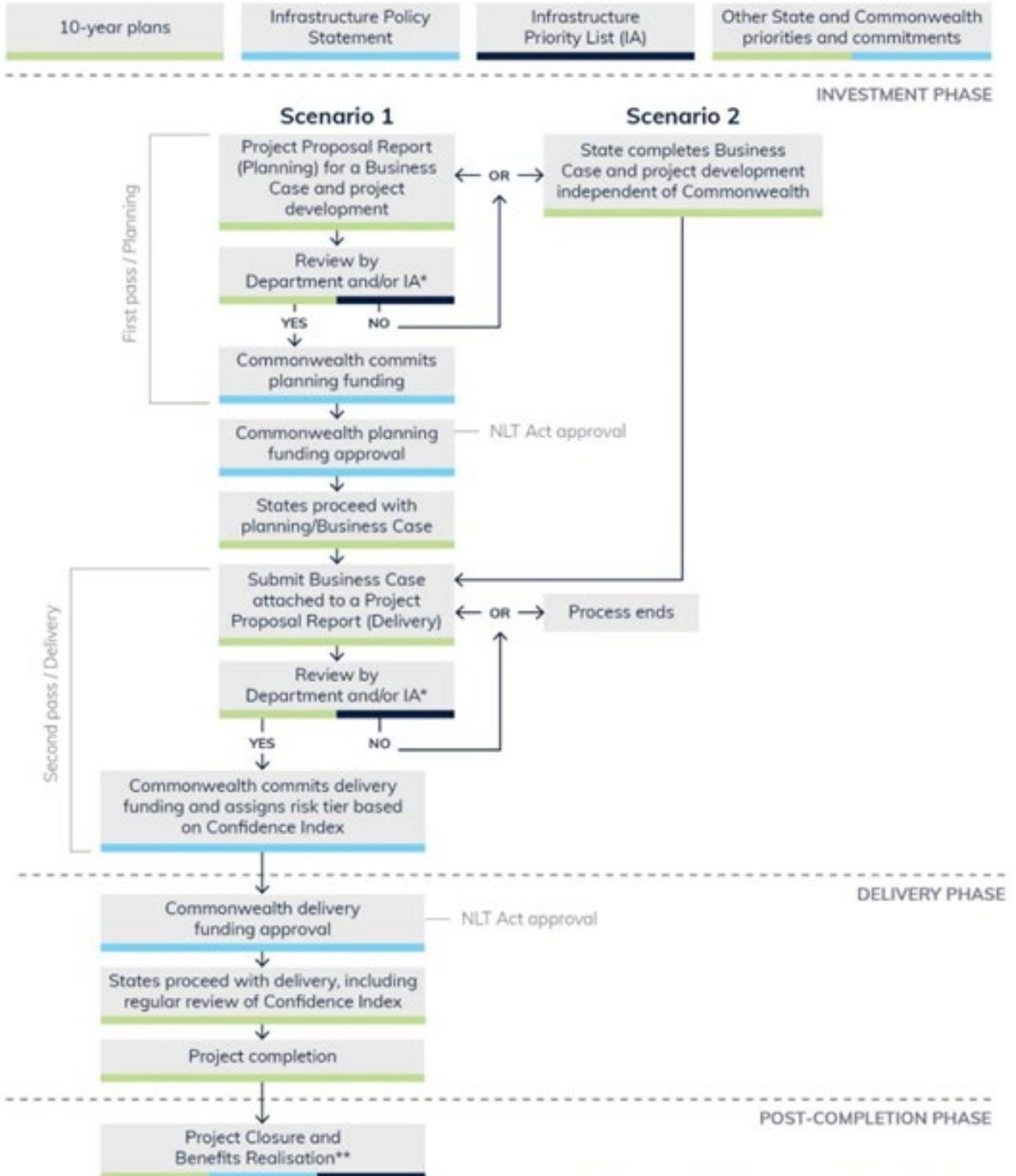
- First Nations outcomes
- Supporting Australian industry
- Skills and training
- Women's participation in construction
- Decarbonisation
- Use of recycled materials in construction

Attachments

Attachment A: IIP project life cycle

Project Lifecycle

Alignment to strategic priorities



LEGEND State Action or Input Commonwealth Action or Input IA Action or Input

* IA will undertake strategic reviews of projects under \$250 million. For projects over \$250 million IA will undertake a full assessment consistent with its Assessment Framework.

**Project closure, Post-Completion Evaluation and Benefits Realisation