

**Government Response to**  
**Finance and Public Administration References Committee Report**  
**A Funding Matter under the Dairy Regional Assistance Programme**

**Introduction**

The Government is committed to transparency and accountability in administering grants programmes. It has accepted the recommendations of the Committee and has ensured these issues have been addressed in the policy and processes for the new Regional Partnerships Programme.

While accepting the Committee recommendations, it notes the comment by Government Senators that:

*On the whole, the government Senators welcome this report as an opportunity to identify areas for improvement in the department's administration of future funding programmes. Government Senators agree that this case has demonstrated certain weaknesses in the interpretation and application of relevant funding guidelines which should be examined by the department. However, several conclusions reached by the majority report are overstated, or not backed up by sufficient evidence to be justified. We therefore wish to place some additional comments on the record.*

The additional comments and points of dissent from government Senators are noted in the Government's Response.

Following are the Government's responses to the individual recommendations of the Report:

<b>Number</b>	<b>Recommendation</b>	<b>Response</b>
1	<p>The Committee recommends that DOTARS define the role of Area Consultative Committees (ACCs) in the implementation of Commonwealth funding programmes and undertake a review of the performance of individual ACCs in relation to these responsibilities.</p>	<p>The Government has already taken action consistent with this recommendation in its development of the new Regional Partnerships programme.</p> <p>Under Regional Partnerships, ACCs will help ensure that proposed projects are consistent with key regional priorities. They will help ensure funding applications are sufficiently detailed and meet Regional Partnerships criteria, identify possible project partners, and advise proponents on how to secure and provide evidence of community or business support for specific projects. ACCs are the key providers of independent advice to the Government on all applications under Regional Partnerships.</p> <p>The Department of Transport and Regional Services (DOTARS) is currently trialing an evaluation framework for ACCs, using key performance indicators.</p>
2	<p>The Committee recommends that the Australian National Audit Office (ANAO) undertake an audit of the administration of Dairy RAP, including the assessment and approval of the Mordek grant.</p> <p>The Committee recommends the ANAO audit address each component of programme administration, including the determination of regional need, the application process, the community information process, the role and responsibility of the Area Consultative Committees and the role and responsibility of DEWRSE and DOTARS.</p>	<p>The Government has provided the ANAO with a copy of the report for information and consideration. ANAO's current work programme includes a performance audit of Special Accounts. The ANAO is currently conducting a performance audit of the Dairy Structural Adjustment Program and Supplementary Dairy Assistance measures, part of the Dairy Industry Adjustment Package.</p>

	<p>Additional comments and points of dissent by government Senators of the References Committee noted the following:</p> <p><i>One key point implicitly acknowledged in the majority report but not elucidated is this: there is no indication of actual malfeasance of misconduct by any of the parties involved in this case.</i></p> <p>Government Senators also noted:</p> <p><i>The majority report attempts to use the limited evidence of technical difficulties with the Mordak case to make wider criticism of the administration of Dairy RAP. We consider this to be tenuous at best.</i></p>	
3	<p>The Committee recommends that Commonwealth funding to address regional disadvantage be distributed on the basis of objective funding considerations and that mechanisms be put in place to support intended policy outcomes.</p> <p>Additional comments and points of dissent by government Senators of the References Committee noted the following:</p> <p><i>Government Senators consider that the majority report has failed to establish a case on this issue. Based as it is on a sample size of one grant in one locality, there is simply not enough evidence to extrapolate from this case that there is a fundamental problem with the use of the ABARE report to determine Dairy RAP eligible regions.</i></p>	<p>Independent work undertaken by the Australian Bureau of Agricultural and Resource Economics (ABARE) identified regions of Australia that were adversely affected by the dairy industry deregulation. The provision of indicators of 'on farm' and 'regional' impact were used consistently by the Department in the prioritisation of regions for funding under the Dairy Regional Assistance Programme.</p> <p>That the Committee's report disagreed with the cut off points used in determining high, medium and low impact does not detract from the objectivity of the indicators provided by ABARE.</p> <p>Under Regional Partnerships, projects are funded on merit. The Minister for Regional Services, Territories and Local Government is the decision-maker. The 56 outer metropolitan, rural and remote ACCs are advised of a notional allocation of funding. These funds are allocated according to</p>

		<p>whether an ACC is metropolitan, rural/regional or remote, with a larger amount being allocated to remote ACCs.</p> <p>These notional allocations are a guide for the total value of high quality projects that an ACC might reasonably expect to be funded under Regional Partnerships in its region. Notional allocations provide realistic guidance to ACCs and proponents about likely funding availability.</p> <p>The Sustainable Regions Programme provides funding to regions undergoing significant structural change. The regions were identified from Socio-economic Indexes For Areas (SEIFA) and Accessibility Remoteness Index of Australia (ARIA) data and include a mix of regional, rural and remote locations.</p>
4	<p>The Committee recommends that Commonwealth grant programme guidelines clearly outline all criteria relevant to assessment.</p> <p>Additional comments and points of dissent by government Senators of the References Committee noted the following:</p> <p><i>The majority report makes it clear that departmental officials went to considerable lengths to see that the proponent's application complied with programme guidelines. This included three assessments by an independent consultant (PriceWaterhouse Coopers) that, while noting some concerns, ultimately recommended that Mordek was eligible for programme funding.</i></p>	<p>Regional Partnerships Guidelines are consistent with this recommendation. The Guidelines are available on the internet, from the Commonwealth Regional Information Service, the Department of Transport and Regional Services and through Area Consultative Committees. These Guidelines and application form provide detailed information and clear explanation on each of the criteria for the programme. The Guidelines also provide specific information on what is not eligible for funding, for example, they include explicit references to retrospectivity, cost shifting and the duplication of services already available within the region.</p> <p>The Sustainable Regions Programme has project selection criteria. In addition projects are assessed against regional priorities. Programme guidelines are publicly available on the Internet and from executive officers in each of the regions.</p>
5	<p>The Committee recommends DOTARS adopt transparent and systematic assessment procedures for regional</p>	<p>For Regional Partnerships, DOTARS is putting in place a single programme management package. The package has significant capacity</p>

	<p>programme grants, incorporating an improved documentary record of assessment procedures.</p> <p>Additional comments and points of dissent by government Senators of the References Committee noted the following:</p> <p><i>Government Senators welcome this report as an opportunity to identify areas for improvement in the department's administration of future funding programmes.</i></p> <p>Government Senators also noted:</p> <p><i>Several conclusions reached by the majority report are overstated, or not backed up by sufficient evidence to be justified.</i></p>	<p>to organise and record details, applications, assessments, funding schedules and monitoring tasks and outcomes.</p>
6	<p>The Committee recommends that the Commonwealth seek to maximise the benefit of public expenditure on regional programme grants by incorporating a 'best value' principle into programme guidelines.</p>	<p>Under Regional Partnerships priority will be given to those projects that demonstrate value for money.</p> <p>The Sustainable Regions Programme supports funding projects that demonstrate sustainability, address regional priorities and obtain financial contributions from other sources.</p>