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**THE LEGISLATIVE ASSEMBLY FOR THE  
AUSTRALIAN CAPITAL TERRITORY**

**TENTH ASSEMBLY**

**Standing Committee on Public Accounts - Report 17 -  
Inquiry into Grants Management**

**Government Response**

**Presented by  
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## STANDING COMMITTEE ON PUBLIC ACCOUNTS REPORT 17

### Inquiry into Grants management GOVERNMENT RESPONSE

#### Background

The ACT Government, like all Australian governments, uses grants to provide financial assistance to organisations that contribute to outcomes that the Government has identified as a discrete priority, better delivered by an external provider. The total amount provided in grants varies from year to year, as does the number and nature of grants programs. Total grants activity is a significant government expenditure, and requires a considerable effort by the ACT public service to properly administer the distribution of these public funds.

Unlike procurement, where specific legislation defines the legal basis for that activity, the framework to be adopted in administration of grants usually relies on the general provisions of the *Financial Management Act*, unless specific legislation is enacted for a particular program. Supporting those general provisions around the efficient use of public resources, is the code of conduct under the *Public Sector Management Act* establishing in particular, that public servants must act with fairness and integrity. Supporting these legislative provisions, a document entitled *The Administration of Government Grants in the ACT: A Framework and Best Practice Policy*, (the Grants Framework) outlines best practice guidance for grants administration.

The Government is currently reviewing the Grants Framework to reflect contemporary examples of best practice and guidance adopted by other Australasian jurisdictions, with a revised version expected to be released by the end of the calendar year. This revision will incorporate lessons learned and commitments made with regard to grants administration in response to other reports including in particular certain recommendations of *Report no. 06 of the Standing Committee on Environment, Climate Change and Biodiversity – Inquiry into environmental volunteerism* from November 2022, and the *Counting the Costs: Sustainable funding for the ACT community services sector Report* released in February 2022.

Recommendations regarding grants administration in those two documents align with the general themes of harmonisation of process, and sector engagement that are apparent in this report, and so the Government is progressing much of that work already. That is particularly true in our human services sector where the adoption of a commissioning for outcomes approach has brought about exceptional sector engagement and will drive co-design of programs in a more collaborative partnership model. Grants programs developed as a result of that approach will be inherently fit for purpose, risk appropriate in their administrative burden, and harmonised in terms of application, term of funding, and monitoring and reporting liabilities.

## Terms of Reference

The Standing Committee on Public Accounts adopted the following terms of reference for its inquiry.

The Standing Committee on Public Accounts will inquire into and report on matters relating to the processes and management of grants programs with particular reference to:

- 1) the range and availability of funding for grants programs;
- 2) the manner in which grants are determined, including the:
  - a. oversight of funding determinations;
  - b. transparency of decision making under grants schemes;
  - c. independence of the assessment of projects;
  - d. scope of Ministers' discretion in determining which grants are approved; and
  - e. adequacy of policy and legislative frameworks under which grants are administered;
- 3) the measures necessary to ensure the integrity of grants schemes and public confidence in the allocation of public money; and
- 4) any other related matter.

## Government Position on Recommendations

**Recommendation 1:** *The Committee recommends that the ACT Government establish a community sector consultation mechanism to ensure the range and availability of funding for grants programs is meeting community needs in the ACT.*

### Government Position

Agreed in principle

The Government will consider ways to provide an opportunity for the community and affected organisations to provide insights into the suitability of the range and availability of grants programs in the ACT, noting that extensive consultation already occurs in relation to community priorities as part of the annual Budget consultation process.

**Recommendation 2:** *The Committee recommends that the ACT Government review grant program contract lengths and mechanisms for recurrent funding to ensure grants have positive and sustainable impact on community issues.*

**Government Position**

Existing Government Policy

The ACT Government offers multi-year grants where appropriate and relevant to the delivery of the identified needs and objectives that the grant is intended to support. The benefits of multi-year funding are considered in the development phase of a grant, as well as appropriate monitoring and reporting regimes to maintain confidence in value for money outcomes over the period.

**Recommendation 3:** *The Committee recommends that the ACT Government include the option for allocating costs to include volunteer management in ACT Government grant programs.*

**Government Position**

Agreed in principle

During the development phase of a grant program, sector engagement should inform the need for, and scale of any genuine additional/administrative costs associated with the delivery of activity relating to grant.

Balanced decisions are required in the establishment of the grant program about the extent to which the additional/administrative costs should be covered by grant money provided to meet a specific outcome.

It will not be possible to determine a blanket approach to this issue, given grant entities often define administrative costs in different ways, and administrative overheads vary significantly across grant types. This decision needs to be considered for each grant program, and should be clearly reflected in the material made available to potential recipients.

**Recommendation 4:** *The Committee recommends that the ACT Government include flexible grant management approaches relating to the way in which grant outcomes can be delivered by the community organisation.*

Government Position

Agreed

The ACT government will consider how to ensure that Governance requirements and mechanisms associated with each grant should be proportionate to the financial and delivery risk associated with that grant. This commitment will be balanced against the legislative obligations to which the ACT Government is held under the *Financial Management Act*, and the *Public Sector Management Act*.

**Recommendation 5:** *The Committee recommends that the ACT Government improve consistency across the ACT Government in the design, management of and acquittal of grants, including standardised insurance requirements, a standardised application form, and standardised acquittal processes for small dollar grants.*

Government Position

Agreed in principle

Wherever possible, elements of grants administration and governance should be harmonised across the Territory. Given the breadth of size and purpose grants programs in the ACT, it is impractical to rely upon pro forma templates to meet the specific needs of any particular grant program. To improve consistency, template forms will be developed for applications, Deeds of Agreement and reporting to the extent that this is possible. Further guidance will also be developed in their use as guiding principles to be considered.

**Recommendation 6:** *The Committee recommends that the ACT Government examine an initial Expression of Interest process before requiring more detailed grant applications so projects out of scope are identified early, before extensive time is committed to developing them.*

Government Position

Agreed in principle

Effective engagement of the sector and gaining a better understanding of the capabilities and priorities of potential grant recipients can abate the risk of mismatching of grant opportunities and applications. As with market sounding exercises in procurement activity, this does not form part of the formal process, but

informs the scoping and approach taken. Guidance will be provided to ACT Government Directorates on where such an approach might be considered, in concert with the principle of making available wherever possible, a clear indication of the ACT Government's priorities and expectations before applications are called for a grant program.

**Recommendation 7:** *To ensure transparency in the grant decision making process, the Committee recommends that the ACT Government:*

- *ensure that selection criteria, outcomes and reporting requirements are co-designed in partnership with the community sector; and*
- *provide open communication and feedback to all grant applicants.*

**Government Position**

Agreed in principle

Best practice guidance will be updated to directorates on sector engagement and co-design options that may be applicable depending on the scope, scale and value of the grants program being planned. The ACT Government is already progressing this work across a range of human services fields through the adoption of a commissioning for outcomes approach, resulting where appropriate in the development of well-defined and designed grants programs.

Best practice guidance will provide advice and examples of grant program design through this commissioning approach, and will also feature guidance on providing feedback to unsuccessful applicants similar to the approach taken in procurement processes.

**Recommendation 8:** *The Committee recommends that the ACT Government require a community representative on grants selection committees/panels.*

**Government Position**

Not Agreed

Clear communication of program objectives, criteria for funding and decision-making processes assures the probity of the grants program and obviates the need for any such representation.

Where technical or sector specific advice is required in determining the recipients of a grant, that expert advice can be sought by the decision-maker or panel as appropriate, through arrangements similar to those adopted in a procurement process. In such cases, only aspects of the grant application relevant to the specific advice being sought would be made available for comment. The panel or decision

maker would then take into account any advice or comments received in making their decision.

While this recommendation is not agreed as a universal position for grants selection committees/panels, the updates to *The Administration of Government Grants in the ACT: A Framework and Best Practice Policy* (the Grants Policy) will clarify when community representation would be appropriate for a grants selection committee/panel, and how this representation should occur.

In circumstances where the panel or decision-maker determine that such representation on an evaluation panel is appropriate, particular attention should be paid to addressing probity requirements around confidentiality and perceived bias. A number of grants programs in the human services sector have successfully used this model, and best practice advice to be incorporated into the Grants Policy will include learnings from those programs.

**Recommendation 9:** *The Committee recommends that the ACT Government make the following information publicly available prior to organisations applying for a grant:*

- *grant process flowcharts for each funding opportunity;*
- *grant decision making process;*
- *decision maker;*
- *selection criteria*
- *outcomes (including links to wellbeing indicators);*
- *reporting requirements;*
- *an explicit statement on how administrative overheads, staffing costs and Project Management for activities for the Grant shall be covered during the grant process;*
- *draft deed applicable to grant.*

#### Government Position

Agreed

Guidance will be provided by ACT Treasury to ACT Government Directorates on the appropriate information to be made available and how that information should be promulgated, to give effect to this recommendation.

**Recommendation 10:** *The Committee recommends that the ACT Government update applicants' information resources and documents on the ACT Government Grants website.*

Government Position

Agreed

Material on the website will be reviewed for currency and to provide appropriate information and guidance to potential grants applicants.

**Recommendation 11:** *Where the Minister is the decision maker for a grant, the Committee recommends that the ACT Government make the grant application appraisal and recommendations made to the Minister publicly available. Where it is unable to be released due to confidentiality or sensitivity concerns, officials must provide reasons to the unsuccessful applicants.*

Government Position

Noted

It is a matter for individual ministers responsible for the provision of the grant in each case as to how decisions are communicated. *The Administration of Government Grants in the ACT: A Framework and Best Practice Policy* will be revised to establish guidance that Ministers may wish to consider in making such decisions.

**Recommendation 12:** *The Committee recommends that the ACT Government establish a specific process for feedback on the quantum of money allocated to grant categories within budget consultation.*

Government Position

Agreed

The ACT Government will consider ways to provide opportunity for feedback specifically on grant spending as part of the budget consultation and development processes.

**Recommendation 13:** *The Committee recommends that the ACT Government review the administrative requirements and complexity of the application and reporting process of grants to ensure the application process is proportionate to the funding amount and outcomes. It is recommended a two-tier approach be adopted with lower levels of accountability for very small grants (<\$10,000) versus multiyear larger grants with more robust procedures.*



Government Position

Agreed in principle

Efficiency in application, monitoring and acquitting activity enhances the outcome of the grant funding. The ACT Government will consider best practice approaches to the adoption of application and reporting requirements scaled according to risk and value of the grant.

**Recommendation 14:** *The Committee recommends that the ACT Government not require detailed information on all expenditure where incorporated organisations and not-for-profit companies have thorough processes of financial management and annual audit.*

Government Position

Not agreed

Adopting a risk-based approach to the information required of grant applicants/recipients is appropriate and sensible, however this should be done on a case-by-case basis for each grant program rather than adopting a blanket exemption informed only by the general financial integrity of potential recipients.

**Recommendation 15:** *The Committee recommends that The Administration of Government Grants in the ACT: A Framework and Best Practice Policy be amended as follows:*

- *In Section 1.5 Governance – officials must provide reasons as to why an applicant is successful/unsuccessful; and*
- *In Sections 3.1 Planning Design and 3.2 Selection and Decision Making – these sections be updated to include:*
  - *consulting and co-designing grants with the community sector; and*
  - *having community sector and/or community member with lived experience representation on grants selection committees/panels.*

Government Position

Agreed in part

*The Administration of Government Grants in the ACT: A Framework and Best Practice Policy* will be revised to provide guidance on feedback for unsuccessful grants applicants along with sector engagement and co-design options. Inclusion of community sector members on evaluation/selection panels, however, will not necessarily be appropriate and desirable in all circumstances. Where any such

arrangements are to be considered, seeking specific advice on probity will be recommended.

**Recommendation 16:** *The Committee recommends that the ACT Government expand funding opportunities to include grants that have a focus on sustainability and circular economy for the community sector.*

**Government Position**

Existing Government Policy

The Government is committed to sustainability outcomes and establishing the conditions for a more circular economy, and notes that some of those outcomes might be best achieved through the judicious applications of programs of grants. However, grants programs as with any other expenditure of appropriated funds, are subject to the annual Budget development process.

**Recommendation 17:** *The Committee recommends that the ACT Government conduct a review of language and accessibility in all ACT Government grant program materials.*

**Government Position**

Agreed

**Recommendation 18:** *The Committee recommends that the ACT Government require that information about grant applicant organisations be saved on SmartyGrants, regardless of the Grant Program Directorate, to reduce the administrative burden when applying for grants.*

**Government Position**

Agreed in principle

The Government will explore opportunities for the broader adoption of SmartyGrants and in particular opportunities to provide the 'ask once, use many times' approach to information gathering that grants applicants are seeking. The current arrangements in place for use of that particular ICT solution, however, do not readily lend allow information sharing as a central database.