

More and more frequently, the Federal Government is channelling its grants funding to local governments and community organisations. But why is this occurring, and what does it mean? Government grants expert COLIN STEELE examines the trend and looks at what these grants funds REALLY aim to achieve.



Whose Money is it?

Understanding the “why” of Commonwealth funding



Sometimes sitting back and wondering “why” can result in big changes to how you apply for and how you deliver grants.

For example, have you wondered why the Commonwealth gets involved in matters that are not its constitutional responsibility or why since 2009 there has been a measurable increase in Commonwealth Government grant programs going directly to local governments and community groups?

I have wondered why. While I don't have all the answers there are some clues to give you an idea. Understanding the answers can make a big difference to the way you apply for grants, your success rates and how you deliver them.

To understand the Commonwealth's involvement in matters that are not its constitutional responsibility, we must go back to Federation.

A short history of the Federal Government vs Section 51

Federation was designed to contain the Commonwealth government's powers. The States drew up the constitution in the 1890s, giving the new Commonwealth Government limited powers listed under Section 51 of the constitution.

Everything not on the list was a State responsibility and still is today: health, education and the environment are not on the list. The purpose of the Commonwealth was to provide national support in areas such as defence, post and telegraphs and lighthouses.

Almost from day one, the Federal politicians did not like the limitations outlined in Section 51. The new politicians wanted to make announcements and give out money – for the community hall, to fix roads, to do something about the school – as from their perspective, the State Governments were not doing enough.

In April 1911, Prime Minister Andrew Fisher (who at the time led the world's first national Labor Party majority government) held a referendum aimed at giving the Federal Government more power. But like most subsequent referenda, it failed.

Federal politicians have also sought different interpretations of the Section 51 list via the High Court. The outcome has often been unfavourable to the Commonwealth: from the 1922 Wool tops Case which looked at Commonwealth powers to impose tax, to the **2012 Chaplaincy Case** on Commonwealth powers to fund programs outside its constitutional responsibility.

The way this form of challenge works is simple. The Commonwealth creates legislation or does something beyond the limits of its powers, and then waits to see if anyone challenges via the High Court.

One of the successes that provided limited increase in powers was the Franklin Dam case: the High Court decided in 1983 that the Commonwealth had power under Section 51(xxix) based on Australia's international obligations under the World Heritage Convention.

The next tool in the Commonwealth's kit is money. Why not just buy what it wants?

But this is challenging too. Again, the Constitution (and Section 51) limits Commonwealth expenditure to matters where it has powers. And where the Commonwealth would like to spend money on matters not on the list, it needs to be either through, or by agreement with, the States.

When State and Federal Governments are of the same political stripes, this type of arrangement is

much easier to arrange. However when they are not – as is the case currently – it is substantially more difficult.

Right now, you see reports of the challenging negotiations that go on; for example, the debate surrounding education funding and the Gonski Report on school and education funding.

Local government the facilitator?

The current relationship between the Commonwealth Government and a number of its State counterparts is the reason so many grant programs are being channel directly to local governments and community groups.

The recent trend is for the Commonwealth Government to get involved in many areas on the ground, some beyond its responsibility where the States are not necessarily willing partners. To do this it needs someone to do it for them – local government and community groups.

With a few exceptions, such as the current Regional Development Australia teams, the Commonwealth Government does not have operational environment staff, climate change, and tourism or community staff on the payroll.

Yet it has billions of dollars that it is now spending on environment, climate change, tourism, community and economic development. Through local governments and community groups.

Starting with John Howard (Roads to Recovery program), continued by ►



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Kevin Rudd (Nation Building and the Community Infrastructure Programs) and now with Julia Gillard (Climate Change and many other programs), the trend is to push the limits, meaning “wait until someone takes them to the High Court and says it cannot spend money beyond its powers”.

Successful challenge occurred as recently as mid-2012 with the School Chaplaincy case, but the Commonwealth put a patch on its programs and continued on.

The usual source of challenge – the State Governments – has not emerged yet. My theory is that they are all struggling with their own finances and so are letting the Commonwealth intrude, for the moment.

The election is not that far away. On this last point, it doesn’t really matter who is in government, the history of the Commonwealth is that both sides want more power.

What does this all mean?

The first critical message is that Commonwealth grant programs are about achieving the Government’s policy outcomes, and local governments/community groups are the ones delivering these outcomes and doing the government’s work on the ground.

This is important to remember – local governments and community groups

2.5 FMA Regulation 3A(1) defines a “grant” as an arrangement for the provision of financial assistance by the Commonwealth:

- a. Under which public money is to be paid to a recipient other than the Commonwealth; and
- b. Which is intended to assist the recipient achieve its goals; and
- c. Which is intended to help address one or more of the Australian Government’s policy objectives; and
- d. Under which the recipient may be required to act in accordance with specified terms or conditions.

may think that the funding is for “their” community group, for the local park or for environmental works. In one way, it is. But ultimately that’s not why the Commonwealth is giving them the money.

To illustrate, the Commonwealth Grant Guidelines – the Bible of all Commonwealth Program Managers says:

Definition 2.5 c is all critical. In these arrangements, local councils and community groups are applying for, and delivering, a Commonwealth grant to help address one or more of the Australian Government’s policy objectives.

Every aspect of the grant program centres on this clause.

- The grant program guidelines are written around Australian Government policy objectives.
- It states how groups are going to achieve these policy objectives.
- The funding agreement will be about the policy objectives.

- The final report requirements will be about how councils and community groups have achieved them.
- Councils’ and community groups’ applications must show how they will contribute to these objectives.

Organisations may still be delivering their local project, but if they want Commonwealth money they need to define things in the context of the Australian Government policy objectives. And you only have to look at the guidelines of any of the recent grant programs to see how this works.

The Guidelines for the Community Energy Efficiency Program say it “... is a competitive merit based grant program that will provide co-funding to local governing bodies and non-profit community organisations ... as part of the Low Carbon Communities initiative under the Commonwealth Governments climate change plan – *Securing a Clean Energy Future*.”

Both the Volunteer Grants program and the Regional Development Australia fund are about achieving policy objectives on Social inclusion. The Volunteer Grant Guidelines say the grants support achieving “... the Government’s statement on social inclusion, *A Stronger, Fairer Australia sets out the Australian Government’s vision and strategy for social inclusion, now and into the future*”.

Again, the Commonwealth Government is providing councils and community groups with funds so they can deliver on their national policy outcomes.

Reporting

The last point is on reporting. Put yourself in the place of the Commonwealth public servants.

They give out billions of dollars ►



to local government, community groups and organisations to achieve the Australian Government’s policy objectives.

The objectives were in the guidelines, the application form and the funding agreement.

Legally, they report to Parliament and the broader Australian public on how the money was spent and how it achieved the Australian Government’s policy objectives. There is only one source of this information – the milestone and final reports.

As a public servant and politician in Canberra the interest is on the policy objectives, not necessarily

if the playground was fixed or the stormwater pipe is in. So, they need a great report that shows how the Australian Government’s policy objectives were achieved.

Get that right and your organisation will be looked at favourably on being funded again, and again. Everyone benefits from such long term partnerships.

If you look behind the big announcements or the glossy guidelines and ask “why” this funding is available it can result in big changes to how you apply for and how you deliver grants. ✘

COLIN STEELE is managing director of **Section51**, a specialist company supporting local government and community groups with the process of grants and funding.

Grants funding must increase

Funds not keeping pace with need

The Australian Local Government Association (ALGA) has formally called on the Federal Government to increase the pool of Financial Assistance Grants available to local councils across the country.

In a submission to the Commonwealth’s review of Financial Assistance Grants, the ALGA has stated the amount of grants has not kept pace with the needs of councils, nor the expectations of their communities.

The submission calls for an increase in the grants pool to “more effectively address the issue of improving the financial capacity of local government bodies”, as well as a change to the methodology for the indexation of the grants so that “indexation more accurately reflects the actual increases in costs faced by local governments”.

However the ALGA has been critical of the scope of the inquiry, which has called for submissions in the context of the “current funding envelope”.

The Association has argued that a lack of funding – and the urgent need for a funding increase – should be considered as part of the review, and was in fact a vital consideration when examining the Financial Assistance Grants program’s shortcomings. ✘

[READ MORE ABOUT THE SUBMISSION.](#)

