



# Head Funding Agreement – Frequently Asked Questions

## Grants to Local Government Model

### Context

The new Grants to Local Government Model (the Model) is a simple, adaptable and coordinated model making it easier for Local Governments to apply for grants, deliver projects and report on progress.

The Model is the new framework for state government grants programs to Local Governments and is the result of a significant reform process involving extensive consultation with state agencies, Local Governments and industry bodies.

The Model seeks to implement a streamlined approach to the development and administration of funding to Local Governments, and one benefit is the inclusion of uniform set of templates that will generally apply consistently across all Grant Programs<sup>1</sup>.

As part of these uniform templates, the State has developed a "Head Funding Agreement" that will:

- govern the relationship between the State and Local Governments in relation to all State funding that may be provided to Local Government recipients;
- provide a uniform set of general terms for the provision of Grant Funds to Local Government recipients by the State; and
- set out the framework under which the State and the Local Government recipients will enter into a funding arrangement for the provision of funding on a project by project basis.

This document provides a set of questions and answers regarding the Head Funding Agreement, including what it is, how it works and reporting requirements.

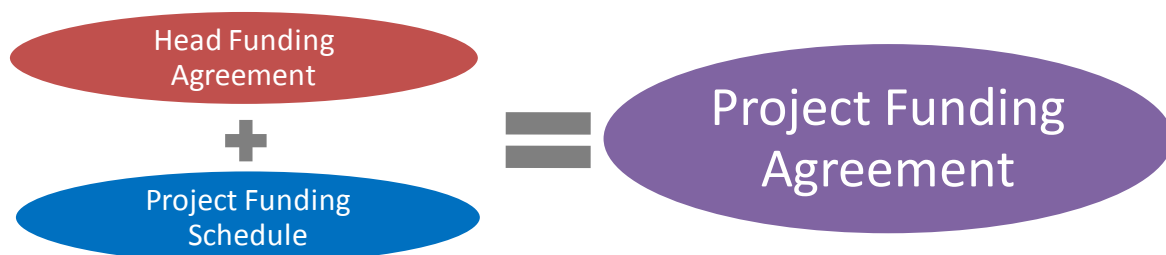
## Head Funding Agreement Overview

### What is the Head Funding Agreement?

The Head Funding Agreement is an overarching agreement that is signed once, which will operate on an ongoing basis and is the framework under which the State and Local Government recipients will enter into a funding arrangement for the provision of funding on a project by project basis.

A Head Funding Agreement and its general terms and conditions, and a Project Funding Schedule and its key details of the project, together form a Project Funding Agreement.

The Project Funding Agreement is the agreement under which the State commits to provide Project Funding to a Local Government recipient for a particular project (or group of projects).



<sup>1</sup> The Head Funding Agreement defines **Grant Program** as meaning a program administered by the State for the provision of funding to a local government or local governments.



## **Does every Local Government need to sign a Head Funding Agreement?**

Yes. Every Local Government will need to sign and return a Head Funding Agreement to receive funding under future Grant Programs and, in some instances, funding under future rounds of existing Grant Programs.

The Department wrote to all Local Governments in December 2019 providing the Head Funding Agreement for review and signing.

## **Does each State agency need to enter into a Head Funding Agreement?**

No. On behalf of the State of Queensland, the Department of Local Government, Racing and Multicultural Affairs (**DLGRMA**) will enter into a Head Funding Agreement with each Local Government. Once executed, individual State Agencies can rely on that agreement to enter into a funding arrangement for Grant Programs.

## **How does the new Head Funding Agreement affect existing agreements?**

The Model applies to new programs and projects, as well as new rounds of existing programs that are open to Local Governments only and which were released from 25 September 2019. All existing projects managed by the State Agencies will continue to be administered via the current Funding Agreements.

## **Do the new funding arrangements apply to all State funding to Local Governments?**

The intent is that from 25 September 2019 all new funding administered by State departments for Grant Programs to Local Governments will be subject to the new Model.

## **Are there exceptions to using the new Head Funding Agreement and Project Funding Schedule?**

Yes, for existing Grant Programs, an agency may elect to continue to use existing funding agreements.

## **Will I receive Project Funding if I enter into a Head Funding Agreement?**

Entering into a Head Funding Agreement itself does not guarantee the provision of grants to Local Governments.

The Head Funding Agreement creates a framework for the formation of Project Funding Agreements, through which Project Funding is provided. However, it does not operate to give Local Governments any right to receive Project Funding.

## **Project Funding Schedule**

### **What is a Project Funding Schedule?**

A Project Funding Schedule is a separate agreement that sets out the detailed information about a specific project (or group of projects) approved for funding by the State. It specifies the key details for a project including the amount of approved funding, the project description, the start and end dates of the funding and the milestone and reporting requirements.

State agencies administering Grant Programs will prepare Project Funding Schedules for each approved project or group of projects. Using the template set out in Annexure A of the Head Funding



Agreement, the Project Funding Schedule will be provided to Local Government recipients for signing and return.

### **When is a Project Funding Schedule prepared?**

A Project Funding Schedule will be prepared once Project Funding to a Local Government has been approved for a particular Project (or group of Projects). This entitlement to Project Funding could arise, for example, following a successful application under a Grant Program.

## **Project Funding Agreement**

### **What is a Project Funding Agreement?**

The Project Funding Agreement is the agreement under which the State commits to provide Project Funding to a Local Government recipient for a particular project (or group of projects).

A Project Funding Agreement is comprised of the Head Funding Agreement and its general terms and conditions, and a Project Funding Schedule and its key details of the project.

### **How is a Project Funding Agreement officially formed?**

By the State and the Local Government recipient having entered into a Head Funding Agreement, and then executing (signing) the Project Funding Schedule, a Project Funding Agreement is formed for the project (or group of projects) in accordance with clause 2.3 of the Head Funding Agreement.

### **What are the terms of the Project Funding Agreement?**

The terms of the Project Funding Agreement are those set out in:

- clauses 3 to 20 of the Head Funding Agreement; and
- the Project Funding Schedule.

### **How will a Local Government be advised what funding terms and conditions apply to a Grant Program?**

The State agency administering an existing Grant Program will advise Local Governments which funding terms and conditions apply. Some agencies may decide to adopt the new Model for future rounds of existing funding programs.

The new Model does not currently affect funding distributed by the Queensland Reconstruction Authority.

## **Reporting**

### **Does the streamlined approach for Grant Programs mean that reporting will be uniform for all Projects?**

No. While the Administration Agencies will use uniform reporting templates, it is likely that specific reporting requirements will differ between projects and grant programs. In developing a grant program, agencies will consider a reporting approach that will obtain the information needed, while ensuring the obligations and associated administrative activities are reasonable.

### **What reporting is required by the State?**

Clause 6 of the Head Funding Agreement requires Local Government recipients to report on:



- Project specific matters in respect of the Project Funding Agreement; and
- Head Funding Agreement matters (at the State's request) that contains an overview of the status of all Projects that have not yet reached their Project Funding Agreement End Date, and an overview of all submissions or applications made or proposed to be made in respect of a Grant Program.

The project specific reporting requirements, including the report type, report form and contents required, and the timing of lodgment, are specified in item 19 within the Project Funding Schedule.

### **Can reporting be different for different projects and programs?**

Yes. It is possible specific reporting requirements will differ between projects and grant programs. For each project and/or grant program, the State will assess the reporting requirements necessary and will list the required reporting. It is important that reporting requirements are appropriate having regard to the scale, complexity and objectives of each Project.

### **Will Local Governments be asked for information in addition to reporting?**

Yes, Local Governments can be asked for additional information not captured during the general reporting process. Clause 8 of the Head Funding Agreement allows the State to request "data" from Local Government recipients.

The intent of the clause is to provide a mechanism under which the State can request the Local Government to provide data that is related to the Project (but is not data that would otherwise be required under a report).

### **Why will Local Governments be asked for additional data/information?**

Clause 8 is not intended as an open clause allowing the State to request a broad range of data from a Local Government recipient. Rather, the State will specify the class of data required (and the permitted data use) in item 23 of the Project Funding Schedule.

For example, if the Project is a community facility work, the State might require data from Local Government recipients about community engagement undertaken and any results including expected use/demand for the facility.

### **What will additional data/information be used for?**

Some of the purposes for which the data may be used include:

- to better understand Local Government needs and priorities; and
- improve future grant programs.

It is not expected the State will always require data under clause 8 for each Project.

## **Termination**

### **Why does the State have a right to terminate the Head Funding Agreement?**

Under clause 14.1, the State may terminate the Head Funding Agreement at its convenience. This type of clause is common in most State or Commonwealth funding agreements and reflects the principle of executive necessity.

A termination for convenience clause must be exercised in good faith, not capriciously or merely to avoid the contract.



## What happens to Project Funding Agreements if a Head Funding Agreement is terminated?

In the event the State terminates the Head Funding Agreement, the termination of the Head Funding Agreement will not affect any Project Funding Agreement. This ensures the termination of the Head Funding Agreement does not automatically cause the individual Project Funding Agreements to terminate.

Each Project Funding Agreement forms its own contract independently from the Head Funding Agreement and may only be terminated in accordance with clause 15. After termination of the Head Funding Agreement, any Project Funding Agreement will remain on-foot, continuing to incorporate the relevant terms from the Head Funding Agreement.

## What is the extent of the State's rights to terminate a Project Funding Agreement?

Clause 15 gives the State a right to terminate a Project Funding Agreement for the Recipient's default, and for the State's convenience. Termination of a Project Funding Agreement does not automatically trigger termination of the Head Funding Agreement or another Project Funding Agreement.

The rationale for the termination for convenience right is the same rationale as for the Head Funding Agreement. It is not a right that would be exercised lightly.

The triggers for termination for default include:

- failure to remedy a breach;
- termination of another Project Funding Agreement; and
- provision of information to the State that is false or misleading in any material respect.

## Why does the State require Local Government to release and indemnify the State?

Clause 17 of the Head Funding Agreement requires Local Government recipients to give the State a broad release and indemnity. This is appropriate having regard to the limited role of the State in respect of the actual conduct of the Projects.

The State's role is to provide funding to Local Governments under the Grant Programs it administers. Therefore, it is not expected the State will take on the risk of undertaking the Projects. The State is unwilling to take on liability in excess of the amount of the Project Funding under each Project Funding Agreement. This is a standard position under Commonwealth and State funding agreements.

## General

### Why does the Project Funding Schedule refer to an "Administration Agency" and a "Policy Agency"?

Under the Model, State agencies can play different roles in the design, administration and evaluation of Grant Programs.

- **Policy Agency** - designs or develops the Grant Program
- **Administration Agency** - delivers and administers the Grant Program.

The distinction between roles is acknowledged in clause 2.5 of the Head Funding Agreement and will generally be identified in the Program Guidelines for the relevant Grant Program.

Note: a State agency may be both a Policy Agency and Administration Agency for a Grant Program.



## **Do the different roles of State Agencies impact on Local Governments and their grant funding applications and projects?**

No, this will not impact on grant funding applications and projects. However, Local Governments should note that if a separate Policy Agency and Administration Agency is identified:

- the Administration Agency will hold the Project Funding on trust for the Policy Agency; and
- the Administration Agency, as agent for the Policy Agency, is responsible for the payment of the Project Funding to the Recipient.

Therefore, unless otherwise notified, Local Government recipients will engage directly with the Administration Agency (as agent for the Policy Agency) in respect of Projects, rather than the Policy Agency.

## **Does the Head Funding Agreement prevent Local Governments from purchasing assets for Projects?**

Yes. However, the Program Guidelines or the Project Funding Schedule for a Project may permit the purchasing of assets for Projects.

## **How will a Local Government know if it can purchase assets for projects?**

For most Projects, the Program Guidelines will identify if a Local Government is permitted to purchase assets using Project Funding. If the Program Guidelines expressly permit the purchase of certain assets, then the Local Government may purchase those assets in accordance with the Program Guidelines.

If the Program Guidelines do not expressly permit the purchase of assets for a Project using Project Funding, then the Local Government recipient will only be permitted to purchase assets using the Project Funding if the asset is listed in item 20 of the Project Funding Schedule.

## **Are Local Government recipients required to acknowledge the State's funding or seek State approval for public statements?**

Local Government recipients are required to comply with the acknowledgement requirements specified under the relevant Program Guidelines for a Project, and any specific acknowledgement requirements set out in item 21 of the relevant Project Funding Schedule.

Unless otherwise stated in the relevant Program Guidelines or the relevant Project Funding Schedule, Local Government recipients must provide any public statement or media releases to the State prior to release, and comply with any requests, amendments or conditions reasonably required by the State.