



## **National Red Imported Fire Ant Eradication Program – South East Queensland Principles for cost-sharing arrangements**

The purpose of this paper is to document the agreed processes and principles for cost-share arrangements for the National Red Imported Fire Ant Eradication Program – South East Queensland (the National Program).

### **Background**

On 26 July 2017, the Agriculture Ministers' Forum (AGMIN) considered the draft National Program Governance Plan for the National Program's expansion. Members approved the Governance Plan and the National Program's expansion with funding of \$411.4 million over ten years. Ministers also approved the membership of the National Red Imported Fire Ant Eradication Program in South East Queensland Steering Committee (National Program Steering Committee) which provides strategic oversight to the National Program.

### **Approved Funding**

The following table provides the funding breakdown by jurisdiction for 2017–18 and the total 10- year budget. The real dollar value of \$38 million per annum will decrease over the 10-year life of the National Program and has therefore been adjusted for inflation. The adjustment for inflation rises is estimated to be 2.467 per cent per year which is based on the average consumer price index (CPI) increase over the last 20 years as calculated by the Australian Bureau of Statistics. The cost-sharing apportions are based on calculations undertaken by the Commonwealth Department of Agriculture and Water Resources (DAWR).

It should be noted that the Australian Capital Territory (ACT), New South Wales (NSW)<sup>1</sup> and Victoria<sup>2</sup> AGMIN approved contributions are less than the apportions calculated by the DAWR.

The full year-by-year budget for each jurisdiction is available at Attachment 1.

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<sup>1</sup> For the ACT and NSW, the contributions are not adjusted for CPI.

<sup>2</sup> For Victoria, the contribution rate of 12.6% was applied instead of 12.68%, and are not adjusted for CPI.



### National Red Imported Fire Ant Eradication Program – South East Queensland 2017–18 Budget and Total 10-Year Budget

Jurisdiction	2017-18 BUDGET	TOTAL 10 YEAR BUDGET
		<b>\$37,969,600</b>
Commonwealth	\$19,000,000	<b>\$212,542,195</b>
New South Wales	\$6,137,000	<b>\$61,370,000</b>
Victoria	\$4,788,000	<b>\$47,880,000</b>
Queensland	\$3,864,600	<b>\$43,231,082</b>
Western Australia	\$2,093,800	<b>\$23,422,150</b>
South Australia	\$1,368,000	<b>\$15,303,038</b>
Australian Capital Territory	\$300,200	<b>\$3,002,000</b>
Tasmania	\$220,400	<b>\$2,465,489</b>
Northern Territory	\$197,600	<b>\$2,210,439</b>

## Principles for seeking National Program cost-sharing contributions

### 1.0 Process

The following process will apply:

- (a) at the beginning of each financial year, the National Program will provide to cost-share partners a financial expenditure forecast for each quarter. Where possible the National Program will advise the cost-share partners in advance of any expected under spend and over spend (see section 2.2)
- (b) the National Program's cost-share partners will provide to the National Program a payment schedule in accordance with either the total financial expenditure forecast in advance or in two instalments July and January of the financial year.
- (c) the National Program will invoice the cost-shared partners in accordance with the agreed payments schedule
- (d) state and territory jurisdictions will be invoiced no more than four times a year
- (e) payments by the Commonwealth will be in accordance with the current National Partnership Agreement schedule for the National Program. Commonwealth payments will occur on a no greater than six-monthly basis



- (f) yearly Program expenditure may vary (over or under spend) to allow the National Program to respond to climatic, seasonal and unplanned contingencies
- (g) At the end of each financial year, each jurisdiction will have been invoiced for the full budgeted amount for that financial year.
- (h) At the end of each financial year, the National Program, through the Queensland Department of Agriculture and Fisheries Finance section, will provide cost share partners an annual financial year acquittal of revenue and expenses. The National Program will report on program expenditure to date in monthly and quarterly reports provided to the National Program Steering Committee
- (i) in the event of an under spend, funding will be carried forward into the next financial year-how this will be utilised will be subject to the approval of the National Program Steering Committee
- (j) in the event of an over spend that has been approved by the National Program Steering Committee, invoices for the outstanding amount will be raised in the first quarter, within the provisions of Section 2.2 – Limit on cost-sharing obligation
- (k) the obligations of cost-share parties, with regard to contribution to the Ten Year Plan, will not exceed the total plan budget over the ten-year life of the plan
- (l) accounting for all expenses and revenue for the National Program will be recorded in accordance with the Queensland Financial Accountability Act 2009
- (m) unlike response plans under the National Environmental Biosecurity Response Agreement (NEBRA), the Commonwealth Government will not have a role in assessing claims, coordinating and confirming contributions with the National Program's cost-share partners.
- (n) independent efficiency and financial audits of the National Program will be scheduled every two years or as requested by the National Program Steering Committee.

## **2.0 Cost-sharing arrangements**

Although the cost-sharing arrangements for previous National Program response plans pre-date the NEBRA, the cost-sharing arrangements for the current 10-year National Program are based on the principles of the NEBRA. This includes a cost-sharing formula (2.1), eligible costs, invoicing arrangements, and contributions by private beneficiaries where appropriate, reporting and auditing.

### **2.1 Cost-sharing formula**

With the exception of ACT, NSW and Victoria as identified in Approved Funding at Page 1, costs associated with the National Program will be shared in accordance with the following:

- (a) the Commonwealth's share will be 50 per cent of costs
- (b) the State and Territory parties' combined share will be 50 per cent of costs



- (c) each State or Territory party's contribution is determined by reference to that party's share of the total number of beneficiaries in the population, according to the following formula:

$$\begin{aligned} & \text{A State/Territory Party's share of the combined investment} = \\ & \text{the number of people in a potentially affected area in that jurisdiction} \\ & \div \\ & \text{the total number of people potentially affected in Australia.} \end{aligned}$$

## 2.2 Limit on cost-sharing obligation

The obligations of cost-share partners will not apply beyond the total budget in the Ten Year Plan over the 10-year life of the plan.

Yearly National Program expenditure may vary from the total budget for each year (over or under spend) to allow the National Program to respond to climatic, seasonal and unplanned contingencies.

The National Program may seek approval from the Steering Committee to borrow or draw down on the approved budget allocation for the following financial year.

If the National Program's total expenditure for a financial year is under the annual budget allocation, the National Program will carry over this amount to the following financial year. In accordance with 1 (g), this will be reported to the Steering Committee as a part of the National Program's annual acquittal of revenue and expenditure.

Cost-share partners will provide to the National Program an annual schedule of payments detailing the frequency and timing of their payments in accordance with the financial expenditure forecast (payments are to be made in advance).

Cost-share partners will make payments in advance of National Program expenditure being incurred based on forecasted expenditure (refer to 1 (a)).

The National Program will invoice the cost-shared partners in accordance with the established payments schedule for each jurisdiction.

State and Territory jurisdictions will be invoiced no more than four times a year with the Commonwealth to be invoiced on no greater than a six-monthly basis.

## 2.3 Contributions by private beneficiaries

Each jurisdiction acknowledges the challenge of implementing a 'private beneficiary pays' approach for the National Program.

The National Program will commission work to further explore alternative funding models, including options for financial contributions from private beneficiaries and risk creators and mitigators. Cost-share partners recognise that whilst mechanisms such as levies will also be considered, any decision to implement levies is beyond the authority of the National Program. The National Program Steering Committee will oversee this work.



In assessing whether private beneficiary contributions will be sought, the payment mechanism must be:

- practical
- equitable
- non-distortionary
- efficient.

The National Program's cost-share partners agree that, where there is one or more private beneficiary and no existing arrangements, negotiations with those private beneficiaries on contributing financially should be undertaken.

The National Program may also receive assistance in the form of in-kind support from industry, government and the public. Any in-kind support will be reliably estimated, measured and accounted for, with the appropriate GST treatment.

Whether or not a contribution from a private beneficiary will result in a reduction in the contribution from jurisdictions will depend on the use of the funds and should be decided by the National Program Steering Committee at the time on a case-by-case business.

## **2.4 Records and reporting**

The National Program will:

- (a) keep records, in auditable form, of costs. Accounting for all expenses and revenue for the National Program will be recorded in accordance with the *Queensland Financial Accountability Act 2009*
- (b) be able to substantiate claims for reimbursement arising from costs they are involved in
- (c) make these records available when the cost-sharing arrangements are coordinated
- (d) provide to cost-share parties a financial expenditure forecast for each quarter, at the beginning of each financial year
- (e) provide advice on the budgeted and actual expenditure relating to the National Program on a monthly basis to the National Program Steering Committee.

## **2.5 Coordination of claims**

The National Program will ensure that an officer is responsible, as part of their job description, for coordinating and collating claims for the National Program's costs arising from implementation of the Ten Year Plan.

The National Program will:

- (a) seek payment of National Program costs based on each jurisdiction's agreed schedule
- (b) record costs incurred and accounts payable by cost-share partners in accordance with the cost-sharing principles outlined in this document



- (c) provide information as required to an external financial auditor and the National Program Steering Committee (as required) for verification that costs have been incurred by the National Program in connection with the Ten Year Plan.

The cost of coordinating the cost-sharing arrangements is included in the Ten Year Plan budget.

## **2.6 Efficiencies**

Where ever possible, the National Program will undertake eradication activities outlined in the Ten Year Plan in the most efficient and cost-effective manner. With regard to 2.3, efficiencies will also be sought when working with external parties which may provide in-kind support to the National Program. This will include the engagement of industry, local government and other stakeholders to undertake activities on behalf of the National Program. The efficiency audit scheduled for every two years may also identify efficiency improvements which may be adopted by the National Program.

## **3.0 Audits**

### **3.1 Frequency of audits**

Efficiency and financial audits of the National Program will be scheduled every two years or as required by the National Program Steering Committee.

The National Program Steering Committee may request, at any time, a financial, efficiency, operational or scientific audit of the National Program. Such a review may involve systematic and independent examination to determine whether activities undertaken by the National Program comply with the Ten Year Plan, and that the plan is implemented effectively and is on track to achieve National Program objectives. The National Program Steering Committee may also seek an audited statement of expenditure from the National Program at any time during, or on completion of, the Ten Year Plan.

The National Program is required to maintain auditable records of costs.

The efficiency and financial audits will be undertaken by independent providers. Budget allocation for additional audits to the annual audit (efficiency or financial) will be subject to the approval of the National Program Steering Committee.

The efficiency and financial auditors will provide a final report to the National Program Steering Committee within 60 days of completion of the audit.

A financial audit will be conducted at the conclusion of the Ten Year Plan in 2027–28 and a final financial audit report will be provided to all associated parties and the National Program Steering Committee within 60 days of the completion of the audit.

Provision has been made in the indicative budget for the conduct of one efficiency or financial audit per year during the course of the Ten Year Plan.

### **3.2 Matters relevant to the financial auditor**

The financial auditor must have regard to the following:

- (a) attestation of financial data incorporated in prescribed financial statements prepared by the National Program. This will include the expression of an opinion as to whether the



financial statements fairly present the financial position and the results of financial operations in terms of this 'Principles' document, accounting standards and other administrative guidelines

- (b) examination of financial systems and transactions, including an evaluation of compliance with this 'Principles' document
- (c) reporting of observations or suggestions about any matters arising from audits that the auditor considers should be brought to the attention of the National Program Steering Committee
- (d) the identification of any potential claims or litigation matters which may involve any the National Program or cost-share partners, whether jointly or individually, and the extent of any exposure to such claims or litigation
- (e) any other activities and issues that the cost-share partners may require.

The financial auditor is entitled, at any reasonable time, to full and free access to all documents, records and property relevant to an audit, and should receive the necessary cooperation from all parties in undertaking an audit.

### **3.3 Role of the efficiency audit**

The efficiency auditor should undertake a systematic and independent examination to determine whether:

- (a) activities undertaken by the National Program comply with the Ten Year Plan
- (b) the Ten Year Plan is implemented efficiently and effectively and will achieve its objectives.

### **3.4 Matters relevant to efficiency audit**

The efficiency auditor must:

- (a) have regard to whether the activities detailed in the Ten Year Plan are being implemented as described
- (b) have regard to whether the activities of the National Program are conducted in a cost effective and efficient manner
- (c) if necessary, recommend corrective action to modify the Ten Year Plan.

### **3.5 Compliance with auditing standards**

The financial audits must be conducted in accordance with Australian auditing standards.

## **4.0 Eligible Costs**

### **4.1 Costs associated with implementation of the Ten Year Plan and annual Work Plans**

All National Program costs associated with the implementation of the Ten Year Plan and annual Work Plan will be classed as eligible costs. This does not include any in-kind support from

Queensland Department of Agriculture and Fisheries that would qualify as regular business commitments.

Any additional activities that the National Program Steering Committee directs the National Program to undertake will also be classed as eligible costs. This includes financial, efficiency and other reviews and audits to be undertaken by an external provider, as well as the costs associated with administering the cost-share arrangements outlined in this 'Principles' document.

## 4.2 Salaries and wages

Salaries and wages incurred directly by the National Program will be classed as eligible costs as follows:

- (a) salaries, wages, fees and allowances for staff, consultants, contractors or externally funded staff engaged by the National Program to assist directly with implementation of the Ten Year Plan or any additional activities that the National Program Steering Committee directs
- (b) workers' compensation, superannuation and leave for staff engaged directly for, or as a result of, implementing the Ten Year Plan or any additional activities that the National Program Steering Committee directs
- (c) reimbursements to volunteer personnel by negotiation, but generally limited to out-of-pocket or incidental expenses.

## 4.3 Operating expenses

Operating expenses incurred directly by the National Program when undertaking activities required by the Ten Year Plan will be classed as eligible costs, subject to any conditions specified by the following:

- (a) the cost of staff and operating costs incurred as a result of activities required by the National Program to implement the Ten Year Plan or any additional activities that the National Program Steering Committee directs
- (b) costs arising from the purchase of stores and equipment for the implementation of the Ten Year Plan or any additional activities that the National Program Steering Committee directs. The eligible costs will be as valued:
  - (i) at the time of the proof-of-freedom or upon a determination by the National Program Steering Committee that the Ten Year Plan will not continue, in which case the stores or equipment will be sold within 60 days; or
  - (ii) at the time of disposal
- (c) the proceeds from any sale of stores or equipment, or equivalent value, will be distributed to the parties in the same proportions as their contribution in accordance with the cost-sharing arrangement, unless the National Program Steering Committee approves otherwise
- (d) other essential operating costs will be eligible costs if so determined by the National Program Steering Committee and/or specified in the Ten Year Plan and annual National Program Work Plans.





#### 4.4 Capital costs

Regardless of whether capital equipment has already been purchased or will be purchased by a party, eligible costs include the costs arising from obtaining (or obtaining the use of) essential equipment for the immediate servicing needs of the Ten Year Plan.

However eligible costs will not include capital expenditure on major items, such as motor vehicles or buildings, unless:

- (a) the National Program Steering Committee specifies that the costs are to be eligible costs, and
- (b) the capital items are essential for, and specific to, activities under the Ten Year Plan.

Note that the working life of such capital items may extend beyond the 10-year life of the National Program and may be utilised in other ongoing programs. Accordingly, the ongoing costs associated with such items will be the responsibility of the Queensland Government.

Such equipment will be valued and dealt with in accordance with Queensland Government policy.

**Attachment 1: Ten Year Eradication Plan cost-sharing apportionments for the National Red Imported Fire Ant Eradication Program – South East Queensland 2017-18 – 2026-27**

Jurisdiction	2017-18 BUDGET	2018-19 BUDGET <sup>3</sup>	2019-20 BUDGET	2020-21 BUDGET	2021-22 BUDGET	2022-23 BUDGET	2023-24 BUDGET	2024-25 BUDGET	2025-26 BUDGET	2026-27 BUDGET	TOTAL BUDGET
	\$37,969,600	\$38,629,384	\$39,305,445	\$39,998,185	\$40,708,015	\$41,435,355	\$42,180,640	\$42,944,311	\$43,726,821	\$44,528,636	\$411,426,394
Commonwealth	\$19,000,000	\$19,468,730	\$19,949,024	\$20,441,166	\$20,945,450	\$21,462,174	\$21,991,646	\$22,534,180	\$23,090,098	\$23,659,730	\$212,542,195
New South Wales	\$6,137,000	\$6,137,000	\$6,137,000	\$6,137,000	\$6,137,000	\$6,137,000	\$6,137,000	\$6,137,000	\$6,137,000	\$6,137,000	\$61,370,000
Victoria	\$4,788,000	\$4,788,000	\$4,788,000	\$4,788,000	\$4,788,000	\$4,788,000	\$4,788,000	\$4,788,000	\$4,788,000	\$4,788,000	\$47,880,000
Queensland	\$3,864,600	\$3,959,940	\$4,057,631	\$4,157,733	\$4,260,304	\$4,365,406	\$4,473,101	\$4,583,452	\$4,696,526	\$4,812,389	\$43,231,082
Western Australia	\$2,093,800	\$2,145,454	\$2,198,382	\$2,252,616	\$2,308,189	\$2,365,132	\$2,423,479	\$2,483,267	\$2,544,529	\$2,607,302	\$23,422,150
South Australia	\$1,368,000	\$1,401,749	\$1,436,330	\$1,471,764	\$1,508,072	\$1,545,276	\$1,583,398	\$1,622,461	\$1,662,487	\$1,703,501	\$15,303,038
Australian Capital Territory	\$300,200	\$300,200	\$300,200	\$300,200	\$300,200	\$300,200	\$300,200	\$300,200	\$300,200	\$300,200	\$3,002,000
Tasmania	\$220,400	\$225,837	\$231,409	\$237,118	\$242,967	\$248,961	\$255,103	\$261,396	\$267,845	\$274,453	\$2,465,489
Northern Territory	\$197,600	\$202,475	\$207,470	\$212,588	\$217,833	\$223,207	\$228,713	\$234,355	\$240,137	\$246,061	\$2,210,439

<sup>3</sup> The adjustment for inflation rises is estimated to be 2.467% per year. This estimate is based on the average consumer price index increase over the past 20 years, calculated by the National Program using data from the Australian Bureau of Statistics (Cat. No. 6401.0). The Independent Review recommended budget (and Monash University modelled budgets) were based on National Program costs for undertaking treatment and surveillance as at June 2015. Since this time, Program costs have risen. The Queensland Government Entities Certified Agreement 2015 features public service salary increases of 2.5% per annum. Similarly, the costs for many other consumables and operational activities, such as vehicles, fuel, bait, and helicopter hire, have and will continue to rise. The Ten Year Eradication Plan has been developed based on a budget adjusted for inflation (the same as the existing *National Program Response Plan 2013-18*). Failure to account for inflation increases will mean the National Program will have a decreasing budget in real dollar values over the ten year life of the program, which will result in the National Program being unable to undertake the full extent of treatment and surveillance required to eradicate.