Mid-Term Review of the Natural Heritage Trust

Review of Administration

Howard Partners

November 1999

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Foreword

When we were invited to undertake the review of the administration of the Natural Heritage Trust in July this year we knew that we were getting into new area of thinking about public administration. The administrative arrangements that had been established to manage and deliver the Trust objective, "to conserve, repair and replenish Australia's natural infrastructure" were innovative and unique.

It has been one of the most challenging assignments that we have undertaken in 15 years of consulting to the public sector.

We have found the arrangements that were set up at the policy and senior management levels in Agriculture Fisheries and Forestry - Australia and Environment Australia to be highly collaborative and productive. The basis for arrangements between the Commonwealth and the States, reflected in Partnership Agreements and Memoranda of Understanding were also initiated and negotiated on the basis of good will and collaboration.

It is in the area of Natural Heritage Trust delivery that we found an exceptionally high level of complexity in administration and management that the architects of the Trust could not have foreshadowed or foreseen. Nonetheless, the programs that constitute the Natural Heritage Trust have been able to deliver a seven-fold increase in Commonwealth expenditure on natural resource management, sustainable agriculture and environmental protection from 1996-97 to 1998-99.

Not surprisingly, this has placed pressure on the management, organisational and administrative arrangements for inviting, receiving, processing, assessing, approving and funding investment proposals. It has also raised an awareness of the need for a greater commitment to strategic planning and linking the objectives of the Trust with the objectives of individual programs.

While the policy commitments of the Trust have been met it is now time to focus on improving the delivery system and working towards achieving the objective of "one set of guidelines, one application, one assessment process, and one report". We consider that this can be achieved, but will again require the cooperation and collaboration of Commonwealth and State officers and the community organizations. This Report sets out our views on how this might be done.

Needless to say, we have not been able to respond in the Report to all of the views and submissions put to us. However, the contributions have been valuable and were very much appreciated.

I would like to thank all of the people who have participated in the Review through consultations, discussions, responding to surveys and questionnaires, providing documents and answering follow-up questions. We also appreciate the valuable comment and feedback provided by the Steering Committee in reviewing draft documents.

I would also like to thank my colleagues Alastair Higham and Graeme Taylor who participated in the preparation of this Report: and Howard Communications (Anne Howard) and Resource Management and Conservation Services (George Wilson) for contributing specialist input and expertise.

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Managing partner
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November 1999.

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Executive Summary

This is a report of the review of the administration of the Natural Heritage Trust undertaken between 29 July and 26 November 1999. The review purpose, scope and terms of reference are set out in Chapter 1 of the Report.

The purpose of the Natural Heritage Trust

The *Natural Heritage Trust of Australia Act 1997* established the Natural Heritage Trust of Australia Reserve to conserve, repair and replenish Australia's natural capital infrastructure. The Act also created the Natural Heritage Ministerial Board with specific functions and responsibilities for the management of the funds that were allocated to the Reserve from the proceeds of the partial sale of Telstra.

When introducing the legislation, the then Minister for Primary Industries and Energy informed the Parliament that, in effect, "the transfer of funds from the partial sale of Telstra represents a transfer from investment in a telecommunications company to an investment in natural capital".[1] The Natural Heritage Trust was seen by Government to be Australia's largest ever-environmental rescue package.

The Natural Heritage Trust has also been catalytic in encouraging an integrated approach to policy development in relation to natural resource management, environmental protection and sustainable agriculture at both the Commonwealth and State levels. The progressive development and implementation of a regional approach to delivery is also regarded as an essential component of its success.

The initial documentation relating to the establishment of the Trust envisaged that investment in natural capital would be delivered through five strategically developed environmental packages: Vegetation, Land, Biodiversity, Rivers and Oceans. Pre-existing programs were to be redesigned and re-oriented in these packages. The five "packages" became seven, with 21 programs grouped under them. This classification is illustrated in the following chart.

NHT Administration

☐ = Program in the One Stop Shop
▨ = Program not in the One Stop Shop

Ministers

Land | Vegetation | Inland Water | Biodiversity | Coasts and Ocean | Environment Protection | Heritage

Landcare | Bushcare | Murray Darling | Reserve Systems | Fisheries Action | Waste Awareness | WH Area Management
Feral Animals | Farm Forestry | Rivercare | Endangered Species | Oceans Policy | Air Pollution
Weeds Program | | Waterwatch | | Coasts & Clean Seas
Farm Bi$ | | Wetlands
NLWRA | | River Health
| | Riverworks Tas

State and Regional Assessment Panels - based on Regional Plans and Strategies

Project Assessment - National Priorities, Scientific Contribution

Facilitator/Coordinator/Project Officer Network

Project Performance

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1 ...he ...soil, freshwater, vegetation, clean air, ocean and other resources that underpin the survival, health and prosperity of human communities".

The Administrative Structure of the Natural Heritage Trust

The arrangements for the planning, organization and delivery of the Natural Heritage Trust are complex. Under current arrangements there is a number of separate and distinct components. The components, together with the main roles and responsibilities are listed below.

Administrative Functions	Structural Units	Roles, responsibilities
Natural Heritage Trust Policy, Investment Criteria	Natural Heritage Ministerial Board	Sets directions. Manages the Natural Heritage Trust of Australia Reserve
Intergovernmental Policy and Administrative Framework	Ministerial Councils (ANZECC, ARMCANZ) and Standing Committees	Communicates and collaborates on policy issues
Natural Heritage Trust Strategies, Direction, Program Design	Environment Australia, Agriculture, Fisheries and Forestry Australia Branch and Group and Division Heads	Develops and refines program Strategies. Advocates new Programs
Program Management, Environment Australia, Agriculture, Fisheries and Forestry Australia	Environment Australia and Agriculture, Fisheries and Forestry Australia Branch and Section Heads	Communicates program strategies and guidelines
Natural Heritage Trust Coordination and Collaboration	Commonwealth Team Leaders and Liaison Officers. Natural Heritage Trust Staff in State Agencies	Coordinates State activity under Partnership Agreements and MOUs
Program Management – Lead Agencies	Program Managers in State Agencies (and Local Government)	Interpret and arrange program delivery
Project Assessment	State, Regional and Technical Assessment Panels	Assess and advise on projects
Regional Planning	Regional, Catchment and Sub-Catchment Bodies	Prepare regional plans as basis for project proposals
Natural Heritage Trust Facilitators	Landcare Facilitators. State Bushcare Coordinators. Coastcare Facilitators, etc	Stimulate community involvement. Assist in strategy development
Project Advocates	Community Organizations	Participate in planning. Assist in project lodgement
Project Coordinators, Advisers	Program Coordinators	Provide technical advice and support
Project Delivery	Community Groups	People who have identified an investment need and want to act on it.

In a management and organizational context, there are, in effect, between 10 and 12 layers between delivery of "on ground projects" and the investment decision of the Natural Heritage Ministerial Board.

The administration of the Natural Heritage Trust was founded on approaches reflected in the "new public management". One of these advocates the proposition that policies and programs can be implemented on the basis of partnerships and joint ventures between agencies and governments using existing organization structures and management arrangements. The application of this idea amounted to an innovative approach in public management.

To a large extent such innovation has been successful at the policy and senior management level. At this level the Natural Heritage Trust is an example of the operation of a "virtual organization". The success of implementation can be traced to a substantial amount of goodwill and commitment to ensuring that the approach could and would work.

It is a basic principle of strategic management that "strategy drives structure". It follows that structure should adapt to changes in strategic directions. By implementing the Natural Heritage Trust through existing structures, at both the Commonwealth and State levels, there was a risk that proposed and envisaged changes would not be sustained.

It is important to acknowledge, and stress, that a great deal has been achieved, in a very short time, in terms of implementing the strategies to achieve the overall purpose of the Trust - which is to transfer public investment in a telecommunications company to investment in natural capital. However, there is a strong perception within Commonwealth and State agencies that the Natural Heritage Trust is simply a vehicle for providing additional funding for pre-existing programs.

There has, however, been a failure to achieve widespread awareness that the Natural Heritage Trust is an *investment program* and in that sense a departure from the more traditional community grants programs that have typified Commonwealth-State financial arrangements in the past. Moreover, the mutual obligations and commitments, particularly in relation to monitoring and evaluation, set out under the partnership frameworks have not been fully institutionalised.

In parallel with the Natural Heritage Trust initiative States have been developing integrated natural resource management strategies build around catchment management planning and delivery. However, States have also used Natural Heritage Trust funding to "buffer" the impact of fiscal restraint on land management, environmental protection and agricultural agencies. However, in larger States, Natural Heritage Trust funding is a very small proportion of States expenditure on natural resource management – although quite significant at the margin.

There is some evidence that the States have used Natural Heritage Trust funding for "cost shifting" and support for core functions. The extent of this is difficult to demonstrate. The reduction in State extension personnel and field staff is occurring at a time when Natural Heritage Trust resources for facilitators and coordinators are increasing. On the basis of data available to the Review Team State Government agencies control 38 percent of the funding for Natural Heritage Trust facilitators and coordinators.

Many program managers in both Commonwealth and state agencies have interpreted the Natural Heritage Trust as another Commonwealth "funding" program and have not given it a high level of policy commitment. Natural Heritage Trust coordination responsibilities in State agencies tend to be at the middle management level. However, the commitment to the Natural Heritage Trust and the Trust programs in community organizations is very high.

Both program managers and recipients are very conscious that Natural Heritage Trust expenditure has a finite time scale, is off-budget and not in forward estimates. They are therefore inclined to spend less time in planning an integrated Natural Heritage Trust knowing that expenditure could revert to separate programs after 2002. Given the importance of natural resource management, environmental protection and sustainable agriculture to Australia's future, we have assumed that governments will continue to give these areas a high priority.

We have concluded that the administrative functions, including Commonwealth inter-agency coordination, finance, data base management and administrative systems should be brought together in an integrated Service Delivery Agency with a separate management structure.   Policy development responsibilities should remain within relevant Commonwealth and state agencies and continue to be coordinated through the Resource Management and Environmental Ministerial Councils and Standing Committees.

The Natural resource management delivery agency would also take responsibility for the development and maintenance of the Natural Heritage Trust Facilitator Network and the operation of the State Natural Heritage Trust units and interaction with Regional Assessment Panels. The administrative effort would continue to be located in the States.

Our suggestion is that the Agency be termed the Natural Resource Conservation Service.

The Natural Heritage Trust investment strategy

The Natural Heritage Trust was established as a vehicle for "investment in natural capital" through the Natural Heritage Trust of Australia Reserve. In this respect, its structure and operations can be understood by reference to investment approaches of an investment bank that makes strategic long-term investments in projects that deliver returns over the longer term.

Such investment approaches are generally tri-partite, involving the investor, the product (program) managers, and the investee. The roles and responsibilities in this relationship are generally quite separate – with separate institutional

The NHT: An "Investment " Partnership

Advisory Committee

Ministerial Board
The NHT Reserve Fund
Makes Investment Decisions

Ministerial Staff

Investment Criteria
Integrated Natural Resource Management
Environment Protection
Sustainable Agriculture
Set out in NHT Act

Investment Strategy
To deliver "value" as an investment in natural capital.
Reflected in "State Bid"

Partnership Agreements MOUs

Investment "Packages" and "Products"
EA, AFFA
State Lead Agencies
Investment Strategy and Eligibility

NHT Units

Assessment Process
State
Regional
Technical
One Stop Shop

Facilitator Network

Delivery
Landcare, Local Government
Indigenous, regional and community organisatons
Seeks Funds for Capital works

structures. The arrangement for the Natural Heritage Trust is represented below.

The Natural Heritage Trust investment strategy is, at least in concept, based on five "strategically interdependent environmental packages: vegetation, rivers, biodiversity, land, coast and oceans. These packages should give effect to the Natural Heritage Trust investment criteria and address different areas of investment interest.

There was a stated intention by Ministers to identify specific objectives and outcomes for each package. Initial communication strategies were developed around these strategies. The initial policy statement, *The Natural Heritage Trust: A Howard Government Initiative* is included in Attachment A. Interestingly, the statement only refers to 14 programs.

There was insufficient time in the drawing up of the Partnership Agreements to redesign the programs to link to the strategic objectives and directions of the Natural Heritage Trust strategy. Over the last three years there has not been a commitment to develop specific objectives or outcomes for each "package". The packages are now simply a convenient grouping of programs.

What has occurred, however, is that programs have become the main focus of attention – each with specific objectives, guidelines, outcome and outcome measures. The result is a plethora of documentation and detail – developed, it would appear, with little consideration of the impact on project proponents. More significantly, however, separate programs discourage larger integrated projects.

At the delivery end, different programs within the Natural Heritage Trust are seen as different ways of accessing funds for essentially similar purposes. The focus of Natural Heritage Trust administrative effort should be on the problem being addressed and the solution to be implemented – not the method of funding.

While Natural Heritage Trust investment has been in 'natural capital' it has had a bias towards non-income producing assets or activities. In order to encourage the intended partnerships with industry, the next phase of the Natural Heritage Trust should refine the circumstances and extent to which private gain is acceptable. Most Natural Heritage Trust expenditure has (rightly) been on private lands but little has been approved if it increases the short term profitability of the recipients.

Market led mechanisms are vital to encouraging and / or coercing industry to strive for the goals of the Natural Heritage Trust. Increasingly there are marketing advantages to producers who sell products that are made using environmentally benign processes. In the next phase the Natural Heritage Trust should encourage partnerships with the users of accredited environment management systems. Products can be either from the natural environment processes - yielding food, fibre and tourism products, or from more conventional agricultural pursuits that have been accredited and meet market demands.

Partnerships with industry essential to attaining Natural Heritage Trust goals.

Greater involvement by industry and private sector is likely to be the only mechanism for marshalling the resources that are necessary to deal with Australia's conservation and resource management problems. As the Natural Heritage Trust documentation acknowledges, the Trust's role should be to 'stimulate activity' and consistent with the inference, not to try to do it all itself. For this to happen there must be market-led mechanisms and acknowledgement of the evolving significance of accredited environmental management systems and accredited nature-base

The functioning of the Partnership Agreements, Memoranda of Understanding and other program delivery arrangements

The Partnership Agreements were negotiated over a very short time period and reflect a substantial achievement in Commonwealth State collaboration. There are areas where the Partnership Agreements have worked well – but there were gaps. The existence of separate Memoranda of Understanding for Coasts and Clean Seas arose on account of prior arrangements.

The experience to date of the Natural Heritage Trust demonstrates that the partnership approaches to planning, organization and delivery can work. On-going and sustained success will require, however, a number of matters to be addressed:

▪ A need to adapt program structures in a way that ensures consistency with the overall investment strategy and facilitates on ground planning and delivery

▪ Putting in place an effective framework for ongoing collaboration

▪ A robust *internal* communications strategy

▪ Ensuring that programs have strategic plans that are not only realistic and achievable, but are also consistent and capable of implementation in the context of the purposes and objectives of the Trust

▪ Ensuring that areas of specific interest cannot "opt out" of the overall Partnership arrangements

▪ Establishing an evaluation framework and performance monitoring system that relates the purpose and objectives of the Trust to the objectives and outcomes of individual programs.

These matters are strategic in nature. They can be most effectively addressed by introducing an element of *executive* leadership into the management of the Natural Heritage Trust.

Team based structures, reflected in the Partnership Agreements, the Memoranda of Understanding, task forces and working groups are very effective in handling process and procedural issues. Inevitably these arrangements require someone to ensure that *strategic issues* and ensuring that decisions are made and implemented.

To this end, the Natural Heritage Trust requires a *Chief Executive Officer (CEO)* to be visible to all people and organizations involved and a small staff unit to advise on strategic issues and give effect to them.

With the appointment of a Chief Executive Officer, the Partnership Agreements and the Memoranda of Understanding should be reviewed and renegotiated with a view to achieving a single agreement and ironing out some of the problems referred to in the Report.

Project assessment mechanisms

The project assessment mechanisms are complex, involving the input of a large number of people. The processes can be streamlined by ensuring there is a

"seamless" flow through from application to contract. *There should be only one document.*

The intention of the integrated project assessment process, through the One-Stop Shop, State Assessment Panel and Regional Assessment Panel process, is generally regarded as being a good idea. However, there is a widespread frustration by project proponents in being confronted by a number of separate programs that basically address the same problem. The One-Stop-Shop has provided for program aggregation – not program integration.

There are also problems for project proponents in that not all programs are included in the One-Stop-Shop process. It also means that opportunities for joint projects are limited – such as in the relationship between river headwaters and estuaries. *It is important that all Natural Heritage Trust programs be brought within the One-Stop Shop process.*

The progressive movement to regional assessment should simplify the application and assessment process. However, regional autonomy should not be confused with independence. To this end, regional assessment should be accompanied by clear and unequivocal ground rules in relation to roles and responsibilities – with an acknowledged responsibility of the Commonwealth to intervene in relation to national priorities.

We have suggested that the States should collaborate to develop assessment criteria for use by regional assessment panels and that Panels receive training in investment appraisal techniques.

The role of Natural Heritage Trust funded facilitators and coordinators

The Natural Heritage Trust requires an efficient and effective system of "front line" management – that is, the people who provide the interface between the policy and program management objectives and the organizations undertaking and delivering project outputs that will contribute to the overall outcomes of the Trust. *There is an understanding, or expectation, that Natural Heritage Trust facilitators and coordinators perform the front line management function.*

Facilitators and coordinators are the heart of the Natural Heritage Trust and the recipients of essential expenditure. They are the catalysts that make the huge voluntary effort of Landcare and other groups happen. Their organizational skills, knowledge networks and efforts are seminal. Their role has become increasingly important in the context of the huge investment effort associated with the delivery of on ground Trust outcomes. It has also required facilitators and coordinators to take a more strategic role through participation in regional planning frameworks.

In reality, there are very few people who can be identified as "Natural Heritage Trust" facilitators and coordinators. There are, however, in excess of 1000 *program* facilitators and coordinators – referred to as Landcare, Bushcare, Rivercare, Waterwatch, Murray Darling, and Coastal facilitators and coordinators.

The collective roles, responsibilities and accountabilities of the present complement of facilitators and coordinators in the context of the Natural Heritage Trust is by no means clear. They are seen to have a broad role of implementing the Natural Heritage Trust investment strategy yet they are responsible for a more narrow focus of specific program delivery. There are different interpretations of roles, as well as titles, within each program, between programs, between State agencies, among the people involved, and between States.

Given the extensive commitment to the facilitator and coordinator network, the need for clarity in expectations and the potential for misinterpretation of roles and responsibilities between programs, a Natural Heritage Trust Human Resources Program should be established. This program would provide resources for Natural Heritage Trust facilitators who have responsibilities for development of community capacity and capability for project development, regional planning and ongoing proponent support.

A Natural Heritage Trust Human Resources Program would also take up the responsibilities for training and development, establishing competency standards, knowledge management and transfer systems and provide a network for career development and enhancement. In this way, trained on the ground people will be able to continue the work of the Trust. Progress has been made in this area with the accreditation of competency standards and the introduction of a Short Course for facilitators and coordinators.

There are also specific matters that require resolution in relation to roles, responsibilities and accountabilities. We have suggested that:

- A clear recognition on the part of the facilitators and coordinators of their responsibilities for delivery of *Natural Heritage Trust* outcomes

- For Natural Heritage Trust facilitators, responsibility should be to the Program Manager in the State Lead agency, and in turn, obligations under the Partnership Agreements

- For program coordinators – responsibility should be to the State program manager.

The role of the Natural Heritage Trust funded facilitator should be clearly defined as the "link" between the program and the community delivery network. In addition, the relationship between facilitators and Regional Assessment Panels needs to be clarified, particularly in terms of "ownership" of the proposal by the proponent and where there is not a strong community network.

The role and contribution of advisory committees

The Natural Heritage Trust Advisory Committee should have a greater role in advising on Natural Heritage Trust strategies, individual program strategies and ensuring that there are effective linkages. It is noted that State Assessment Panels in some States provide important linkages to natural resource management planning infrastructure.

Regional Assessment Panels have developed from assessment panels under Landcare. In some States there is a predominance of land-based interests and government interests. However, in rural and isolated areas there are problems in obtaining people to sit on panels.

Regional Assessment Panels need to be fully aware of the Natural Heritage Trust guidelines and the way in which they should be applied in assessing projects. Technical advisory committees are playing an important role at the regional level but are often asked to do so in lieu of effective Regional Planning.

The variation between States' Assessment Panels is huge reflecting the size of the States. A sounder basis for project assessment would be regions of commonality such as either catchments or agro-ecology that includes socio-economic considerations. State borders complicate these perspectives.

The linkage between Regional Assessment Panels and catchment planning committees, or other committees preparing regional plans is of concern in a devolved grants framework. Some Regional Assessment Panels replicate existing organizations such as WEST 2000 in NSW, Catchment Boards in SA, Catchment Management Authorities in Vic, even the Murray Darling Basin Commission. With the development of regional planning approaches the Natural Heritage Trust will link more effectively with such regional agencies.

From a prudential and probity viewpoint, there should be an institutional separation between those responsible for planning and advocating projects and those assessing the "business case" for funding from the Natural Heritage Trust Reserve.

The effectiveness of the Natural Heritage Trust Guidelines

The guidelines set out in, and supplementary to, the Natural Heritage Trust Partnership Agreements and Memoranda of Understanding are extensive and detailed. In the case of the One-Stop Shop programs, the Guidelines are included in some detail with the application form.

The *Guidelines for New Applications* are intended to meet a number of purposes, including:

- Describing and communicating Natural Heritage Trust objectives

- Individual program description

- Advice in preparing applications

- Guidance for assessment panels

- A basis for monitoring.

In order to meet these multiple purposes, the Guidelines are extensive and all embracing. For 1999-2000 the One-Stop Shop Guidelines amounted to 50 pages of closely spaced eight point type. The extent and scope of the guidelines are at odds with government intentions to reduce "red tape" and simplify interactions between government, business and the community.

Needless to say, the Guidelines are not "read" by all applicants. They serve as a multi-purpose reference document. This role is important, but detailed program guidelines, which are effectively "regulations", should be kept in a register that can be accessed and referenced when required. Such a register can be updated as required with Ministerial directives with simpler messages being communicated to applicants.

The material provided to prospective applicants should be simple and straight-forward. The Coasts and Clean Seas Guidelines are a good example of what can be done.

The focus in the application form should be the statement of the problem being addressed, the proposed solution (including degree of innovativeness) and the way in which the solution will be delivered. It should focus less on processes and activities and more on the issue of "return on investment" - what will be delivered for the money.

In an investment sense, this gives primacy to assessment of the project plan – that provides convincing evidence that the proponent can undertake the work and that the outcome can be achieved.

Dealing with the issue of private gain is a major unresolved issue which needs policy development and clear guidelines. It is very important for the Natural Heritage Trust to be able to deal adequately with the notion that expenditure of Trust funds will lead to an increase in the asset value of a private landholder.

Project monitoring and reporting

The mechanisms for planning, control and reporting of *Natural Heritage Trust* outcomes have not been fully implemented. A significant problem in this area is that the Trust is seen by most program managers to be simply a "fund" that provides assured resources for existing and new programs over a six year period. The commitment to produce "five strategically developed environmental packages" has not been met: Land, Vegetation, Biodiversity, Rivers, Coasts and Oceans are heads of classification for 21 independently managed programs.

We understand that there was strong internal resistance to the redesign of programs.   Nonetheless, the large number of programs is, in our view, inconsistent with the original intention of the Trust.   Program descriptions endeavour to establish differences between programs in terms of projects that will be supported, and intended outcomes, but the reality is that little difference is perceived at the delivery end.

The current documentation for Natural Heritage Trust programs collectively identifies 190 separate outcomes. While three programs (Bushcare, Landcare and Murray Darling 2001) account for 53 percent of the funds, there are 14 programs with funding provisions of $20m or less.

In our view performance can only be assessed by reference to outcome statements and performance indicators contained in a *Strategic Plan*. There is not, at the present time a Strategic Plan for the Natural Heritage Trust and the Program Strategic Plans do not establish a clear relationship between the Trust objectives and program objectives.

The Natural Heritage Trust Strategic Plan should contain clear statements of how the purpose and objectives of the Trust are to be achieved, over what time period and through which means. The means for achievement should be the basis of defining the Key Results Areas and provide the link to specific program plans.

The present project monitoring and reporting arrangements are causing a great deal of concern to Natural Heritage Trust Units and project proponents. This is unfortunate: reporting and the performance indicators should be seen as an aid to project management rather than imposing and extra workload.

Performance against a project plan should be the basis of project monitoring. Development of systems and consistent reporting mechanisms should be more straightforward with larger projects.

There should be a discipline that requires a limited number of key performance indicators for each project that are integrated with project management arrangements.

The difference between project monitoring and reporting is not well understood or appreciated in terms of the different needs and requirements of the various target audiences.   Project monitoring fulfils a compliance function while reporting addresses a communication function.

Regular and annual reports should be focused on achievement. Reports should include documentary as well as photographic material. They should be published in a format that can be accessed and read by the Natural Heritage Trust target audiences.

The present Natural Heritage Trust *Annual Report* should be shorter with more information about innovative and successful demonstration projects. In addition, the outcomes from demonstration projects should be widely disseminated – through the Internet and key Natural Heritage Trust publications. This should apply to all Natural Heritage Trust funded programs, including Coast and Clean Seas and national projects.

Financial, funding and project arrangements

There have been some problems in the area of payments and acquittals. Many problems arose because systems were not in place to handle the rapid increase in activity brought on by the substantial increase in funding.

There should be one payments and process-monitoring unit in the Commonwealth. This is currently taking place in relation to payments, but should be extended to other process issues. This will facilitate "one to one" relationships with State Natural Heritage Trust Units.

To simplify administration and increase potential impact on the problems being addressed, the Natural Heritage Trust needs fewer, and larger, projects at a regional scale - but with stricter contractual arrangements, milestones and performance agreements.

Access by different sectors

The Natural Heritage Trust strategy was developed on the basis of delivery through the Landcare network. While this has strengths, the network does not access people in isolated or remote areas and may not address vegetation and biodiversity issues sufficiently.

There are a number of access issues relating to the indigenous population, non-English speaking groups, urban areas, aquatic interests and the tourist sector. Recent initiatives, such as the Indigenous Landcare Management Program are directed towards addressing some of these problems.

Communication, awareness and education

Communication, education and awareness is a critical factor for the Natural Heritage Trust. It has both an internal (the Natural Heritage Trust "virtual organization) and external (Natural Heritage Trust communication target audiences).

There is also a need to balance the communication and awareness of a Commonwealth investment strategy and awareness of the individual programs. To that extent, the association between the two investment aspects requires attention.

We have made a number of recommendations concerning improvement in communications and awareness, including the development of an integrated communications strategy that targets specific segments and includes public relations activities that builds on already high levels of awareness of the Natural Heritage Trust.

A Separate Natural Heritage Trust "badge", or "trade mark" should be developed to associate with each program. The "badge" should be clearly identified with the investment nature of the Trust and the Commonwealth's commitment to natural resource management, sustainable agriculture and environmental protection.

Recommendations

Recommendations made in the Report are reproduced below together with the page references they occur in the text.

Implementation

This Report has been far-reaching and detailed. A number of the recommendations can, and should, be implemented immediately; others will take some time to plan and achieve the results intended.

In our view, implementation will proceed efficiently and effectively if there is an implementation team tasked to ensure that decisions made in relation to recommendations are implemented. We do not see any merit in establishing a committee to examine the recommendations and advise on implementation.

The recommendations that should be implemented immediately are:

- Recruitment and appointment of a Chief Executive for the Natural Heritage Trust (Recommendation 17)

- Establishing a single processing unit to handle all aspects of Natural Heritage Trust processing, including payments, acquittals and reporting of transactions (25)

- The Natural Heritage Trust administrative support units in Environment Australia and Agriculture Fisheries and Forestry - Australia be integrated into a single management unit, reporting to the Chief Executive (20)

- A Human Resources Program be established (33, 34, 35)

- The Coasts and Clean Seas Program be brought with the One Stop Shop Process (11)

Implementation of these recommendations will provide the basis for proceeding with the others. In our view, unless there is a person responsible and accountable for ensuring that some of the key recommendations are implemented they will not happen. These relate to the need for reduction in the number of programs, integration of the Strategic Planning process and working towards a consistent approach to assessment of proposals.

The implementation of many of the recommendations will require the collaborative efforts of Environment Australia and Agriculture Fisheries and Forestry - Australia through an implementation team. A State Government Representative should also be included on the Team. We suggest that the State Natural Heritage Trust Coordinators collectively nominate a member from among their ranks, with provision for a deputy.

However, the team should not be established until the Natural Heritage Ministerial Board makes a decision on the main body of the recommendations in the Report.

Recommendation

1.   **The Natural Heritage Ministerial Board establish an Implementation Team to plan for the implementation of the recommendations contained in this Report *after* decisions have been made to implement (or not implement) specific recommendations.**

2.   **State Governments be invited to nominate one Natural Heritage Trust Coordinator to be a member of the Implementation Team**

It is important that the implementation process have a time frame. We suggest that the process should be completed by 31 March 2000.

Chapter 1: Introduction

This is a Report of a Review of the Administration of the Natural Heritage Trust . The Review was carried out over the period from late July to November 1999.

The Natural Heritage Trust is a $1.5 billion Government initiative that aims to provide for the protection and rehabilitation of Australia's natural environment and to integrate the objectives of environmental protection, sustainable agriculture and natural resource management consistent with the principles of ecologically sustainable development.

The Natural Heritage Trust is the Government's major initiative to foster partnerships between the community, industry and all levels of government to achieve the goal of the Trust. During the course of the Review, the Natural Heritage Trust was described as the 'jewel in the crown" of coalition's 1996 election platform. It is therefore of central political significance

The requirements of the Review were set out in a Consultancy Brief issued in May 1999. The requirements fall under a number of headings: review purpose, specific matters to be covered, scope and methodology.

1.1   Review Purpose

The purpose of the review is to:

- Evaluate the administration of the Natural Heritage Trust

- Evaluate the role and performance of Natural Heritage Trust funded facilitators and coordinators

- Make recommendations for any improvements in administration of the Trust and the facilitators and coordinators networks for its future years

- Examine the potential for the simplification of the application and reporting forms consistent with good prudential practice.

Matters covered by administration were identified in the project brief as:

- Partnership Agreements between the Commonwealth and the States and Territories and other special purpose agreements made for the purpose of the delivery of Natural Heritage Trust programs

- The Memorandum of Understanding between Agriculture, Fisheries and Forestry Australia and the Environment Australia.

Administrative activity areas were defined to include:

- Development and communication of funding guidelines

- Assessment and approval of project applications

- Project and program support

- Monitoring.

1.2   Specific matters to be covered

The Project Brief requires that the following specific matters be covered:

- The function of Partnership Agreements, the Coastal MOU and other program delivery arrangements

- Project assessment mechanisms for the Natural Heritage Trust including One Stop Shop, Regional Assessment Panels, State Assessment Panels and other arrangements (for example, for national projects).

- The role and performance of Natural Heritage Trust funded coordinators and facilitators in relation to project development and ongoing proponent support.

- The role and contribution of advisory committees, including program advisory committees and the Natural Heritage Trust Advisory Committee.

- The effectiveness of Natural Heritage Trust Guidelines for prospective grant applicants.

- Project monitoring and reporting arrangements.

- Financial agreements with States and Territories and arrangements for fund transfers, program and project acquittals.

- Access by different sectors of the community to the Trust comparing rural, remote, indigenous, urban, different socio-economic groups, previous history of engagement with other or earlier Government funded natural resource programs.

- Examination of Natural Heritage Trust communication and educational strategies including the marketing program.

- The extent to which Australian National Audit Office (ANAO) recommendations (from report Nos 36 of 1996-97 and 42 of 1997-98) have been adopted and any improvements or processes necessary to address any outstanding issues.

1.3   Review scope

The scope of the review was identified in the Project Brief the following terms

- The review will consider the administrative processes in place to June 1999 and the planning phases for future years.

- The scope of the review will be comprehensive and should cover programs and packages funded by the Natural Heritage Trust (except the National Land and Water Resources Audit and the Tasmanian Strategic Package), within and outside the one stop shop process, recognising the differences in delivery arrangements.

- For Natural Heritage Trust programs delivered through formally established Partnership Agreements with the States/Territories, the role of the States/Territories in the administration of the Trust will also be reviewed.

■   The review should include consultations with key stakeholders including (but not limited to) officials from Commonwealth, State/Territory and local government agencies, environment and primary industry groups and representatives from community and Landcare groups. An examination of program files and management information systems will also provide an overview of the administrative process

1.4   Methodology and approach

The Project Brief noted that:

■   Aspects of the administration of the Trust have already been examined and the following reports may be an important reference:

-        ANAO Report No. 36 of 1996-97 and 42 of 1997-98 and

-        A Review of Natural Heritage Trust Administration in DPIE, October 1998.

-        The examination of Natural Heritage Trust communication and educational strategies should draw on reviews already undertaken.

■   As part of the review, the consultant will undertake validation of projects. The validation component will report on the extent to which relevant project reports (application, final and continuing) provided by project proponents are consistent with what is happening on the ground.

The methodology for the Review was outlined in a Proposal submitted to the Department in May 1999. Aspects of the methodology are set out in Appendix 3.

The project Brief specifies an extensive and wide ranging review.   It also requires consideration of the management and organizational context in which administration is undertaken. To that end, and to provide a framework for the review and report, we have provided a definition of administration in Section 2 of this Report.

The review was undertaken using a research methodology. This involved:

■   Familiarization with current practice through briefings and consultation

■   Assembly of existing information

■   Identification and definition of problems and issues

■   Collection of information in relation to problems and issues through survey, consultation and review

■   Establishment of propositions concerning cause and effect

■   Consideration and testing of options and alternatives

■   Recommendation.

The Review process involved

■   Initial consultation with States

■   Review of data contained on the Program Administrator database

- ▪ Examination of literature in the fields of public administration, management, public policy and natural resource management

- ▪ Developing an appreciation of the basis for the administration of the Trust

- ▪ Identifying administrative activities in a management and organizational framework

- ▪ Describing and assessing management and administrative practice within that framework

- ▪ Identification of strengths and weaknesses in current practice

- ▪ Looking for areas of improvement.

This Report presents the outcome of that process and endeavours to set out how conclusions and recommendations were reached

The knowledge and experience of the Review Team in policy review, program evaluation, management and organization analysis and management accounting, was applied in the interpretation of information and informing judgement in the development of conclusions and recommendations.

1.5 Policy context

The commitment to the Natural Heritage Trust, and its subsequent implementation, is associated with a growing national policy interest and concern with natural resource management, environmental protection and sustainable agriculture issues. It is also being implemented in an intergovernmental policy and program framework where responsibilities are shared between the Commonwealth, the States and local government.

The significance of the policy interest is reflected in the recent report from the Prime Minister's Science, Engineering and Innovation Council, *Dryland Salinity and Its Impacts on Rural Industries and the Landscape.* The Report noted that while salinity is widely recognised as causing problems for agriculture it is less appreciated that dryland salinity causes serious damage to downstream water users, aquatic eco systems and biodiversity and to regional and urban infrastructure due to damage to foundations from shallow, saline groundwater[2]. The report points out that

> There are clear market failures in that the costs of degradation to downstream users and to the environment are not borne by those benefiting from upstream exploitation of the landscape. In many cases the costs will be borne by future generations. Leaving it to the markets to resolve will cause serious and irreversible offsite impacts to biodiversity, rural infrastructure and downstream water users, as well as causing unnecessary hardship to landholders.[3]

In June 1999, a the Natural Resource Management Scientific Advisory Group for the Minister for Agriculture, Fisheries and Forestry Working Group tabled a paper at the Prime Minister's Science, Engineering And Innovation Council (PMSEIC), *Moving Forward In Natural Resource Management - The Contribution That Science, Engineering And Innovation Can Make.*

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[2] Prime Minister's Science, Engineering and Innovation Council. 1998. *Dryland Salinity and Its Impacts on Rural Industries and the Landscape, p. 5*

[3] Ibid. p.9

In the area of conservation, recent reports have pointed to serious biodiversity loss. The *National Strategy for the Conservation of Australia's Biodiversity* points out that

> Dramatic habitat modification and fragmentation have seriously affected Australia's native species, and the effect has been compounded by introduced species and other impacts. Twenty mammal, 20 bird and 76 plant species are known to have become extinct since European settlement. Seventy-seven species of vertebrate animals and 236 species of vascular plants are considered endangered (that is, likely to become extinct in present threats continue), and another 66 species of vertebrates and 652 species of vascular plants are vulnerable (likely to become endangered in the near future) Because the trends are similar in all of the better known groups of organisms, it is probable that losses will also have occurred in lesser known plants such as invertebrates, non-vascular plants and micro-organisms.[4]

These problems and issues are being addressed through an extensive research network involving the Universities, the CSIRO, Rural Research and Development Corporations, Cooperative Research Centres and Government Departments and Agencies. There is a strong view, however, that "on-ground" action is required to translate knowledge into strategies that address and reverse the pattern of land degradation and biodiversity loss.

Traditional approaches to natural resource management have tended to look at the individual elements—soil, water, vegetation, biodiversity, and so on—as single entities. That is changing. Scientific evidence shows that viewing symptoms of natural resource degradation in isolation is not the answer. Seeing them as components of the complex interactions between the soil, water and living organisms, and as having a socio-economic dimension will achieve better and sustainable outcomes.

Contemporary approaches to natural resource management require comprehensive strategies at both the national and regional level to develop new, sustainable land use and land management systems that will help meet environmental, economic and social goals.

Governments, industry, the scientific community and the community in general are much more aware of and responsive to problems associated with natural resources. And among natural resource managers, rural industries and the community there is a growing awareness that sound management is important to achieving the economic, environmental and social goals we have as a nation.

The Minister's paper noted that the Natural Heritage Trust and the National Landcare Program have stimulated this awareness and heightened commitment. These initiatives have taken stewardship and the Landcare ethic beyond rural communities to urban dwellers. They have also generated a belief that sustainable natural resource use is important to meet future needs.

There is an ongoing need to reinforce the strategic initiatives of the Natural Heritage Trust to more effectively connect with the knowledge derived from research and the strength of community commitment.

It is important to keep in mind that the more significant problems relating to natural resource management occur on privately owned land: policy initiatives and actions require the commitment and support of private landowners. However, the Natural Heritage Trust operates in an environment of uncertainty

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[4] *National Strategy for the Conservation of Australia's Biodiversity*, Intergovernmental Agreement signed by the Prime Minister and State Territory Ministers, 1996

about how much private gain from public expenditure is acceptable. This issue also involves consideration of the effectiveness of other forms of public sector influence, including direction, regulation and control.

1.6 The meaning of "administration"

The term administration has many meanings. Its usage reflects attitudes towards organizations and the way they are managed. For example, "business administration" as a term was adopted in the 1930s in order to avoid the stigma of the management failures associated with the Depression. Similarly, "public management" is used in preference to "public administration" as the latter is associated with bureaucracy, tradition and a public service culture.

In practice, administration and management mean the same thing and the terms are used interchangeably. The purpose of this Section is to outline briefly what *we* mean by administration, the administrative process and its application to the Natural Heritage Trust.

1.6.1 A working definition

Administration is the process of implementing policies and strategies to achieve intended outcomes. The central "problem" of administration is how to organize a group of people and resources to achieve a purpose, or objective. Organization is a tool, or instrument, for making people productive in working together -

- Some form of organization structure is always needed – but the right structure is the one that fits the task

- Structures can be

  - Formal (hierarchical - mechanistic)

  - Collaborative (team based - organic)

  - A combination of both

- Team based structures are often preferred and being sought in the current public management environment.

The term "administration" is often used to describe the organisational and management infrastructure of a non-statutory body involved in implementation of a government initiative and program, as for example, *The Natural Heritage Trust Administration*.

Any organization, whether formal or "virtual", will involve a number of management/administrative "building blocks":

- Executive and corporate

- General, middle management – program managers

- First, or "front" line

- Program support

- Housekeeping.

The size and scope of these blocks will depend on the nature of organization purpose, size and complexity.

The relationship between these functional areas is represented in the diagram below[5].

Building Blocks for Administrative and Management Responsibilities

Executive Management
Defines Mission. Sets Direction.
Communicates purpose, Solicits business plan.
Reviews, evaluates performance
Executive Directors

Corporate Management
To ensure that the organisation serves the mission in an effective way
Defines Division objectives, solicits functional plans.
Division Heads

Support Services
Makes the work of the other blocks more effective i.e:
Planning
Training
Workplace Relations
Communications & Awareness
Support for the operating workflow

"General Management"
Branch Heads
Program Managers
Regional Managers
Unit Managers
Liaison Officers

Housekeeping
"Back Office" functions i.e:
Legal
Information Managment
Payroll
Payments & accounts
Support outside the operating workflow

First Line Management
Facilitators
Projet Officers
"Making it happen"

Service Delivery
On the Ground Activity
Capacity Building. Instiutional Capability.

As organizations grow in size and complexity there is a tendency towards greater specialisation in each functional area. There is also a non-linear relationship between growth in size and the requirement for specialised management and support functions: there are in fact observed "diseconomies of scale" in certain organisational functions particularly support functions, at certain points in the progression of growth.

This requirement for organisational support is an important issue for community organizations taking greater responsibility for delivery of projects under "devolved grants" arrangements. Contrary to some current thinking in economics and accounting, *organization matters: efficient and effective program performance requires am infrastructure for defining and sustaining purpose, direction, roles, responsibilities and accountabilities. A robust organisational infrastructure it is essential for both planning and control[6].*

This Management framework also has dimensions relating to Commonwealth and State Government responsibilities as well as specific regional, assessment and delivery arrangements. These dimensions will be used as a basis for reviewing the administration of the Natural Heritage Trust in subsequent Chapters of the Report.

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[5] The diagram draws on analysis of Henry Mintzberg, *Structure in Fives* and Peter Drucker, *Management: Tasks, Responsibilities, Practices.*

[6] These pointes are well made in the most recent work by Peter Drucker, *Management Challenges for the 21sr Century*

1.6.2 The administrative process

Administration has been defined as "cycle of action", or process, that involves the following elements:[7]

- Decision making – deciding what to do, how, when, etc

- Programming – putting decisions into effect

- Communicating - letting people know what is to be done and is expected

- Controlling – ensuring performance is met, at appropriate standards

- Re-appraising – review, evaluation, issues for further decision.

The cycle is not necessarily sequential, or explicit. However, in thinking about administrative activity in these terms, it is possible to develop a framework for the analysis and review of administration of the Natural Heritage Trust.

Going one step further, the administrative process occurs in the areas of:

- Policy – identification of needs, analysis of options and selection of strategies that translate policies into action (programs)

- Resource allocation and management – covering basic administrative support systems, such as budgeting, financial management, human resources management, property and asset management, as well as information and knowledge management

- Execution, or implementation – the delivery of products and services to clients or customers.

The administrative process for the Natural Heritage Trust, to achieve the purpose of conserving, repairing and replenishing Australia's natural capital infrastructure[8], is illustrated below.

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[7] This definition is drawn from: Edward H Litchfield. "Notes on a General Theory of Administration", *Administrative Science Quarterly*, 1:1, 1956.

[8] As provided for in Section 2 of the *Natural Heritage Trust of Australia Act*

The Natural Heritage Trust: Administrative Framework

Policy		Resources (Funds, People, Property, Information)	Execution	
Goals, Objectives, "intent"	Strategies (Programs, Plans)		Processes (Activities, Actions, Tasks)	Outputs and Outcomes (Products, Services)
Provide framework for capital Investment & stimulate additional investment Achieve compementary environmental pretection, natural resource maangment and sustainable agriculture outcomes Provide for cooperative partnerships with community, industry & government	**Strategies:** Land Vegetation Biodiversity Inland water Coasts and oceans Environmental protection Atomosphere Heritage **Programs** 21 "funding" programs **Plans** Numerous catchment & regional NRM plans	**Natural Heritage Trust Reserve ($1.5b)** Other Commonweralth Resourecs State Government Resources Community "In-Kind" Resources	Development and Communication of funding guidelines Application, assessment and approval Project and program support Monitoring and evaluation Communication and awareness	Environment protection Sustainable Production Integration of Instiutions People

Administration, Organisation, Management

The Natural Heritage Trust administrative process is complex. We shall argue in the Report that:

- There are no clear linkages between the programs, the strategies and the policy goals and objectives

- There is no effective mechanism currently "driving" the Natural Heritage Trust strategy

- Strategy does not determine structure and in turn drive resource allocation

  - It is almost in reverse – many Natural Heritage Trust programs are input focused, with investment decisions related to the amount of money available

- Systems and procedures were not set up to cope with such a large injection of funds when the Natural Heritage Trust strategy was established

- A number of separate/independent management information and reporting systems are in operation

  - The framework places a great deal of emphasis on allocation of resources to what are effectively "funding programs"

- Extra funding from Natural Heritage Trust was effectively "bolted on" to existing programs – some had substantial additions – eg Bushcare

- Delivery of Natural Heritage Trust objectives through State agencies often leads to a merging with State programs. In many cases Natural Heritage Trust programs are subsumed under a State/or regional badge.

1.7 The Natural Heritage Trust: a "virtual organization"

Global and competitive pressures have forced organizations, both private and public, to think about the role of their "corporate centre" and to look at innovative ways to achieve integration of separate and often diversified business lines. Corporate centres have been "downsized, resized, outsourced, reengineered, and at times nearly eliminated"[9]. The main driver has been cost savings.

Reduction in the size of the "corporate overhead" has been a target for cost reduction for Commonwealth and State Governments. Reductions in the scale and scope of corporate activity deliver not only direct cost reductions but also the indirect reductions of not having a large centre making too many requests for information. It follows that the designers of the Natural Heritage Trust sought to reduce, if not eliminate entirely, the need for a "corporate centre".

The development of the Natural Heritage Trust management and organization arrangements draws heavily on new public management thinking. An outline of this thinking is set out in Attachment E. It also emphasises teamwork, collaboration and resistance to increasing costs of "corporate services". There was strong resistance by Ministers to establishing a separate, formal structure for the Natural Heritage Trust. Inter-agency Team based approaches are being adopted for the Greenhouse Office and Biotechnology Australia.

There is no separate and identifiable "management structure" for the Natural Heritage Trust. The arrangements for the Trust reflect a "virtual" or "invisible" corporate centre with arrangements set out in memoranda of understanding, partnership agreements, and commitment to cooperation and collaboration. The approach also reflects contemporary thinking about organization within the "New Public Management" approaches.

The Natural Heritage Trust "organization" framework points to the separate identities of Environment Australia and Agriculture, Forestry and Fisheries Australia. It implies a "given" strategic direction for the Trust as set out in the *Natural Heritage Trust of Australia Act* – in terms of its overarching concern with natural resources management, environmental protection and sustainable agriculture. However, these policies are implemented by means of programs falling within the management responsibility of the two agencies.

The management and organization framework of the Natural Heritage Trust is depicted in the diagram below.

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[9] Pasternack, Bruce A and Albert J Viscio, *The Centreless Corporation*, Simon & Schuster: New Your, 1999, p. 149.

Natural Heritage of Australia Reserve
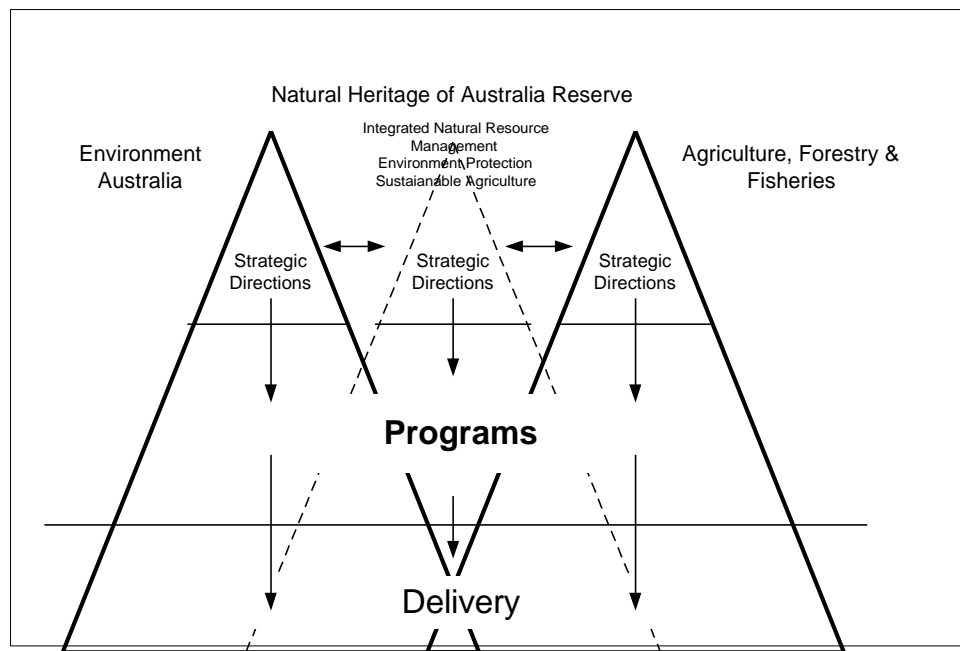
A critical question for the review is – does this arrangement work? Can the "virtual organization" develop and implement the strategies and directions necessary to drive the programs necessary to achieve the purposes of the Trust – to conserve, replenish and repair Australia's natural capital. Or do the programs, without a strategic direction, develop a life of their own?

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Chapter 2: What the Natural Heritage Trust was set up to do and achieve

The purpose of this Chapter is to set out the Government's intentions in setting up the Natural Heritage Trust, what it was intended to achieve and the way in which this would be brought about.

2.1 Purpose and objectives

The purpose of establishing the Natural Heritage Trust is set out in the preamble to the *Natural Heritage Trust of Australia Act* as "the need for urgent action to redress the current decline and prevent further decline, in the quality of Australia's natural environment" [10]

The overarching objective of the Trust is "to conserve, repair and replenish Australia's natural capital infrastructure by investment in natural capital".[11] To this end, the legislation provides that funds from the Trust will be invested in the areas of:

- Sustainable agriculture

- Environment protection

- Natural resource management

The Act defines a number of specific objectives in each of these areas:

Sustainable agriculture:

To maintain or replenish Australia's environmental infrastructure through the use of agriculture practices and systems that maintain or improve:

- The economic viability of agricultural production

- The social viability and well being of rural communities
- The ecologically sustainable use of Australia's biodiversity
- The natural resource base
- Ecosystems that are influenced by agricultural activities

Environmental protection

To maintain or replenish Australia's environmental infrastructure by:

- Maintaining, conserving or protecting components of the natural environment of Australia
- Restoring, improving or replenishing components of the natural environment
- Conserving or restoring Australia's biodiversity
- Developing or promoting waste minimization
- Developing or maintaining clean production
- Preventing, combating or rectifying pollution of the environment
- Carrying out research or disseminating information in relation to the natural environment or bio diversity

Natural resource management

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[10] *Natural Heritage Trust Australia Act*, preamble

[11] *Natural Heritage Trust Australia Act,* Part 1, Section 3.

> To maintain or replenish Australia's environmental infrastructure through:
> - Any activity relating to the management of the use, development or conservation of one or more of the following natural resources: Soil; Water; Vegetation
> - Any activity relating to the management of the use, development or conservation of any other natural resource for the above purposes

The Government sees the Natural Heritage Trust as a major Commonwealth initiative in natural resource management. In the terms of the *Natural Heritage Trust of Australia Act*, this involves putting in place, or supporting, action directed towards –

- Improving the management of Australia's natural resources

- Providing national leadership and working in partnership with all levels of government and the community

- Integrating the objectives of environmental protection, sustainable agriculture and natural resource management – consistent with the principles of ecologically sustainable development

- Implementing cooperative arrangements based on intergovernmental agreements and complementary policies and programs.

It is important to note that these are *not* objectives in their own right: they are statements about the *means* by which the main objective of the Natural Heritage Trust of Australia Reserve will be achieved.[12] They are, however, in various forms of documentation, referred to as objectives.

The Trust is established as a Trust Fund under the provisions of the *Financial Management and Accountability Act 1997*. However, as distinct from most Government Trust Accounts that are often used for trading purposes, the Natural Heritage Trust makes investments in "natural capital".[13]

The Government has also indicated that the national investment provided by the Commonwealth through the funding allocated to the Trust is designed to attract further investment from other governments and from resource owners and managers to accelerate the change to more sustainable management and more effective conservation. There are conditional and catalytic aspects to this purpose – conditional in that the Government wants to see a contribution from project proponents, and catalytic in terms of bringing forward further investment.

2.2 The Natural Heritage Trust: an investment in natural capital

The Natural Heritage Trust legislation took over a year to pass through the Parliament. The Bill was introduced into the Senate and given a Second Reading by Senator Kernot on 21 May 1996. It was introduced into the House of Representatives on 19 June 1996 and completed the final Senate committee stages May 1997. The Act commenced on 18 June 1997

The then Minister for Primary Industries and Energy, (Hon. John Anderson, MP) announced in his Second Reading Speech in the House of Representatives that:

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[12] That is, to "conserve, repair and replenish Australia's natural capital infrastructure".

[13] Minister for Primary Industries and Energy, Second Reading Speech on the Natural Heritage Trust of Australia Bill, 19 June, 1996.

This Bill will establish the Trust and provide for it to be known as the "Natural Heritage Trust of Australia Reserve". The initial capital of one billion dollars to be invested in the Trust will come from the proceeds of the partial sale of Telstra

In effect, the transfer of funds from the partial sale of Telstra into the Natural Heritage Trust represents **a transfer from investment in a telecommunications company to an investment in natural capital**. Maintaining and restoring this natural capital is an investment in the well being of future generations of Australians.[14]

Natural capital is taken to mean the stock of productive soil, fresh water, vegetation, clean air, ocean, and other resources that underpin the survival, health and prosperity of human communities.[15] To an economist, natural capital is a "stock that yields a useful flow of goods or services into the future". Natural capital is often identified as either renewable or non-renewable. But it is known that renewable resources can be exploited to extinction, while non-renewable resources can be renewed if we are prepared to wait indefinitely.[16]

Issues concerned with investment in natural capital are generally addressed in the context of ecologically sustainable development – "a pattern of development that improves the quality of life both now and in the future, in a way that maintains the ecological process on which life depends"[17]. The other dimensions of sustainable development are identified as:

- *Biodiversity:* the variety of species, populations, habitats and ecosystems

- *Ecological integrity*: the general health and resilience of natural life support systems including their ability to assimilate wastes and withstand stresses such as climatic change and ozone depletion

In this vein, the *Natural Heritage Trust of Australia Act* provides that the Trust will be managed in accordance with the following principles:

- Trust investment will be used to stimulate significant improvement and greater integration of biodiversity, land, water and vegetation management on public and private land

- Trust funds will be used to address the causes of problems rather than their symptoms

- Interaction between local communities and government agencies will be transparent, integrated and readily understood

- The Trust will encourage management systems that bring long-term environmental, economic and social benefits

- Because they have prime responsibility for managing their land, individual landholders will be encouraged to make the necessary investments to achieve high standards of performance in natural resource and environmental management

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[14] Minister for Primary Industries and Energy, 19 June 1996.

[15] *State of the Environment, 1996: Executive Summary*, p.9.

[16] Daly, H.E., *Beyond Growth: the Economics of Sustainable Development,* Beacon Press: Boston, 1996, p.80

[17] *State of the Environment*

The States and Territories have primary constitutional responsibility for natural resource and environmental management, in keeping with the goals of the National Strategy for Ecologically Sustainable Development.

The legislation was referred by the Government to a Senate legislation committee on 25 June 1996. It wanted to put the provisions of the Bill to those who have an interest in it as part of the consultative process during the Senate's con-sideration of the Bill. Possible submission or evidence was expected from:

- Australian Conservation Foundation,

- National Farmers Federation

- Wilderness Society

- Greening Australia.

The Committee received 99 submissions and conducted six public hearings. It reported on 10 October 1996. The Government responded on 5 December 1996.

The Senate Committee recommended that:

- The two Ministers responsible for the Environment and Primary Industries Portfolios comprise the two-person Board

- The Minister responsible for the Environment Portfolio be the Chair of that Board

- An Advisory Panel - consisting of about 8 experts be established to advise the Board and assess proposals for funding

- As far as possible, and if appropriate, the existing specific purpose advisory councils should be retained and be a source of advice to the Panel if necessary

- The Departments should, as a matter of urgency, streamline their administrative processes and co-ordinate with other funding organizations (such as State/Territory Departments) to simplify the funding/submission process and ensure that any system is flexible enough to address unforeseen changes in priorities and methods

The Government acted upon a number of recommendations including the appointment of an Advisory Committee.

2.3 Integrated approach to natural resource management

The inception of the Natural Heritage Trust, and the range of initiatives it was intended to support, was based on recognition that an integrated approach is needed right across the spectrum of natural resource management problems.

2.3.1 Five "strategic environmental packages"

The initiatives to be funded from the Trust were identified at the time the Natural Heritage Trust was introduced as being "strategically developed around five interdependent environmental packages:

- **Land:** To address serious land and water degradation through support for sustainable land and water management activities with an emphasis on community participation
- **Vegetation:** To reverse the long term decline in the extent and quality of Australia's vegetation cover through funding projects such as community involvement in large scale and small scale tree planting
- **Rivers**: To address the decline in the health of the river systems by supporting community activities and large scale projects that address the cause of poor water quality in rivers and wetlands
- **Biodiversity:** To protect Australia's biodiversity through the implementation of a comprehensive approach
- **Coasts and Oceans**: To address environmental problems of coasts and oceans through support fort strategic planning and management activities

The "packages" have provided a framework for describing the Government's intentions in the policy statement *The Natural Heritage Trust: A Better Environment for Australia in the 21st Century[18]*, and for assigning/aligning funds with specific programs. The packages have more recently been referred to simply as funding "themes". *They cannot be described, at the present time, as strategies for the implementation of Natural Heritage Trust purposes and objectives.*

In establishing the Trust, an amount of $700m was earmarked for five capital projects aimed at maintaining, protecting and replenishing Australia's natural environmental capital. These projects are identified in the *Natural Heritage Trust of Australia Act* as:

- The National Vegetation initiative (Bushcare)

- Murray Darling 2001

- The National Reserve System

- The National Land and Water Resources Audit

- The Coasts and Clean Seas Initiative.

Landcare was not specifically designated as a capital project. However, *A Better Environment for Australia in the 21st Century* indicated that:

> Natural Heritage Trust funding of around $280 million will refocus the National Landcare Program, broadening its scope by tackling specific issues on the ground and taking a more integrated approach to its activities. The funding will support the implementation of conservation strategies based on a catchment and regional approach. Substantially increased support will be provided for the development of community initiated and managed projects addressing critical issues on public and private land for the public benefit.

The amounts identified for investment in each environmental package are set out in the 1999 Budget Statement of the Minister for the Environment and Heritage, *Investing in Our Natural and Cultural Heritage.* Three more "packages" were added in this Statement – Environment Protection, Atmosphere and World Heritage:

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[18] Joint statement by the Minister for the Environment and Heritage and Minister for Primary Industries and Energy, 1997

Table 1: Allocation of Natural Heritage Trust Investment Funds to Environmental Packages

	1996-97 $m	1997-98 $m	1998-99 $m	1999-00 $m	2000-01 $m	2001-02 $m	Total $m
Vegetation	3.7	25.0	78.0	93.3	102.7	93.0	395.7
Rivers	6.4	41.9	75.1	74.3	84.2	56.4	338.3
Biodiversity	2.4	5.0	32.1	21.5	25.5	25.5	112.0
Land	17.7	37.2	100.5	86.0	98.2	91.5	431.1
Coasts and Oceans	0.0	9.8	32.7	31.9	36.1	34.2	144.7
Environment Protection	0.2	0.6	1.6	1.1	1.3	1.1	5.9
Atmosphere	1.3	1.5	3.7	3.9	4.1	4.1	18.6
Australian Heritage	4.7	10.7	10.5	8.9	8.9	8.9	52.6
Total	36.4	131.7	334.2	320.9	361.0	314.7	1,498.9

The largest "package" is land – although it consists of six individual programs. It also started from the largest base, with significant carry forward commitments associated with the *Decade of Landcare*.

2.3.2   Natural Heritage Trust contribution to Commonwealth outlays on the environment

The Natural Heritage Trust makes a major contribution to Commonwealth outlays on natural resource management, environmental protection and sustainable agriculture. The following data, drawn from *Investing in Our Natural and Cultural Heritage* illustrates this point.

Table 2: Proportion of Natural Heritage Trust Expenditure in Commonwealth Natural Heritage Trust Related Programs

Investment Area	1996-97 %	1997-98 %	1998-99 %	1999-00 %	2000-01 %	2001-02 %	Total %
Vegetation	26.1	69.8	92.6	98.5	98.6	98.5	92.6
Inland Waters	26.6	81.2	94.6	94.4	95.0	92.9	88.3
Biodiversity	38.1	67.6	92.2	94.3	95.1	95.1	89.7
Land Resources	21.2	40.5	64.6	70.0	72.5	71.2	60.1
Coast and Oceans	0.0	67.1	87.0	74.4	76.6	81.2	75.3
Environment Protection	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Atmosphere	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Australian Heritage	35.9	48.2	61.8	58.9	59.3	59.3	54.0
Total	24.2	58.4	80.8	84.0	85.4	84.4	76.2

Quite clearly, the Natural Heritage Trust has become a significant feature in Commonwealth commitment in these areas – particularly in vegetation, inland waters and biodiversity. By 2001-02, the Natural Heritage Trust will contribute over four fifths of Commonwealth outlays on natural resource management, sustainable agriculture and environmental protection.

The contribution of the Natural Heritage Trust points also points to a question which was raised many times during the Review – what happens when the funds derived from the sale of Telstra to "conserve, repair and replenish Australia's natural capital infrastructure" are exhausted?"

2.4   Integrated natural resource management: a "natural partnership"

The Natural Heritage Trust set out to achieve an integrated approach to the conservation and repair of Australia's natural resources. The approach occurs at a number of levels and is seen in the following mechanisms.

- **Commonwealth**: the Memorandum of Understanding between Environment Australia and Agriculture, Fisheries and Forestry Australia

- **Commonwealth-State**: the Partnership Agreements and the Coasts and Clean Seas Memoranda of Understanding

- **State/Territory**: Collaboration among agencies through various Memoranda of Understanding and assessment mechanisms

- **Regional**: A commitment to integrated regional and catchment planning

- **Community**: community based project assessment through joint panels

In addition to these structural elements, the Natural Heritage Trust framework envisaged investment in social capital to support the investment in "natural" capital. Social capital refers to the institutions, relationships and norms that shape the quality and quantity of social interaction. In the Natural Heritage Trust context, social capital is important at several levels.

- Between Commonwealth agencies

- Between Agencies and the Parliament

- Between the Commonwealth and the States

- Within and between State agencies

- Within communities and their interactions with government – as for example with the Landcare network.

There is increasing evidence that social cohesion is critical for communities to prosper economically and for development to be sustainable. Social capital is the "glue" that holds institutions together:

- It facilitates cooperation and coordination, engenders trust and reciprocity

- It stresses teamwork and collaboration.

Agencies that have endeavoured to achieve outcomes by instituting structures, procedures and controls are usually disappointed. It is acknowledged in both a theoretical as well as a practical sense that social networks can increase productivity by reducing the costs of doing business.[19] *Communication is an essential element in building social capital.*

The then Minister for Primary Industries and Energy advised the Parliament that the Government is committed to achieving a greater level of cooperation between the three spheres of government to deliver resources to local communities and landholders. He indicated that the Government would:

- Work with the community, farmers, local and state and territory Governments, volunteer organizations, industry, environmental groups and the scientific community in a cooperative and coordinated manner

- Develop integrated approaches to minimize the number of separate programs and consequent administrative burden.

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[19] The success of the Cooperative Research Centres in Australia is attributed to the *informal* relationships that are encouraged and supported.

Thus, in the development of Commonwealth-State Partnership Agreements there was, for example, an expectation that program management arrangements should simplify processes for community access and facilitate the resourcing of integrated regional/catchment strategies and individual projects across a range of funding sources. These were to include State/Territory programs, and *all Natural Heritage Trust Programs* whether administered by either the Commonwealth environment or primary industry departments[20]

Specific program guidelines accompany the application forms for new projects and are detailed and comprehensive. However, as they are not in a formal agreement they can be more easily updated (although Memoranda of Understanding guidelines can be altered by exchange of letter).

There was also an acknowledgement that most of the natural resource management problems in Australia are located on privately owned land. It followed that success can only be achieved with the commitment of private landowners. The involvement of the Landcare movement in Australia was therefore seen as critical to the success of the Natural Heritage Trust.

The Natural Heritage Trust initiative is similar to initiatives being put in place in the United States. These initiatives are focused specifically on changing attitudes and understanding by private landowners.[21] The 1996 Farm Bill contained a number of natural resource initiatives. In April 1997 the USDA launched the "National Conservation Buffer Initiative" which pledged to introduce 2,000,000 miles of conservation buffers by 2002.

2.5   Investment priorities

In the background papers relating to the establishment of the Partnership Agreements it was clearly stated that the appropriate role of government was to:

▪   Stimulate private investment in natural resource management

▪   Facilitate public investment in skill development and in works and measures where there is a market failure and/or the level of public benefit is high.

It was also expected that the priorities established at the state and regional level would be based on a transparent investment analysis that considered economic, environmental and social issues. Such an investment strategy would establish a balance between:

▪   Targeted, geographically based priorities where significant market failure is occurring that warrants government intervention

▪   Local initiatives that increase community awareness, education and involvement in natural resource management.

The identification and definition of priorities and investment strategy in the context of the Natural Heritage Trust delivery system is difficult. In particular, the "commonality of local interests" that drive the investment process from the "bottom up" may not reflect "the wider priorities of national significance and the

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[20] Report of Workshop for SLWRMC on Future National Landcare Program Partnership Arrangements. Emphasis added.

[21] United States Department of Agriculture, Natural Resources Conservation Service, *America's Private Land: A Geography of Hope*, December 1996. The President's Council for Sustainable Development has also produced a number of papers on sustainable development.

risk of funding being captured for private gain at the expense of net public benefit"[22]

These considerations point to the need for clear guidelines as well as education and awareness about what the Natural Heritage Trust is intending to achieve. This issue is addressed further below and in Chapter 4.

2.6   Key results areas

The Natural Heritage Trust Partnership agreements require outcomes from Natural Heritage Trust investment to be defined in the following four areas:

- **Integration and institutions**: Integrated, cooperative and strategic approaches to investment in ecologically sustainable development of land, water and marine resources and environment
- **Environment**: Biodiversity conservation and improved long term protection and management of environmental resources, including native vegetation, representative ecosystems and World Heritage values
- **Sustainable production**: Maintenance and improvement to the sustainable productive capacity of Australia's environmental and natural resource base
- **People**: A community empowered to invest in, and take responsibility for, ecologically sustainable management.

These outcomes are not specified in the Coasts and Clean Seas Memoranda of Understanding. The Memoranda specify the following broad objectives:

- Sustainable resource use

- Resource conservation

- Public participation

- Knowledge and understanding.

These objectives are included in the program objectives of the Coasts and Clean Seas initiative and are included in Attachment B.

We are concerned that the Natural Heritage Trust Key Results Areas do not relate directly to the program objectives set out in legislation. We shall argue in Chapter 10 that the Key Results Areas need to be redefined to relate specifically to the "environmental investment packages". While this might mean that there are more defined Key Results Areas, it will be possible to reduce the number of identified Natural Heritage Trust outcomes from the present 190 to something more meaningful.[23]

2.7   Natural Heritage Trust programs

A program is defined in the Natural Heritage Trust Partnership Agreements as "a grouping of activities, with a common name, which contributes to a common strategic objective, with associated resources, strategies, activities and processes, management and accountability arrangements, and performance indicators".

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[22] Industry Commission, *A Full Repairing Lease,* Inquiry Into Ecologically Sustainable Land Management, Canberra, 1998, p.367

[23] The outcome indicators are identified in Chapter 5.

2.7.1 "Precursor" programs

The Natural Heritage Trust provided the opportunity for focussing the purpose and directions of a number of natural resource management, sustainable agriculture and environment protection programs that had been in operation for many years. There had already been an ongoing process of rationalisation and redirection

During 1992 a number of natural resource management programs were brought under the administrative umbrella of the National Landcare Program to simplify project application and approval procedures – the "One-Stop-Shop" arrangements for Landcare community group "grants"[24]. These included the community elements of the former Soil Conservation Program, the Water Resources Assistance Program, the Murray Darling Natural Resources Management Strategy, the One Billion Trees Program and Save the Bush Program.

To many, the establishment of the Natural Heritage Trust was a further "rollup" of 12 pre-existing programs, with a capacity to add more. It provided for:

- Continuation of five "capital programs" – the National Vegetation Initiative (Bushcare), Murray Darling 2001, the National Land and Water Resources Audit, the National Reserve System, Coasts and Clean Seas

- Support for existing programs – National Landcare Program

- New programs and sub programs – Rivercare, Landcare Tax

A number of the precursor programs are identified below.

Table 3: Natural Heritage Trust Precursor Programs

Natural Heritage Trust Program	Pre-cursor Programs
Bushcare	National Tree Program (established in 1982), Save the Bush, One Billion Trees. Bushcare was the largest new program created under the Natural Heritage Trust
Farm Forestry	1992 announced as part of NFPS. Major expansion under wood and paper industry strategy in 1995. Under WAPIS $17m committed to 50 projects.
Murray Darling Basin 2001	MDBC Natural Resources Management Strategy (ICM) Program. Partners were contributing to ICM activities carried out under the NRMS Strategy
National Wetlands	State-Commonwealth Assistance Program, 1993
National Landcare	National Landcare Program established in 1990. Followed earlier water services and soils programs
Fisheries Action	Fish care established in 1995/96.

We will argue in the Report that the development of the Natural Heritage Trust around existing programs detracted attention from the intended change and focus in purpose reflected in the *Natural Heritage Trust of Australia Act.*

Time did not allow for the Natural Heritage Trust to be redesigned around the new strategic directions indicated by Ministers. There was an expectation that this would come later.

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[24] Evaluation Report of the Decade of Landcare Plan – National Overview, 1995, p. 3

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2.7.2   Current programs

The 1999 Budget Statement, *Investing in our Natural and Cultural Heritage* indicates that the Trust makes investments through *18* programs in eight funding categories. These programs are listed below. More detailed descriptions of the *14* programs identified in the 1997 Natural Heritage Trust Policy Statement are provided in Attachment A.

Landcare: To support activities that contribute to the sustainable management of land, water, vegetation and biological diversity, in line with regional, State and national strategies.

National Land & Water Resources Audit: To provide a baseline for carrying out assessments of the effectiveness of policies and programs to overcome land and water degradation and improve natural resources management.

Feral Animal Control: To reduce damage to the natural environment and agricultural production. It will address the management of feral animals and will link closely with threat abatement plans for endangered species under the Endangered Species Protection Act, 1992.

National Weeds: To control weeds of national significance that most threaten the natural environment and agriculture. The strategy will encourage the recovery of threatened species, farm productivity and our natural landscapes.

Advanced Property Management and Planning: To provide assistance for farmers to attend advanced property management training courses and to engage professional consultants in the field of advanced integrated farm management planning.

Bushcare: To reverse the long-term decline in the quality and extent of Australia's native vegetation in order to conserve biodiversity and contribute to the ecologically sustainable management of natural resources

Farm Forestry: To encourage commercial tree growing for wood and non-wood production on agricultural land.

Rivercare: To assist the sustainable management, rehabilitation and conservation of rivers outside the Murray-Darling Basin.

Murray Darling 2001: To promote and coordinate effective planning and management for the equitable, efficient and sustainable use of water, land and other environmental resources of the Murray-Darling Basin. Murray-Darling 2001 will be delivered through the Murray-Darling Basin Commission's Basin Sustainability Program.

National River Health: To assess and monitor the health of Australia's rivers through the use of biological indicators and undertake research into the environmental flow requirements of rivers and streams

Waterwatch: To encourage volunteers to become involved in water quality monitoring. The program, with tens of thousands of participants, aims to raise awareness of the importance of the long-term health of natural waterways and river systems.

National Wetlands: To promote the conservation and wise use of wetlands across Australia. Under the Trust, the National Wetlands Program will support local projects to rehabilitate degraded wetlands and contribute to the overall health of our waterways.

National Reserve System: To assist with the establishment and maintenance of a comprehensive, adequate and representative network of protected areas across Australia.

Endangered species: To ensure that all species can survive and flourish in their natural habitat.

Coasts and Clean Seas: To tackle pollution problems and protect the environment in Australia's coastal and marine areas.

Fisheries Action: To seek local participation and commitment to the sustainable management of fisheries and fish habitats

Oceans Policy: To develop a comprehensive oceans policy will be developed to ensure the protection of marine species like fish, whales, seabirds and turtles while promoting job-creating ocean industries in a way that does not threaten our marine environment

World Heritage Management: Australia's World Heritage properties are recognised internationally as outstanding places and are major destinations for tourists from Australia and overseas.

Each program has established its own set of unique program guidelines that define and describe program purpose, objectives, eligibility and performance criteria. These are included in the Partnership Agreements and in the *Guide to*

Applications. Further information on program goals and objectives is provided in Attachment B.

The allocation of investment funds to programs, as set out in *Investing in Our Natural and Cultural Heritage* is detailed in the following table.

Table 4: Allocation of Natural Heritage Trust Investment Funds to Programs – 1996-97 to 2001-02

	1996-97 $m	1997-98 $m	1998-99 $m	1999-00 $m	2000-01 $m	2001-02 $m	Total $m
Vegetation							
Bushcare	3.7	22.2	67.9	81.8	87.1	83.8	346.5
Farm Forestry Program	0.0	2.8	10.1	11.5	15.6	9.2	49.2
	3.7	25.0	78.0	93.3	102.7	93.0	395.7
Inland Waters							
Murray-Darling 2001	3.8	27.5	40.4	43.1	48.7	32.6	196.1
National Rivercare Program	0.0	6.4	19.2	21.7	24.6	15.6	87.5
Riverworks Tasmania	1.8	2.6	4.4	0.0	0.0	0.0	8.8
National River Health	0.1	1.6	4.7	3.1	4.5	1.8	15.8
Waterwatch Australia	0.2	2.2	2.8	2.6	2.6	2.6	13.0
National Wetlands Program	0.5	1.6	3.6	3.8	3.8	3.8	17.1
	6.4	41.9	75.1	74.3	84.2	56.4	338.3
Biodiversity							
National Reserve Systems	0.4	2.9	25.7	16.0	20.0	20.0	85.0
Endangered Species	2.0	2.1	6.4	5.5	5.5	5.5	27.0
	2.4	5.0	32.1	21.5	25.5	25.5	112.0
Land Resources							
National Land and Water Resources Audit	1.3	2.4	12.3	10.5	10.5	5.0	42.0
Feral Animals Strategy	3.7	3.1	4.1	2.4	2.7	3.0	19.0
National Weeds Program	2.1	1.3	9.0	5.4	5.9	4.8	28.5
National Landcare Program	10.2	30.1	69.4	64.0	74.2	78.7	326.6
Farm Bis	0.4	0.3	5.7	3.7	4.9	0.0	15.0
	17.7	37.2	100.5	86.0	98.2	91.5	431.1
Coast and Oceans							
Oceans Policy	0.0	0.0	0.0	4.1	7.4	8.5	20.0
Coast and Clean Seas	0.0	8.6	31.0	25.5	27.2	24.4	116.7
Fisheries Action Program	0.0	1.2	1.7	2.3	1.5	1.3	8.0
	0.0	9.8	32.7	31.9	36.1	34.2	144.7
Environment Protection							
Waste Management Awareness	0.2	0.6	1.6	1.1	1.3	1.1	5.9
Atmosphere							
Air Pollution in Major Cities	1.3	1.5	3.7	3.9	4.1	4.1	18.6
Australian Heritage							
World Heritage Area Management	4.7	10.7	10.5	8.9	8.9	8.9	52.6
Natural Heritage Trust	36.4	131.7	334.2	320.9	361.0	314.7	1,498.9

The overall allocation to programs has not changed since the Trust was established, although there has been changes to the estimated timing of expenditure. This issue is taken up in Chapter 5.

The assignment of programs to the environmental investment packages has been, in effect a convenient grouping. The Land resources programs are

grouped with the National Landcare Program that had developed a strategic focus flowing from the Decade of Landcare initiative.

Vegetation is the only area where a major effort has been made, within the framework of the Trust, to set out the relationships between Natural Heritage Trust programs and the investment logic. This is depicted in the following diagram, drawn from the National Vegetation Initiative (Bushcare) *Strategic Plan.*

ESP: Endangered Species Program; NRS: National Reserves System Program;
NRI: National Rivercare Initiative; FFP: Farm Forestry Program;
MDB2001: Murray Darling Basin 2001 Initiative
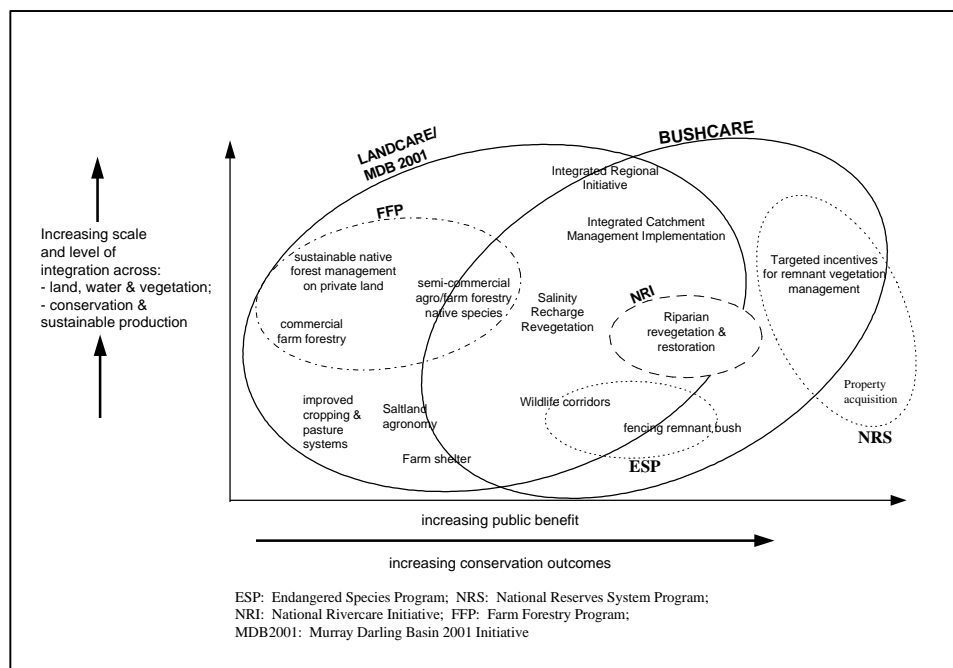
This framework provides an example of how Natural Heritage Trust programs can be related to the other Strategic initiatives.

2.8   Project priorities

In addition to objectives and priorities, the *Natural Heritage Trust Guidelines for Applicants* set out the priorities that individual project proposals should address. These are listed below.

- ▪ ***Address biodiversity conservation and/or ecologically sustainable production objectives*** Often these two objectives are closely linked, and both can be addressed through carefully planned actions.

- ▪ ***Addresses high priority issues*** These may have been identified through existing environment and natural resource management strategies, action plans or recovery plans. In areas where such plans do not exist, or are inadequate, priority issues may be identified from other studies or reports, or through consultation with appropriate technical experts.

- ▪ ***Strong stakeholder support and commitment*** There should be arrangements to ensure effective stakeholder participation in the planning and implementation of the project. This should include an indication of existing levels of participation and a plan for expanding stakeholder involvement if appropriate. Inclusion of local schools, colleges or environment groups, and public awareness raising activities are encouraged

- ▪ ***Appropriate scale*** The project should be at a scale appropriate for addressing the issues identified. Groups proposing smaller projects addressing similar objectives within a catchment or region should join together and apply for a larger project.

> ▪ ***Inclusion of long-term objectives*** A strategic project is one that provides the impetus for long-term change in management practices and attitudes. To be confident that a project will have lasting impacts, demonstration of stakeholder support is required, a community education strategy should be built in, and long-term actions such as entering into management agreements or covenants over areas of conserved land should be included.[25]

2.9 Re-interpreting the purpose of the Natural Heritage Trust

Notwithstanding the provisions of the *Natural Heritage Trust of Australia Act*, we encountered some confusion during the Review on the part of program managers, Natural Heritage Trust Units, State Agencies and community organizations about what the purpose of the Natural Heritage Trust. There are two broad interpretations

▪ A funding pool

▪ A distinctive program

The way in which the purpose of the Trust is interpreted has an important bearing about how it is managed, the way investment proposals are put forward and assessed, how the purpose, intentions and achievements are communicated, and how performance can be evaluated.

The features of each attribute are discussed below.

2.9.1 The Natural Heritage Trust as a "Funding Pool"

The features of the Natural Heritage Trust that lead people to believe it is simply a pool of funds relate to the provision of secured funding and the apparent "input focus".

▪ Secured funding

Some of the current background and supporting information relating to the establishment and operation of the Natural Heritage Trust could be interpreted as an initiative that simply provides security in funding for existing programs for a six year period. Many programs had been established well prior to the foundation of the Natural Heritage Trust.

Some Program Managers and people in State agencies made constant reference throughout the review to the extent that the Natural Heritage Trust was simply a "bucket of money"

The interpretation of the Natural Heritage Trust as a funding pool is evidenced by the following observations made by Program managers and State Officers during the course of the Review:

▪ The current documentation for many Natural Heritage Trust programs does not imply any change in direction as a result of the establishment of the Natural Heritage Trust – this is evidenced in many Program Strategic Plans which make only passing reference to the existence of the Natural Heritage Trust, and then only in terms of providing funds

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[25] Natural Heritage Trust*, Guide to Applications*

- Programs are seen by stakeholders to be "owned" by Agriculture, Fisheries and Forestry Australia or Environment Australia and implemented by the States on the Commonwealth's behalf – the Partnership agreements carry little weight or meaning from an investment point of view

- Programs are merely grouped together into "funding areas" or "themes" without reference to any specific strategies – either direct or implied

- Program planning and development occurs through separate program and departmental networks with little interaction or collaboration.

Notwithstanding these observations, the Natural Heritage Trust has had the effect of changing the Landcare Program by giving a greater focus on capital works and providing a basis for establishing the National Vegetation Initiative (Bushcare) which has successfully brought together the focus and direction of a number of separate vegetation programs.

The concept of a funding pool is, however, consistent with the often sought after request from Program Managers for a "longer term funding commitment" – meaning that they do not have to argue for funds each year in the budget context. In this vein, there is an expectation from a number of program managers that when the funds in the Trust are depleted in 2001-02, programs will revert to their original status as annual allocations.

The continuation of this line of thinking draws away from a focus, and commitment, to the overarching purpose and objectives of the Trust. Many of the current programs might have been discontinued if they had to undergo a more rigorous assessment on their merits outside the Natural Heritage Trust framework – such as through the Expenditure Review Committee of Cabinet.

It is therefore a challenge for program managers to ensure that programs have realistic and achievable outcomes that can deliver "value" and benefits, and have achieved against those outcomes, as a basis for arguing that resourcing should continue.

The interpretation of the Natural Heritage Trust as a funding pool reflects a traditional way of thinking about public programs. Secured funding provides the basis for continuity of specific, and sometimes narrowly defined, initiatives directed towards specific constituencies. It is important, in our view, that Programs be seen to have a close association with the goals and objectives of the Trust.

- An input focus

To the extent that the Natural Heritage Trust is simply a resource distribution mechanism – like the Consolidated Revenue Fund – it can only be assessed on an input basis. In fact, the language of the Trust is about resource inputs. The following statements are taken from the Natural Heritage Trust Policy Statement:

- Natural Heritage Trust funding of around $280m will re-focus the National Landcare Program …

- Bushcare, the largest single initiative of the Trust, will devote $330m to . . .

- The Natural Heritage Trust will inject $260m into projects improving water quality

- The $97m National Rivercare Program will assist the sustainable management . . .

- The Natural Heritage Trust will allocate $163m for the Murray darling 2001 project

- The $80m National Reserve System . . .

- The $125m Coasts and Clean Seas package, funded principally through the Natural Heritage Trust, provides us with an unprecedented opportunity . . . The program represents the largest financial contribution ever made by the federal government towards . . .

Few of the statements about the Trust actually set out what will be achieved with the resource inputs provided. There are many statements about providing assistance, support and encouragement, but very few about what will actually be delivered and the tangible benefits that will be realised. This makes the task of assessing the performance of the Natural Heritage Trust in terms of the goals and objectives of individual programs virtually impossible. The Natural Heritage Trust *Annual Report* provides no real assistance in this regard.[26]

Unless there are clear and unambiguous statements about what is intended to be achieved over a given time frame, with the resources available, then it is not possible to assess the results. In that respect, the Natural Heritage Trust will be seen as just another Commonwealth "funding program". This would be a pity, as the purpose, goals and objectives of the Trust address a real and fundamental problem.

2.9.2   The Natural Heritage Trust as an investment program

The *Natural Heritage Trust of Australia Act* establishes the *Natural Heritage Trust of Australia Reserve* as a Trust Fund with specific objectives and purposes. These are set out in Sections 8-19 of the Act.

The *Act* also identifies organisational arrangements, which Trust Funds established under the *Financial Management and Accountability Act* generally do not. These arrangement include:

- A Ministerial Board with specified powers

- An Advisory Committee

- Procures for delegation

The Act implies the existence of a "corporate identity" to administer the "program" – which the Commonwealth is seeking to reinforce through communication and awareness.

There is however, some confusion in both internal and external communication. Some documents convey the message that the Natural Heritage Trust is a program (for example, recent letters from Ministers for Environment and Agriculture, Fisheries and Forestry to State Ministers) while others clearly state that the Natural Heritage Trust is not a program in its own right (the Terms of Reference for this Review).

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[26] The Annual Report will be discussed under Chapter 11, Monitoring and Evaluation.

Our interpretation, based on the legislation and supporting documentation is that the Natural Heritage Trust is an *Investment Program* that links to a number of specific investment "products" (*Expenditure Programs*). The investment strategies relate to the administration and management of the Natural Heritage Trust of Australia Reserve Fund.

The *Natural Heritage Trust of Australia Act* and the discussion surrounding its introduction clearly conveyed the investment orientation of the Natural Heritage Trust. In the terms of the legislation, the Natural Heritage Trust of Australia Reserve effectively functions as an investment bank, or a venture capital firm, that makes strategic investments in natural capital using funds derived from the sale of Telstra.

The basic function of an investment bank is to invest in projects, on a joint and/or collaborative basis, that will provide returns over the longer-term. The Natural Heritage Trust invests in projects in partnership with state governments and community organizations. Under the terms of the *Natural Heritage Trust of Australia Act*, the long-term return is the conservation, repair and replenishment of Australia's natural capital infrastructure.

It is therefore important to make a distinction between the Natural Heritage Trust, which invests in projects that contribute to the repair, replenishment and maintenance of natural capital, and the more traditional government "funding program" that provides financial assistance, or grants, for "eligible purposes".

In our view, the investment process is fundamentally different from the grants process. Investments are made on the basis that projects will deliver benefits over the longer term. The investor retains a strategic interest in the investment.

The feature of investment banking is a strong and robust relationship between funds manager, a "product (program) manager" and project proponent (investee). These relationships are set out in detail in the Partnership Agreements and the Memoranda of Understanding – and in fact form the basis of those agreements.

Within this framework, natural capital investment decisions are, in effect, guided by:

- *Investment criteria* set out in guidelines and directions (the *Natural Heritage Trust of Australia Act*, product (program) strategies and guidelines

- *Investment strategies* proposed by potential investees, commonly reflected in "business plans" (contained in regional and State "bids")

The delivery infrastructure is not a party to the Agreements, but is covered in terms of State undertakings concerning commitment to regional assessment and involvement of local government and community-based organizations. Local Government is a party to the Coasts and Clean Seas Memoranda of Understanding.

The Natural Heritage Ministerial Board has adopted specific investment criteria and investment strategies, investment packages and products (programs) and is focussed on a target investment base. These relationships, in an investment-program context, are depicted in the following diagram.

The NHT: An "Investment " Partnership

Ministerial Board
The NHT Reserve Fund
Makes Investment Decisions

Advisory Committee

Ministerial Staff

Investment Criteria
Integrated Natural Resource Management
Environment Protection
Sustainable Agriculture
Set out in NHT Act

Investment Strategy
To deliver "value" as an investment in natural capital. Reflected in "State Bid"

Partnership Agreements MOUs

Investment "Packages" and "Products"
EA, AFFA
State Lead Agencies
Investment Strategy and Eligibility

Assessment Process
State
Regional
Technical
One Stop Shop

NHT Units

Facilitator Network

Delivery
Landcare, Local Government Indigenous, regional and community organisatons
Seeks Funds for Capital works

The framework points to the Ministerial Board as an investor making decisions on the basis of assessment of "project return". Returns are, in effect defined in terms of the contribution to enhancement of natural capital. The "business case" for investment is set out in the *State Bids* submitted by State Ministers. In many respects the Natural Heritage Trust investment program parallels the Innovation Investment Fund established by the Government to support the commercialisation of Australian innovation.

It is of interest to note the inter-changeability of the terms "investment" and "funding proposals". As noted earlier in the Report, the term "funding" carries with a connotation of financial assistance for eligible purposes, typical of many previous Commonwealth funding programs. Communication of the purposes and objectives of the Natural Heritage Trust will be greatly facilitated by a consistent reference to "investment" in natural capital.

Recommendation

3.   **The purpose of the Natural Heritage Trust as a "program for investment in Australia's natural capital" be clearly communicated to all stakeholders and participants involved in Natural Heritage Trust Programs.**

4.   **Commonwealth guidelines for all Natural Heritage Trust Programs should wherever possible refer to "investment" (rather than "funding" or "grants") to identify the distinctive purpose of the Natural Heritage Trust**

The investment program framework provides a basis for considering a number of issues raised during the Review:

- Should an investment program be trying to get the money out quickly – rather than assessing projects when they are "investment ready"? This may occur throughout the year.

- Should there be several stages of investment appraisal – starting with the equivalent of "seed funding" followed by follow on investments after the articulation of a more detailed business case?[27]

- What is the appropriate role of, and relationship between, the investors (the Natural Heritage Ministerial Board, the Program (product) managers, the liaison staff and the facilitator network in developing and delivering project (investment) proposals?

- To what extent should Natural Heritage Trust of Australia Reserve (effectively the "investment bank") actively solicit projects -

    - Within a more specific strategic framework, as reflected in support for science and technology research infrastructure[28] and recent policy initiatives in higher education

    - Require more commissioned projects – in a manner similar to the Rural Research and Development Corporations

These matters are addressed in the Report.

2.10 Reconciling purpose: the relationship between means and ends

The purpose of the Natural Heritage Trust is clear, and has an output focus – that is, "to repair and replenish Australia's natural capital infrastructure by investment in natural capital". However, the intention of Ministers in establishing the Natural Heritage Trust to build on five "strategically developed environmental packages" as the means to achieve the purpose of the Trust has been lost. Instead the means to achieve the purpose of the Trust are 21 essentially independent programs (each with its own set of output and outcome statements) that draw funds from the Natural Heritage Trust for their own specific purposes.

Thus, the means that are identified to achieve the Natural Heritage Trust purpose are, in reality, quite diverse. Through the interaction of program objectives and strategies, the means to achieve the Natural Heritage Trust purpose does involve a combination of:

- Bottom up community effort and capacity building – through support for existing and new community networks such as the Landcare movement and Greening Australia

- Top down strategic direction informed by research and analysis – through work undertaken in the Rural Research and Development Corporations, CSIRO and Universities as well as some of the research supported by Natural Heritage Trust national programs.

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[27] This practice is followed in Queensland.

[28] Increasingly, both Commonwealth and State Governments are focussing on provision of financial support an *investment issue*

The concentration on programs (means) rather than ends (the Trust) has the effect that means are often substituted for the ends. A clear example of this is in the Productivity Commission Report, which identifies the "stated aims of the Trust" as to:

- Provide a framework for strategic capital investment in the natural environment

- Achieve complementary environmental protection, natural resource management and sustainable agriculture outcomes consistent with national strategies

- Provide for cooperation between communities and all levels of government.[29]

The Commission then goes on to criticize these aims as being input and process oriented. *But this is what they are intended to be.* The aims stated above are *means*, reflected in many of the 21 programs, to achieve the purpose of the Trust – conservation, repair and replenishment of Australia's natural capital infrastructure.

It follows, therefore, that in order to evaluate the performance of the Trust there must be clear linkages, and an understanding of those linkages, between the purpose of the Trust and the direction each individual program. There is also the critical issue as to whether the programs are the most *appropriate* means to achieve the results of the Trust.

To illustrate the point, the following chart sets the implications of:

- The relative clarity of the problem being addressed in the Natural Heritage Trust legislation and commitment to Trust purpose

- The relative clarity and commitment to "on ground" Program purpose and direction.

The resulting matrix can be used as a basis for assessing the performance of the Natural Heritage Trust in achieving its objectives.   This is represented in the following diagram.   Issues concerned with monitoring and evaluation are addressed in Chapter 10.

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[29] Productivity Commission (1998), *A Full Repairing Lease*, Report of the Inquiry into Sustainable Land management, p. 358. Statements drawn from the draft Natural Heritage Trust monitoring framework.

Natural Heritage Trust: Relationships Between Purpose and Programs
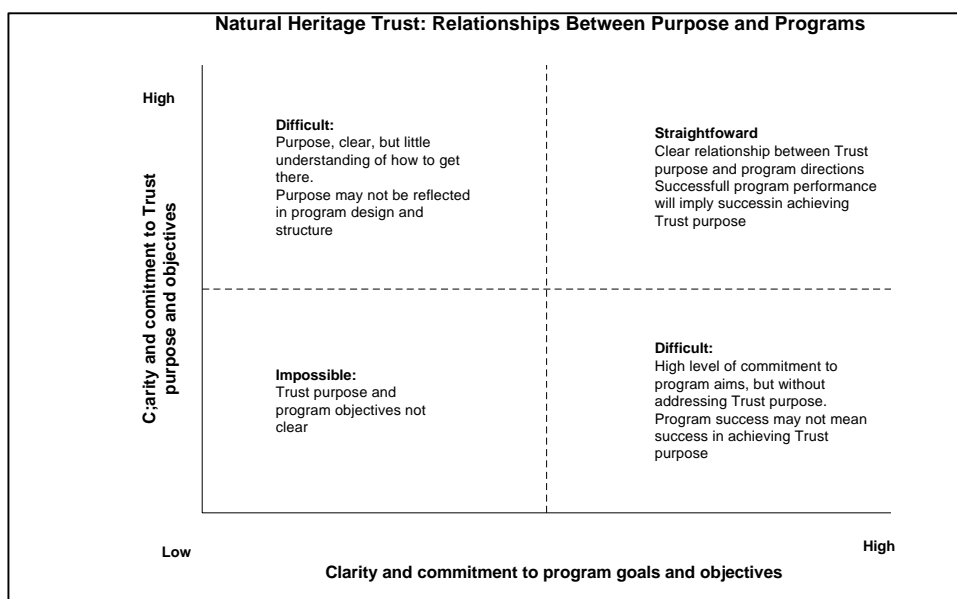
The matrix suggests that in a situation where the purpose of the Trust is well understood in terms of the problem that is being addressed, but there is a low level of commitment to "on ground" program goals and objectives, it will be difficult to establish whether the effort has resulted in outcomes – some research effort falls into this category. An issue was raised during the review to the extent that research should take a greater role in informing program design and project activity.

In situations where individual and "on ground" program purposes are clear in their own right, but do not relate to the overall objective of the Trust, it will also be difficult to evaluate Trust performance. A concern was raised during the review that although some "on ground" community programs may be judged successful, their contribution to the overall purpose is limited because of dissipated and uncoordinated effort.

Moreover, where program delivery involves the contribution of established organizations, such as Landcare and Greening Australia, there may be some conflict in interpretation between Natural Heritage Trust priorities and the priorities of the respective organizations.

These observations point to the importance of realistic goals, objectives and *key results areas* for the Trust as a whole - that can be effectively communicated and translated into each Natural Heritage Trust program. This aspect of the management and administration of the Trust forms an underlying theme of this Report.

The focus on 21 programs has had the effect of generating a substantial volume of "noise" in the form of guidelines, output and outcome statements. The effect is confusion and a tendency to emphasize difference rather than interaction. This issue is also a theme taken up throughout the Report.

Recommendation

5. **The purpose, objectives, outcomes, and the means to achieve those outcomes, be clearly *and consistently* stated in all Natural Heritage Trust documentation. The appropriateness and relevance of the Key Results Areas to the Trust purpose and objectives be reviewed with a view to establishing a clearer linkage.**

For these reasons we have spent some time referring to the background and purpose of the Natural Heritage Trust and the context that its investments are managed. This material is presented in the next Chapter.

2.11   Conclusion: The Natural Heritage Trust - a new direction?

The Natural Heritage Trust was established with the quite specific purpose of "investing in the future":

> The Howard Government has allocated resources to the Natural Heritage Trust for immediate action, to coordinate work on the ground now, and to invest in projects which form part of a total approach to improving the health of our environment.[30]

The Government saw the Trust as "the biggest financial commitment to environmental action by any federal government in Australia's history - $1.25 billion".[31]

> Because the money is protected in the Trust it ensures funding will not be diverted away from activities which will be of lasting benefit to the Australian environment. So we can plan ahead with confidence and without any fear that projects will not go ahead due to lack of funding.

Notwithstanding the Government's stated intention, there is no Strategic Plan for the Natural Heritage Trust. There is also no clear indication of what will happen when the Telstra funds are exhausted – expected to be in 2002.

The absence of a strategy and a plan for the Natural Heritage Trust has given rise to some confusion about what the Trust actually is. There are two broad interpretations -

- The Natural Heritage Trust is "a program to repair and replenish Australia's natural capital infrastructure" – as set out in the *Natural Heritage Trust of Australia Act* and statements by Ministers

- The Natural Heritage Trust is "not a program in itself" but an "umbrella under which a series of seventeen (sic) programs are implemented" – contained in documentation prepared and distributed by the Department of Agriculture, Fisheries and Forestry and the Department of Environment and Heritage.

Reconciling these two interpretations of the purpose of the Natural Heritage Trust created a major difficulty in undertaking this Review. For example, if the Trust is simply the aggregation of 17 (now 21 programs) a review of administration would involve examining the administration of each program in relative isolation and focussing only on application, assessment, approvals and acquittals processes – without considering the way that programs interact and inter-relate.

It became very clear in the early stages of the Review that Ministers and their advisers clearly understood the Natural Heritage Trust to be a program that is expected to deliver some quite specific outcomes in relation to the objectives of the Trust set out in the *Natural Heritage Trust of Australia Act.* However, in the

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[30] *The Natural Heritage Trust: A Better Environment for Australia in the 21st Century.* Statement by the Minister for the Environment and Heritage and the Minister for Primary Industries and Energy, Canberra, 1997.

[31] Funds in the Trust were increased to $1.5 billion with the sale of the second tranche of Telstra.

absence of a Strategic Plan that sets out a plan of action and associated outcome statements and performance indicators *for the Trust*, it is necessary to rely on the direction provided by the constituent programs - mostly pre-existing.

Our experience in the review and evaluation of Commonwealth programs points to the tendency for program objectives to be continually refined to reflect current practice - rather than reference original statements of purpose. Over time, objectives can become detached from the original purpose. The Natural Heritage Trust provided an opportunity for program objectives to be re-assessed in the light of a clearly articulated purpose. This has not as yet occurred.

The effect of the combination of Natural Heritage Trust purpose and objectives, priority investment areas, program objectives (and related program guidelines) is to create a very complex program and administrative framework for what is intended to be an initiative that concentrates on "on-ground activity".

These comments are made notwithstanding the results that individual programs are achieving in their own areas of activity and influence. The performance of individual programs is being addressed in separate studies.

Chapter 3: The Natural Heritage Trust Partnership Agreements and Memoranda of Understanding

The purpose of this Chapter is to briefly describe the way in which the Natural Heritage Trust is intended to operate and to report the views of participants concerning the way in which it has developed over the last three years. Some background material is incorporated as a basis for addressing current issues in management and administration. It is particularly important to appreciate what was intended with the Natural Heritage Trust delivery arrangements and to identify the reasons for departures from the envisaged approach.

3.1   Background to the Partnership Agreements

3.1.1   Negotiation

The Natural Heritage Trust was a key element in the 1996 Coalition election policy. Ministers were anxious that the Natural Heritage Trust be set up and running quite quickly. The key parameters for implementation were:

- An integrated package of measures with an on ground imperative

- Building on existing institutional arrangements with community, state and local government

- Equal interests of two Commonwealth Ministers – but with only one responsible for the Act – this was achieved through the mechanism of the Ministerial Board.

Due to the expectations of Ministers, legislation, Partnership Agreements and administrative arrangements had to be developed in parallel.

The Natural Heritage Trust was predicated on a cooperative approach based on partnership agreements. It was the intention for the States to be seen as genuine partners. The Partnership Agreements were developed out of the Partnership Agreements that had been in place under the National Landcare Program.

The Partnership Agreements were negotiated quickly. The process relied on a high level of good will between Commonwealth and State officers in the Ministerial Council network. Negotiations with States on the Agreements were initiated through the mechanism of the Sustainable Land and Water Resource Management Committee (SLWRMC)[32]. These negotiations were occurring while the legislation was being debated in Parliament.

The Partnership Agreements drew heavily on the National Landcare Program framework, where Partnership Agreements had been established for the Decade of Landcare. The *Evaluation of the Decade of Landcare*, completed in 1995, reported that the "One-Stop Shop, integrated State assessment panels and the development of Commonwealth State Partnership Agreements has resulted in

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[32] SLWRMC is a subcommittee of the Standing Committee on Agriculture (SCARM) – the officers' committee of the Agriculture and Resource Management Council of Australia and New Zealand ARMCANZ) – a Ministerial Council.

better coordinated administration of natural resource management policies and programs.[33]

Between May and September 1996 a series of workshops were held around the country with State officers and key stakeholders on partnership arrangements, the natural resource management and planning framework and the rationale for funding. A Report was presented to Commonwealth and State Ministers in the forum of the Agriculture and Resource Management Council of Australia and New Zealand (ARMCANZ) in September 1996.

The SLWRMC Report argued that:

> The starting point for effective partnership arrangements is a clear focus on agreed outcomes to be delivered by natural resource management programs. The broad outcomes to be achieved in an Ecologically Sustainable Development Framework are:
>
> . Economic viability of agriculture and other industries based on land, water and biological resources
>
> . Maintenance and enhancement of the associated natural resource base
>
> . Maintenance and enhancement of ecosystems that are influenced by land and water management activities.[34]

The Report emphasized the need for investment to be targeted on agreed strategic priorities within "an agreed investment framework directed at catalysing change and includes evaluation of economic, environmental and social costs of management plans and strategies". There was an acknowledgement of the need to understand the respective roles of governments and the community and devolve decision making about regional priorities and project delivery to a catchment/regional level – but consistent with state and national priorities.

The Report proposed that there should be one Partnership Agreement between the Commonwealth and the States/Territories, expanded to include not only the National Landcare Program but also all relevant Commonwealth-State Initiatives in an integrated package. It also recommended that the Australian and New Zealand Environment and Conservation Council (ANZECC) be invited to bring environmental programs into the framework, to be included as part of a single, integrated package.

The proposed framework for implementing the Partnership involved:

- Responsibility for sustainable natural resource management resting with the owners and managers of the resources

- Encouraging development and implementation of strategic catchment/regional plans

- Involvement of the community in planning, priority setting and implementation

- Allowing balanced consideration of environmental, social and economic issues

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[33] *Evaluation of the Decade of Landcare*, p. 19

[34] Report of Workshop for SLWRMC on Future National Landcare Program Partnership Arrangements

- Utilization of transparent investment principles for determining resourcing of priority areas

- Achievement of clear and agreed outcomes.

It was acknowledged that streamlined and devolved assessment would require diversifying and strengthening the skills within Regional Assessment Panels and State Assessment Panels.

ARMCANZ endorsed the recommendations of the SLWRM Report on 27 September 1996.

The bringing together of arrangements for the Natural Heritage Trust was an exceptional achievement in the time frame. It relied very heavily on the strong contribution of "social capital" and policy linkages that had been established in the National Landcare Program framework. These linkages included:

- The farming and conservation movements

- Commonwealth environment and agriculture Ministers (Anderson – Hill)

- Departmental Secretaries and Senior policy advisers in Agriculture Fisheries and Forestry - Australia and Environment Australia

- Linkages between Commonwealth and State senior officers, through the Standing Committee on Agriculture and Standing Committee on Conservation networks.

Not all matters were covered in the negotiation of the partnership agreements – or covered in sufficient depth. The issues of funding for administration, evaluation and performance indicators were not completely resolved. It is understood that Ministers took a harder line on funding for administration and evaluation than officers.

3.1.2   Features

Partnership Agreements represent a departure from the traditional "intergovernmental agreement" and conditional Section 96 payments. The Agreements are intended to outline who is responsible for what, and provide details about the way in which the Trust will be delivered to provide a point of reference for efficient and effective delivery of projects funded through Natural Heritage Trust programs.

The Partnership Agreements have four parts:

- The Agreement, which sets out

  - The principles of partnership

  - The roles of the Commonwealth and State governments

  - The financial arrangements which allow funds to flow for projects

  - The principles of delivery of Trust programs

  - Other formal contractual points such as conflict resolution and review procedures.

The agreement is almost identical for each and every State and Territory.

- **Attachment A**: Sets out details of the actual programs that are covered by the Agreement. Their goals, objectives, outcomes and performance indicators are all stated as well as procedural arrangements relating to administration and reporting. These are reflected in the Guidelines that are prepared each year. These are generally the same nationally although there are some differences state by state.

- **Attachment B**: A standard contract used whenever the Commonwealth pays Trust funds to a State. It meets the legal requirements to ensure that the funds are well spent and can be accounted for. All states have the same contract.

- **Attachment C**: Varies state by state. It sets out the context in which Trust-funded activities fit within a State. The States each have their own priorities that reflect the state of their environments and their natural resource management challenges.

The Agreements reflect an expectation that States will pursue a strategic approach to environmental planning, sustainable agriculture and natural resource management – including development of catchment management strategies with regions and communities. These arrangements are detailed in Attachment C to the Agreements. The strategies are well developed in New South Wales. Victoria has a robust framework and Queensland is developing a regional strategy around existing institutions.[35]

Agreements are intended to provide a means for the Commonwealth to ensure that policies and guidelines are consistent with national strategies and priorities. This aspect of the Agreements must be understood in the context of some very complex systems for natural resource management in the States where responsibilities and accountabilities are shared between Ministers, Departments, Local Government and community organizations.

Agreements include arrangements for reporting and monitoring and provide a basis for evaluation.

3.1.3   Principles

We have provided in various parts of the Report a full text of the provisions of the Partnership Agreements as we became aware during our consultations that not all people involved in the administration of the Natural Heritage Trust were aware of their contents.

The parties agree to give effect to the following principles, which underpin the implementation of the Natural Heritage Trust programs, and other Commonwealth or State programs agreed by the parties to be covered by this Agreement:

(a)   Funding will be primarily directed at activities which reverse or mitigate the decline, or improve the condition and management, of Australia's environment and natural resources, and which achieve a more rapid shift to ecologically sustainable development;

(b)   Funding will be applied in such a way as to maximise cross linkages between programs and where necessary to transcend State boundaries, to derive the most beneficial outcome in each. Priority for Natural Heritage Trust funding will be accorded to activities with a demonstrated capacity to achieve multiple outcomes in relation to national strategies or Natural Heritage Trust programs;

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[35] The approaches of States to natural resource management are contained in Appendix 2.

(c)   Funding will be applied in the context of the principles outlined under section 3 of the Intergovernmental Agreement on the Environment, which include cost effectiveness, the precautionary principle, inter-generational equity, conservation of biodiversity and ecological integrity, and improved valuation, pricing and incentive mechanisms;

(d)   Priority will be given to activities that are derived from strategies to address the fundamental causes, rather than symptoms, of Australia's environmental and natural resources problems. Priority will be given to activities that bring long-term environmental, economic and social benefits;

(e)   As far as practicable, the involvement of local communities and regional organizations in relation to Natural Heritage Trust programs should be through State agencies and should be simple, readily understood and based on the "one-stop-shop" concept; that is, a single application form incorporating relevant Commonwealth and State programs, a single assessment process, single payments, and a single evaluation process;

(f)   Decision making and delivery frameworks will aim to be flexible, transparent, equitable and accessible. The intention is to have funding and decision making at the most appropriate level consistent with effective, accountable and practicable delivery, while maintaining sound environmental outcomes;

(g)   the parties agree that their cooperation under this Agreement will be focussed on achieving outcomes at the program level, recognising that the Commonwealth may seek additional information at the project level for assessment, monitoring, reporting and evaluation purposes. The parties agree that the level of program documentation will be reviewed after 12 months;

(h)   implementation of this Agreement will occur within the strategic framework of the Intergovernmental Agreement on the Environment, the National Strategy for Ecologically Sustainable Development, the National Strategy for the Conservation of Australia's Biodiversity, the National Greenhouse Response Strategy, the water reform framework of the Council of Australian Governments, the National Water Quality Management Strategy, the National Principles for the Provision of Water for Ecosystems, the National Forest Policy Statement, the Decade of Landcare Plan, the Murray-Darling Basin Initiative or other national or State strategies as agreed by the parties; and

(i)   the Commonwealth recognises that [state] has developed policies and strategies that are relevant to the implementation of the Natural Heritage Trust.

To gauge the extent to which the Partnership Agreements had been successfully implemented, we asked Commonwealth and State officers involved in the administration of the agreements and members of State and Regional assessment panels to rate whether they considered particular items of agreement had been: implemented, partially implemented, not implemented, or not relevant.

The following chart provides an overview of the responses in relation to the implementation of the Partnership principles.
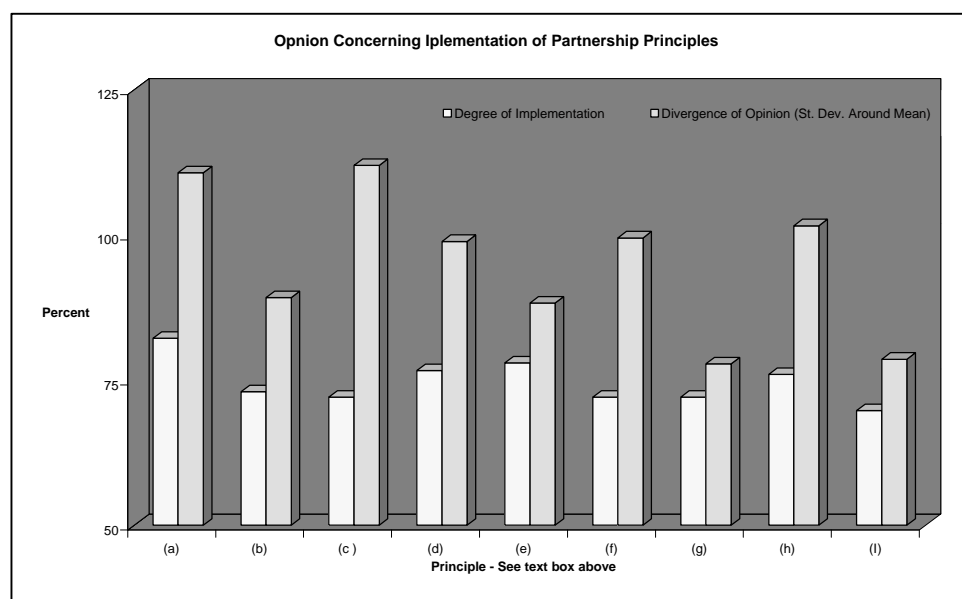
Opnion Concerning Iplementation of Partnership Principles

Basis for interpretation: degree of implementation 100 percent - all respondents regard the principle as fully implemented; degree of implementation 75 percent – respondents on average regard the principle as partially implemented; degree of implementation 50 percent – respondents on average regard the principle as not implemented.   Score between 0 and 49 reflected "not relevant or "no opinion"

The returns indicate that, on average, the level of implementation of the partnership principles was around 75 percent (partially implemented). There was, a high divergence of views, as indicated by the standard deviation around the mean.

There are insufficient responses to give more detailed breakdowns by State and Commonwealth officers and by State Assessment Panel/Regional Assessment Panel members.

3.1.4   The Commonwealth's partnership obligations

The partnership obligations of the Commonwealth are set out in Section 2 of the Partnership Agreement. The points of agreement are as follows.

(a)	Provide leadership in developing strategic national approaches and principles, and ensure that matters of national interest relating to environmental protection, sustainable agriculture and natural resources management are appropriately addressed in consultation with the States;
(b)	Develop and review the broad goals, objectives, priorities, outcomes and performance measures for the Natural Heritage Trust in consultation with the States, enhance cooperation between Commonwealth, State and regional levels, and among States, and ensure the integration of the Natural Heritage Trust with other national strategies and programs;
(c)	Undertake the efficient and effective delivery of the Commonwealth component of Natural Heritage Trust programs and other Commonwealth activities covered by this Agreement;
(d)	Establish priorities, fund programs and approve expenditure for the Natural Heritage Trust;
(e)	Ensure Australia meets international obligations in accordance with the Intergovernmental Agreement on the Environment and the Principles and Procedures for Commonwealth-State Consultation on Treaties, agreed by the Council of Australian Governments in June 1996;
(f)	Give maximum regard to the objectives of the Natural Heritage Trust in the management of Commonwealth lands and waters;

(g) Undertake monitoring, evaluation and reporting on the performance of the Natural Heritage Trust programs and major activities in accordance with Commonwealth law and practice in collaboration with the States, and report to the Natural Heritage Ministerial Board and the Commonwealth Parliament;

(h) Evaluate the extent to which relevant actions or activities of governments and participants is resulting in the achievement of overall Natural Heritage Trust objectives and periodically assess whether Commonwealth policies and priorities remain appropriate and effective;

(i) Agree with the States appropriate mechanisms and timelines for monitoring and evaluation of programs, to be included under the Attachments to this Agreement; and

(j) Implement auditing processes agreed with the States to ensure satisfactory auditing of the effectiveness of monitoring and evaluation measures, to meet program management and legislative requirements.

The survey of opinion undertaken for the review indicated that, on average, the Commonwealth has implemented about two thirds of its obligations. The level of implementation for each principle is indicated below.
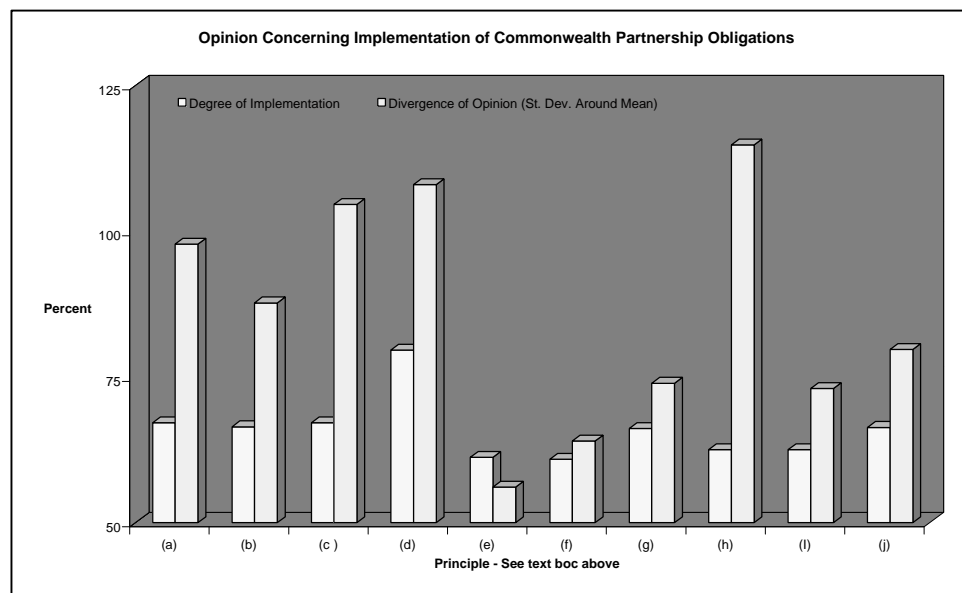
Basis for interpretation: degree of implementation 100 percent - all respondents regard the principle as fully implemented; degree of implementation 75 percent – respondents on average regard the principle as partially implemented; degree of implementation 50 percent – respondents on average regard the principle as not implemented.

It is of interest that in relation to principle (d) concerning the establishment of priorities, funding of programs and approving of expenditure, where there is a comparatively high level of agreement on implementation, there is also a high level of divergence of opinion - indicated by the highest standard deviation. Opinion about whether the Commonwealth has implemented principle (h) is low (about 60 percent) – but the divergence of view is also relatively lower.

In our view the Commonwealth has met the *policy and strategic leadership obligations* contained in the Agreement. This has occurred through the Commonwealth's own actions as well as cooperation and collaboration through existing intergovernmental Ministerial forums such as ARMCANZ and ANZECC and the numerous advisory committees and councils that have been established in the Environment and Agriculture, Fisheries and Forestry Portfolios. However, few of these forums have State Government membership.

There has also been a substantial commitment to policy and program development, reflected in the robust strategic planning documents for a number of the Natural Heritage Trust programs.

There is not, however, a forum where Ministers, policy advisers and senior officers meet on matters specifically concerned with policy and strategic issues related to the Partnership Agreements. Matters are raised in the Agricultural and Environment Ministerial Councils and Standing Committee forums. These two Councils operate independently, however: there is not a Ministerial Council that addresses natural resource management issues from combined perspectives of sustainable agriculture, vegetation and biodiversity.

There is not active Ministerial Council that addresses urban and regional planning issues, for example, the interaction between land use (statutory) planning and catchment planning from a natural resource management perspective. The Local Government Ministers Council and the Planning Ministers Councils are no longer active.

These comments are made in the light of the extensive Ministerial Commitment to the Natural Heritage Trust. Not including the Prime Minister and State Premiers/Chief Ministers, there are 21 Ministerial signatories to the Partnership Agreements and the Coasts and Clean Seas Memoranda of Understanding.

Given the national policy significance of natural resource management issues, the Partnership Agreements provide a basis for regular meetings between Commonwealth and State Ministers to address issues concerned natural resource management, sustainable agriculture and environment protection *on an integrated basis*.

There are areas where implementation of Commonwealth obligations has been slow. During consultation, program managers, state officers and community organizations were critical of Commonwealth performance in relation to the commitment to the following aspects:

- Develop and review the broad gaols, objectives, priorities, outcomes and performance measures, outcomes and performance measures in consultation with the States

- Enhance cooperation between the Commonwealth, State and regional levels

We suggest that the lack of progress in this area arises from a perception by State officers that the Natural Heritage Trust is a "funding" program, with a strong input focus, a concern by the Commonwealth about "cost shifting" and a huge commitment to the assessment of individual projects.

3.1.5   State Partnership obligations

State obligations under the Partnership Agreements are set out in the accompanying box.

(a)   Develop and implement national and State program objectives, priorities and standards and desired outcomes for the Natural Heritage Trust in consultation with the Commonwealth;

(b)   Provide leadership in pursuing strategic approaches to achieve improved environmental protection, sustainable agriculture and natural resources management outcomes, including the development and implementation of integrated regional/catchment strategies with regions or communities

(c)   Coordinate State programs and ensure the efficient and effective delivery of projects funded through the Natural Heritage Trust programs and other activities covered by this Agreement

(d)   Give appropriate regard to the objectives of the Natural Heritage Trust in the management of State owned lands, waters and natural resources

(e)   Collaborate, where appropriate, with other relevant States on Natural Heritage Trust funded programs, projects and activities which affect more than one State or cross State borders;

(f)   Facilitate the involvement of local government and the community in the implementation and resourcing of Natural Heritage Trust programs and activities

(g)   Monitor and evaluate performance of Natural Heritage Trust programs and projects, and report to the Commonwealth on program outcomes;

(h)   Nominate a lead agency, or agencies, for each Natural Heritage Trust program, to be specified in the Attachments

(i)   Monitor and evaluate outputs, outcomes and performance indicators of Natural Heritage Trust programs as outlined in the Attachments in accordance with agreed evaluation methods;

(j)   Undertake evaluation activities upon reasonable request from the Commonwealth; and

(k)   Collect and report data consistent with performance indicators as agreed by the parties.

Implementation of the Natural Heritage Trust strategy has involved a substantial commitment by State agencies.   The survey of opinion indicated that the degree of implementation of these principles was about 70 percent. The distribution of opinion, and the degree of consensus is indicated in the chart below.
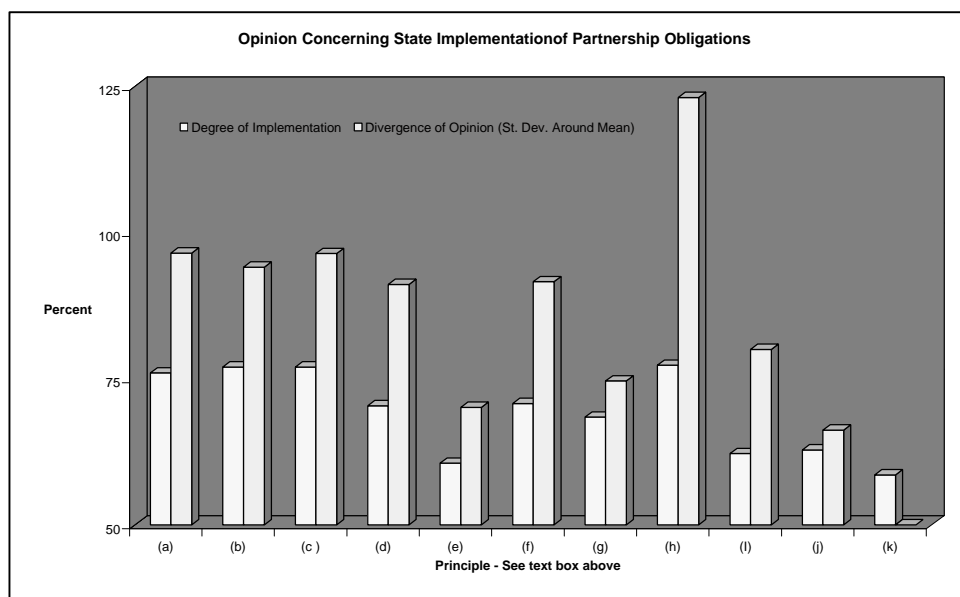
Basis for interpretation: degree of implementation 100 percent - all respondents regard the principle as fully implemented; degree of implementation 75 percent – respondents on average regard the principle as partially implemented; degree of implementation 50 percent – respondents on average regard the principle as not implemented.

The reported opinion is that the States have achieved a high level of implementation in relation to principles (a), (b), (c) and (h) – but a high level of divergence of view. The low level of implementation of principles (i) to (k) reflects the lack of progress in monitoring and evaluation.

Discussions and consultations during the Review indicated that the Natural Heritage Trust has been catalytic in "pursuing strategic approaches to achieve improved environmental protection, sustainable agriculture and natural resources management outcomes, including the development and implementation of integrated regional/catchment strategies with regions or communities" – particularly among the land management agencies.

It is also apparent that there is improved collaboration between natural resource management agencies and agriculture, environment and planning agencies where these are separate. There is, in particular, a growing awareness of the interaction between land use planning and natural resource planning. No State (except the ACT) has amalgamated land/agriculture/environment agencies with planning agencies.

Responsibility for the implementation of the Natural Heritage Trust strategy in States is, in effect, assigned to the State Natural Heritage Trust Coordinating Units. New South Wales has a capability within the Department of Land And Water Conservation that addresses issues concerned with the Natural Heritage Trust at the second and third management levels. In Tasmania, there are statutory arrangements concerned with Natural Heritage Trust implementation.

In other States, Natural Heritage Trust implementation is essentially an administrative process concerned with the implementation of the individual programs that make up the Trust. The focus is very much on funding and finance rather than policy and strategic issues. State Natural Heritage Trust Units in these States tend to be detached from the policy development and review processes.

In most States there is also little interaction between the Natural Heritage Trust Units and the agencies responsible for implementation of programs under the Coasts and Clean Seas Memoranda of Understanding.

3.1.6   Other stakeholders

The Partnership Agreements make specific recognition of the role and contribution of "other stakeholders" in the delivery of Natural Heritage Trust outcomes. The Agreements provide that:

The parties recognise that the community, including indigenous people, local government, and regional and community based organizations, are stakeholders in the outcomes to be achieved through the Natural Heritage Trust. The parties agree to involve, collaborate and work with these stakeholders in:

(a)   The planning, development and implementation of strategies and projects to be delivered at local and regional levels to achieve the Natural Heritage Trust objectives;

(b)   Facilitating regional and community consultation on strategies and projects that extend across local government and catchment boundaries

(c)   Participating on panels established for providing advice on Natural Heritage Trust proposals;

(d)   Ensuring efficient and effective delivery of projects and activities funded through the Natural Heritage Trust; and

(e)   Monitoring and reporting on the performance of Natural Heritage Trust projects delivered through local government and the community.

A number of States have included specific reference to the involvement of local government in the Natural Heritage Trust in Attachment C of the Partnership Agreements. New South Wales has included, for example, a recognition that local government is actively participating in the Natural Heritage Trust through its roles and responsibilities for:

- Natural resource and environmental management, including annual State of the Environment reporting for each Local Government area.

- Planning, development and implementation of regional/catchment strategies through its membership on Regional Organizations, Catchment Management Committees and Trusts, and Regional Environment Protection Community Consultation Forums.

- Advising the State Government on natural resource and environmental management policy in a number of forums, including its membership of the State Catchment Management Coordinating Committee, and the State Environment Protection Community Consultation Forum.

Attachment C to the Queensland Partnership Agreement includes the following recognition:

> The Commonwealth notes that Queensland intends to enter into a Memorandum of Understanding with the local government Association of Queensland that will set out the framework for cooperation between the two spheres of government for the delivery of the Natural Heritage Trust.

The level of implementation of the provisions of the Partnership Agreements relating to other stakeholders, drawn from the opinion survey, is provided below.
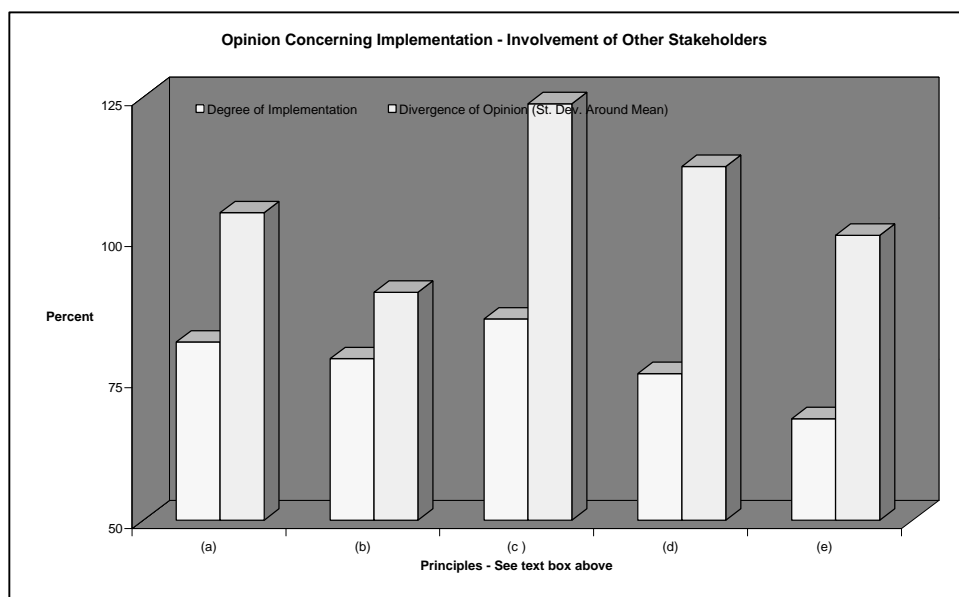
Basis for interpretation: degree of implementation 100 percent - all respondents regard the principle as fully implemented; degree of implementation 75 percent – respondents on average regard the principle as partially implemented; degree of implementation 50 percent – respondents on average regard the principle as not implemented.

Respondents regard the principles as only partially implemented. The lowest level of implementation relates to monitoring and reporting on performance. The highest level of implementation concerns stakeholder participation on Natural Heritage Trust panels.

3.2 The Coast and Clean Seas Memorandum of Understanding

The Coasts and Clean Seas Memoranda of Understanding involve the participation of the Commonwealth, the States and local government, through State based local government associations.

The reasons provided to the Review for separate Memoranda of Understanding included the following:

- The programs covered by the Coasts and Clean Seas initiative did not have the same rural focus as the programs covered by the Partnership Agreements

- The Memoranda of Understanding included local government when prior to the negotiation of the Partnership Agreements – and State governments were unwilling to include local government in the Partnership Agreements

- The Coasts and Clean Seas programs have different time frames for submission and processing of applications

- The arrangements for the Partnership Agreements and One-Stop Shop processes are too complex

Some of these criticisms have some validity. However, as we shall argue in Chapter 5, the existence of separate arrangements creates duplication and additional administrative effort at the delivery level and mitigates against the prospect of developing larger, more strategically focused on ground projects. With improvement in the One-Stop Shop application process, the arguments for separate arrangements should diminish.

The participants in the Memoranda of Understanding have agreed that implementation of *Coasts and Clean Seas* should be guided by the following considerations.

(i)	The participants recognise that coastal management is a cross sectoral activity, requiring integration.
(ii)	The participants recognise the value of a joint approach between the three spheres of government, and the community, in the implementation and further development of *Coasts and Clean Seas*.
(iii)	The participants acknowledge the role of State and Local Governments in land use planning and decision-making and of the Commonwealth in relation to the national interest.
(iv)	The participants agree that Commonwealth funding provided under *Coasts and Clean Seas* is to supplement and not to be a substitute for existing funding for coastal management.

The specific responsibilities of local government under the Memoranda of Understanding includes promotion among its member organizations the following:

| (i) | The adoption of the philosophy and intent of this MOU of Understanding |
| (ii) | The adoption of coastal management policies and practices that are consistent with the goal, the objectives and the principles set out in Schedule 1 of this MOU |

(iii)   The establishment of mechanisms for consultation with coastal interest groups.

The Memoranda identify both State Agencies and local government associations as lead agencies for implementing Coasts and Clean Seas programs

The Memoranda of Understanding, provide however, that a *State* will nominate an agency or Ministry to take primary responsibility of matters covered in the Schedule and ensuring that:

- Projects are undertaken as approved by Ministers and consistent with the terms of the Memoranda of Understanding

- Recipients of *Coasts and Clean Seas* payments are able to manage and monitor expenditure in accordance with state/territory financial accounting requirements and in conformity with sound financial practices;

- Where appropriate, recipients of *Coasts and Clean Seas* payments provide the outcomes of projects to the Commonwealth in a suitable electronic format as specified in the relevant project contract.

It is also the responsibility of the State government to convene and provide facilities and secretariat support for Assessment Panels.

Thus, while local government is a participant in the Memoranda of Understanding, it is clear that State governments retain overall control over the arrangements. The Memoranda could not be construed to define local government as a "partner". Nonetheless, the involvement of local government in this way recognises the important role of local government in the delivery of Natural Heritage Trust outcomes and could provide the basis for a more specific role in the Partnership Agreements.

3.3   Involvement of Community organizations

3.3.1   Scope and coverage

There are a large number of community-based organizations involved with the delivery of Natural Heritage Trust programs. Some of these are directly State or local government supported, others rely largely on voluntary effort

Government supported organizations include:

- Soil conservation boards

- Catchment management councils/groups/boards

- Shire councils

- Greening Australia

Voluntary groups include:

- Landcare/Bushcare groups

- Local Farmer/graziers groups

- Local Miner's Associations

- Aboriginal Land Councils

The importance of community-based organizations varies across programs. It is critical to most of the "care" programs (Landcare, Bushcare, Rivercare, Coastcare) that constitute the core of Natural Heritage Trust activities. It is less important for some of the science based programs (eg Wetlands) and the larger infrastructure investment programs (eg Coasts and Clean Seas).

The principal community based groups are those associated with the Landcare movement. These groups tend to be relatively informal in their structure and flexible in their mode of operation. Feedback suggests that their effectiveness and contribution to community and natural resource management objectives is partly a factor of their networks.

Cross membership with other community groups and in some instances local government organizations plus knowledge of, and links to, other state and federal government programs has enabled some of these groups to bring considerable influence and resources to Natural Heritage Trust projects.

The strengths of these groups can also be a source of weakness. Informality and flexibility work well provided they are supported by individual drive and commitment. However on several occasions attention was drawn to the risk that in smaller communities enthusiastic individuals can become "volunteered out"

Natural Heritage Trust Program facilitators can have a profound effect on the ability of community-based organizations to implement and support Natural Heritage Trust projects. Facilitator support for project identification and proposal development was usually seen as critical to Natural Heritage Trust success. The role of facilitators is addressed more fully in Chapter 7.

3.3.2   The Landcare network

Landcare began as an experiment in using community involvement to improve the delivery and adoption of soil conservation practice in north-western Victoria. From 1985 to 1992 funding was provided through the Commonwealth's National Soil Conservation Program. From the earliest stages the emphasis was on the use of self-managing community groups.

Joan Kirner, a former premier of Victoria, has described the origins of Landcare in the following terms:

> In 1985 my first visit as Minister for Conservation, Forests and Lands to towns along the Murray River changed my understanding, fast. . . .
>
> Then we talked over a cuppa with the farming community, wives and husbands, about the vast problems. I didn't know much about soil conservation and land protections, but I knew enough to be clear that solving one area's salinity problem by putting salt into the river and thereby worsening the next town's problem was no solution. I also knew, from my parent club days and visits to country areas, that was the faming women and men who were the real stewards of the land, and if we didn't involve them in decisions about improving the land, nothing would work. So I noted some farmers who might be ready for a new approach and for projects that matched my ideas. In early 1986, I asked the Department of Conservation, Forests and lands to develop a new system of land protection, with the proviso that it:
> - Be community based, not focused on individuals
> - Be integrated in its approach to land protection issues, from weeds to wild dogs
> - Be involved, whole farm, whole catchment ,land protection
> - Actively involve farmers and the wider community in describing the problem and owning the outcome

- ■   Adopt sustainable agriculture as its long term aim
- ■   Use professionals as advisers, not the decision makers on community decisions.

The success of Landcare also arose from a Partnership between the Minister and Heather Mitchell, President of the Victorian farmers Federation. On the national scene, Phillip Toyne from the Australian Conservation Foundation and Rick Farley of the National Farmers Federation took up the initiative and convinced the Commonwealth Minister, Peter Cook, that land degradation was Australia's biggest environmental problem and needed a Commonwealth commitment – and money. The Decade of Landcare, supported by a $340m commitment, was announced in July 1989.[36]

These observations reflect the strong social and community development focus of Landcare.

The decade of Landcare objective had been to move away from the traditional "extension" based approach to Natural Resource Management and to replace it with a more self-sustaining strategy based on community direction and ownership. In this way it is hoped to bring about a long-term shift in attitudes towards environmental management. The number of community based Landcare groups increased from 200 in 1990 to 4200 in 1998. It is estimated that about 34 percent of broad acre farms now have a representative in a Landcare group. [37]

The Landcare approach has been accompanied by a relative reduction in the resources available for technology-based agricultural extensions services - offset to a degree by an increase in the quantum of funds available for the Rural Research and Development Corporations. Funding is shared between the rural industries (through levy arrangements) and government.

As it developed, the Landcare movement has provided an important framework for the delivery of natural resource management programs, particularly those concerning sustainable land use and involving landowners. From the perspective of many community groups accessing Natural Heritage Trust funding for natural resource management projects, the Natural Heritage Trust *is* Landcare.

Landcare now has a very high profile throughout the rural community. Landcare Australia Limited undertakes responsibility for creating awareness of Landcare as a movement. The caring hands logo, which is the basis for the Landcare, Bushcare and Coastcare logos is recognised by about two thirds of Australians

Support for social networks is an important role for the Landcare movement. Discussions with Landcare facilitators and coordinators pointed to the importance of the "social capital" created through these networks in supporting the investment in natural capital – which is the purpose of the Natural Heritage Trust.

It must be remembered, however, that the Landcare movement is much broader than the *National Landcare Program.* The program is directed towards supporting *capital investment projects* (on ground works concerned with conservation, repair and replenishment) as well as ensuring that local capacity and capability is strengthened and maintained. Only about one third of Landcare Groups receive National Landcare Program funding.

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[36] Joan Kirner and Moira Rayner, *The Women's Power Handbook,* Viking: Melbourne, 1997, pp 49-51.

[37] This section draws on RJ Walkers *Compilation of Evaluations of the National Landcare Program 1992-1998.*

There is an emerging discomfort in some quarters that Landcare is not an appropriate vehicle for delivery of some aspects of the Natural Heritage Trust strategy - particularly in relation to biodiversity and remnant vegetation. Landcare, by definition has a focus on community activity that is often small scale and usually conducted on a part time or non-specialised basis. Notwithstanding the importance of community action and involvement, many of the problems identified for Natural Heritage Trust action are vast and so require technical solutions and investment of significant capital.

As a result of these concerns, separate delivery networks are being created within other Natural Heritage Trust programs. Bushcare and Coastcare, for example, now fund their own facilitator and coordinator networks. At the delivery end, however, there is a "re-integration" with facilitators and coordinator staff working collaboratively and cooperatively – often through a Landcare organization. For example, in Tasmania, the Tasmanian Landcare Association represents and supports approximately 250 Landcare, Bushcare, Rivercare, Waterwatch, Coastcare and "Friends of" groups in Tasmania. The issue of facilitator and coordinator arrangements is addressed again in Chapter 9.

It is important to recognised that Landcare has succeeding by developing as a community support network at a time when government funded support services have been withdrawn from rural areas (eg local hospitals, schools, etc). In New South Wales Landcare has developed as a social network – the primary producer groups usually from around a town – the district social centre.[38] Landcare has also been *catalytic* in developing the on-ground network for natural resource management and sustainable agriculture.

Recommendation

6.   **The contribution of Landcare to the creation of the *social capital* that supports investment in natural capital not be overlooked in assessing the contribution of the Landcare Program to achieving the purposes of the Natural Heritage Trust**

Where Landcare is delivered through State Government Departmental regional Offices, there is a concern that Landcare funded personnel are undertaking functions previously performed by state government staff. This issue would be of concern where Landcare personnel were providing technical advice and assistance to individual land-owners. There is potential for some confusion in this area where state funded Landcare personnel work alongside NLP funded facilitators and coordinators.

3.3.3   Greening Australia

Greening Australia provides a vegetation management and remediation service to Government and the private sector. The organization is represented on the NSW and Queensland State Assessment Panels and several NSW Regional Assessment Panels. Greening Australia provides about two thirds of the Bushcare facilitators and project officers under the Bushcare Support Contract with the Natural Heritage Trust.

Under the contract with Bushcare, Greening Australia is required to:

▪   Assist groups assess their priorities, plan their projects and apply for Bushcare funding, with emphasis on protection of remnant vegetation and biodiversity

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[38] Ibid. The social orientation of Landcare makes it difficult to fit well into the CMC boundaries

- Provide technical advice, assistance with works and project focussed education and training

- Undertake a range of awareness raising activities to ensure community understanding and support for Bushcare, the Natural Heritage Trust and sustainable management of vegetation

- Assist community groups to monitor, evaluate and report on their projects, using feedback from the process to improve performance and promote Bushcare.

Greening Australia has a mission to link industry, science and landholders to promote and assist research and technological developments in areas such as seeding technologies. It encourages small and large companies to invest in community environmental projects. In working with the Natural Heritage Trust, Greening Australia personnel have to address Natural Heritage Trust program performance criteria as well as Greening Australia criteria.

3.3.4   Smaller groups

Although the Landcare movement receives a very high proportion of Natural Heritage Trust investment funding, there is also a large number of small specific interest community groups that are eligible for Natural Heritage Trust funding. Many have been established with the specific purpose of submitting an investment proposal.

Smaller proposals are important in terms of engendering community support and involvement. There may be a case for a simplified process for proposals below a certain size in order to reduce the frustration expressed by many of those involved. For project proposals under $10,000 the One-Stop-Shop application and reporting requirements are such that it is sometimes hard to justify proceeding.

The use of devolved grants whereby projects are bundled at the regional or state level and then funded as a package is one way to address the issue of administrative burden, however this requires an acceptance by program managers and ultimately by Ministers that bundled proposals will not be unpacked and that reporting can be on the basis of one agreed set of outcome indicators.

3.4 Local Government involvement

Local government, often regarded as the "natural land managers" have traditionally had a development focus. In the initial negotiations for the Partnership Agreements the Commonwealth was keen to have local government involvement, but there was strong State resistance in a number of States.

Local Government Associations are signatories to the Coast and Clean Seas Memoranda of Understanding. In Queensland the State and Local Government Association of Queensland have signed an "Agreement of Principles" to promote a partnership between the State, Local Government and the community in the Natural Heritage Trust.

Local government is often criticized for a development control/statutory planning/compliance approach. But planning instruments can complement catchment management approaches – and ensure they are not in conflict – eg tree clearing.

Local government is a key stakeholder in native vegetation management. Their role includes management of substantial council-owned lands, control of planning regulations, and potential for implementing a range of mechanisms (including incentive schemes) to encourage landholders to improve the management of their native vegetation.

The type of incentives that local government can use to encourage better native vegetation management is the topic of a CSIRO project being supported by Bushcare and the Land & Water Resources Research and Development Corporation. This has included a number of very useful publications: *Beyond Roads, Rates And Rubbish: Opportunities For Local Government To Conserve Native Vegetation* and *Opportunity Denied: Review Of Legislative Ability Of Local Governments To Conserve Native Vegetation.*

The Australian Local Government Association in conjunction with the Biological Diversity Advisory Council, a *National Local Government Biological Diversity Strategy.* The Department of Environment and Heritage is also supporting a project on environmental accounting which involves local government and will assist in planning, decision making and resource allocation on environmental issues at the local and regional level.

The Bushcare Program funds local government Environment Resource Officers in each of the State local government associations.

An independent consultancy has been let to provide a National Local Government Facilitator for Bushcare. The role of the Facilitator is to inform local government about Bushcare and to encourage and assist them to participate in native vegetation conservation.

In New South Wales it is recognised that local government plays a major role in natural resource and environmental management through:

- The land use decisions implicit in Local Environment Plans prepared under Environmental Planning and Assessment Act

- Representation on a range of community/government committees including CMCs, river, water and groundwater management committees, estuary, floodplain and coastal management committees and regional vegetation committees

- ▪ The provision of water supplies and sewerage treatment in areas outside the metropolitan areas and garbage disposal, management of parks and reserves and other environmental services.

In New South Wales the linkages between natural resource management planning and statutory land use planning are being strengthened so local councils will become significant decision makers on natural resource and environmental issues[39]. Similar considerations apply in Queensland, Victoria and Tasmania

The National and State Local Government Associations are strongly supportive of a greater role in natural resource management. The Australian Local Government Association supported the publication and dissemination of *Regional Environmental Strategies – How To Prepare And Implement Them: A Guide For Local Government, Regional Organizations, Catchment And Landcare Groups.* This publication has been distributed extensively throughout Australia.

Interestingly, pressure for greater local government involvement in natural resource management is coming from State planning agencies, not Local Government Departments. However, State Planning agencies are not involved in Partnership Agreements, although they have an involvement in the Coasts and Clean Seas Memoranda of Understanding.

The involvement of local government in the Natural Heritage Trust presents somewhat of a paradox. In one respect local government is regarded as a community organization, capable of marshalling community support, whilst in another it is seen as a government agency that has "core businesses" that should be funded from rate and general purpose grant revenue. The Australian Local Government Association commented in a submission to the Review that:

> Local Government has an essential role in providing for the effective delivery of the Natural Heritage Trust program through partnering and assisting community groups to define and undertake projects. It is important that projects considered by any assessment panel should state that a Council has been invited to participate in the development of a project and that support has been obtained prior to an application being submitted for assessment. Local government is ultimately responsible for defining and planning regional priorities and strategies and, as such, all applications must accord with local government strategic plans, objectives and programs. If they do not, then the implementation of any project may ultimately fail.

> Whilst recognising the need to maintain existing effort, and avoid simple cost shifting for program implementation, regrettably the Natural Heritage Trust administrative arrangements for the first round did not recognise the importance of capitalising on existing work and strategies developed by local government. Indeed, it has been pointed out to the Australian Local Government Association that quite a few local government applications during the first round of Natural Heritage Trust funding were rejected as it was considered they were "core business activities" and should not be considered as part of the Natural Heritage Trust process.

Local government has an opportunity to take a role as an important partner in Natural Heritage Trust planning and delivery arrangements. However, councils must be prepared to make a contribution from their own resources – and to see their involvement as being in their long-term interest. This contribution will involve developing their own capacity and capability in natural resource management environmental protection and sustainable agriculture. We have

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[39] CMCC

recommended elsewhere that the Natural Heritage Trust provide support in this area.

3.5 Industry involvement

3.5.1 Issues

There seems to be general agreement that although the scale of the expenditure by Natural Heritage Trust is a most welcome development, the costs of the rapidly declining functional health of most of Australia's ecosystems justify expenditure several times the Natural Heritage Trust budget.

There is no commitment to additional funding for the Natural Heritage Trust. A number of stakeholders indicated that for funding to continue participants need to indicate to the Commonwealth that it's interest and commitment is welcome and appreciated.

The Natural Heritage Trust goal acknowledges a catalytic role in that it seeks " to stimulate activities in the national interest to achieve the conservation, sustainable use and repair of Australia's natural environment." The objectives then go on to say that the Natural Heritage Trust seeks to provide a framework that will stimulate additional investment in the natural environment, and provide a framework for cooperative partnerships between communities, industry and all levels of government.

The current process seems to be failing these objectives in relation to industry contribution. More effective involvement of industry in the Natural Heritage Trust is vital.

3.5.2 Stimulating business interest

Partial progress towards involving the private sector has been the key advance of the Natural Heritage Trust when one considers the huge commitment by private individuals on Landcare and other 'care' projects. However, in terms of a more conventional investment of dollars from other private sources, the results have been poor.

Guidelines and policies largely preclude the private sector and corporations from getting involved.

The Natural Heritage Trust has a major problem dealing with private benefit from the expenditure of its funds. (see Chapter 4.7) Any project that is likely to lead to overt private cash flow is instantly ruled out. Private wildlife sanctuaries are not supported, and fishers, be they recreational or commercial, are treated similarly.

Tourism is also not supported, notwithstanding that it is one the fastest growing sectors in the economy and nature-based tourism is its strongest component. Given that the most natural environments are in private ownership, attainment of Natural Heritage Trust goals requires that value to these industries must be factored in to the mutual benefit of all. For example healthy waterways are vital to recreational fishers and biodiversity conservation is very significant to a range of commercial activities, including tourism. It is important that these industries collaborate in the Natural Heritage Trust

The Natural Heritage Trust seems to be more comfortable with economic issues in regard to capital investment. Indeed the Natural Heritage Trust goal is investment in natural capital. Today more trees on farms, cleaner water and

greater biodiversity increase the value of a farm. So in some areas, landholders are gaining in asset value from the activities of Rivercare/ Landcare Groups[40].

In regard to the cooperative partnerships that the Natural Heritage Trust seeks, agreements are in place with state governments (but with substantial scope for improvement); they rarely exist with local government and are non-existent with industry. This not surprising; Natural Heritage Trust applications can only be made by government agencies and community organizations.

3.5.3 Leveraging private investment

To date, the Natural Heritage Trust would appear to have manifestly failed in both providing a framework to stimulate additional investment and building partnerships with industry. The next phase of the Natural Heritage Trust should focus on connections with the private sector. Only through them and via a range of economic and market based mechanisms will the effective budget grow to provide the resource allocation necessary to begin to address the scale of the problem.

Market led mechanisms are vital to encouraging and/or coercing industry to strive for the goals of the Natural Heritage Trust. Increasingly there are marketing advantages to producers who sell products made using environmentally benign processes. Products can be either from the natural environment processes - yielding food, fibre and tourism products, or from more conventional agricultural pursuits that have been accredited and meet market demands.

3.5.4 Towards effective collaboration

Greater involvement by industry and private sector is likely to be the only mechanism for marshalling the resources that are necessary to deal with Australia's conservation and resource management problems. As the Natural Heritage Trust documentation acknowledges, the Trust's role should be to 'stimulate activity' and by inference not to try to do it all itself. For this to happen there must be market-led mechanisms and acknowledgement of the evolving significance of accredited environmental management systems and accredited nature-based tourism."

Recommendation

7.   **In the development of the Strategic Plan for the Natural Heritage Trust explicit recognition be given to the role of the private sector in marshalling resources to deal with Australia's conservation and resource management problems**

We point out that in the United States the President's Council for Sustainable Development included among its members a very strong representation from American business.

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[40] Increase in farm values has implications for taxable capacity through the property rating system.

3.6 Access by different sectors of the community

The processes and procedures for involving the community are difficult. They cannot be imposed. The Landcare model is internationally acknowledged as a successful framework, but it does not have universal coverage.

3.6.1 General issues

Communications and awareness campaigns for the Natural Heritage Trust program as well as individual delivery programs has made more people aware of the Trust. But there are gaps in understanding about its purpose and what it is intended to achieve. The Hawkesbury-Nepean Catchment Management Trust commented in its submission to the Review that:

> Although the Natural Heritage Trust is available to all sectors of the Australian community, it has tended to predominantly target the better informed/educated sectors of the community. These sectors generally have more time to spend on environmental issues and can allocate time to community type projects. The application form and guidelines are so complex that the less informed and educated social groups find it difficult to understand and to see the relevance and benefit to them.

> There is also a predominance of rural based funding programs that limit their focus to rural areas only. Although the natural resource issues may differ in urban areas, their environmental, economic and social impact may be just as great[41].

These comments point to the requirement for "bottom up" community action and initiative to be informed and balanced by "top down" policy and strategic initiatives that identify where need is greatest and resources will be used most effectively. We will address the role of regional planning mechanisms and the contribution of Natural Heritage Trust facilitators/coordinators in this regard in Chapters 6 and 7.

There is a concern that people and organizations may not have access to Natural Heritage Trust programs due to low literacy levels. A Report prepared by the New South Wales State Landcare Coordinator commented that the level of adult literacy in rural areas "is not something that is discussed openly". The Report notes that

> The Landcare movement is very effective at communicating to wide numbers of people with few resources; however, to do this they have to use lots of printed material. Funding is totally reliant on the written word. There have been many complaints that too much reading material is distributed and landcarers don't have time to read it. I can't help but wonder how many people we exclude from the movement because of low literacy levels.[42]

The impact of Landcare in remote and isolated areas is less due to access and communication difficulties. Moreover, tree conservation is also less of an issue, particularly in grasslands areas.

Natural Heritage Trust support is not available for the issue of prime concern to remote area farmers – pest and weed control. There is an issue in this regard concerning sustainability of improvement and the balance between public and private benefit.

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[41] Hawkesbury-Nepean Catchment Management Trust, Submission to the Review

[42] Kate Wright, New South Wales State Landcare Coordinator, *Developing Communications Networks for Landcare*, Sydney, 1999.

3.6.2   Access by the indigenous population

The extent of indigenous involvement in the Natural Heritage Trust has also been a matter of concern. The overall level of investment allocated to indigenous projects is detailed below.

Table 5: Natural Heritage Trust Funding for the Indigenous Population

Program	Aboriginal Organization Projects (%)	Grand Total ($''000)	Proportion of Projects for Aboriginal Organizations (%)
Bushcare	1,202	84,869	1.4
Endangered Species Program		17,218	0
Farm Forestry Program		12,371	0
Fisheries Action Program	97	4,308	2.2
Joint Project (EA/AFFA)	2,911	35,265	8.3
Murray-Darling 2001		98,068	0
National Weeds Program (EA)		2,054	0
National Feral Animals Strategy (AFFA)		903	0
National Feral Animals Strategy (EA)		3,974	0
National Landcare Program	2,964	205,793	1.4
National Reserve Systems Program		24,080	0
National Rivercare Program		32,730	0
National Weeds Program (AFFA)		2,155	0
National Wetlands Program	51	6,787	0.7
Waterwatch Australia	71	6,798	1.0
Grand Total	7,295	537,374	1.4

The data indicate that Aboriginal Organizations received approvals for1.4 percent of funding and 2.5 percent of projects over the period 1996-2000. On the face of it, this would appear to be very low.

To stimulate involvement, a network of 12 Indigenous Land Management Facilitators has been established to facilitate access by Indigenous communities to the Trust programs, to integrate with other stakeholders and to assist in the development of sustainable management practices on land owned and managed by Indigenous people.

These Facilitators are jointly funded by Bushcare and the National Landcare Program, and managed by Environment Australia. They are based in a mix of organizations including Aboriginal Land Councils and State or Territory agencies. Provision for expenditure on this initiative is included in the above table.

Environment Australia and Agriculture, Fisheries and Forestry Australia intend that the investment in the Indigenous Land Management Facilitator Network will, in the longer-term, yield social, environmental and economic improvements for Indigenous communities. In the short-term, the Indigenous Land Management Facilitator Network is expected to result in the following outcomes:

▪   Well informed and well considered natural resource management decisions by indigenous land managers leading to ecologically sustainable development of that portion of Australia under indigenous management.

▪   Equitable and effective indigenous involvement in, and access to, Natural Heritage Trust programs.

- Direct, accurate feedback to Commonwealth Government policy makers providing a better understanding of natural resource management and environmental protection issues concerning indigenous land managers.

- Indigenous participation in the management of lands other than Indigenous owned land where such involvement has the support of the landholder. For example, undertaking activities on government reserves and national parks that contain sites of importance to Indigenous people.

Funding of $4m over four years has been approved for this project - half to come from the National Landcare Program and half from Bushcare. On this basis, the project will give equal attention to achieving sustainable agriculture and protecting our unique biodiversity.

3.6.3   Other groups

Other groups and sectors with limited or difficult access to the Natural Heritage Trust include:

- Tourist industry.

The links to the tourist industry are poor. However, wildlife, the natural environment and attractive landscapes are the foundation of much of tourist industry.

- Fisheries

There is limited involvement of fisheries industry groups in Coastcare groups.

- Recreational boating

We understand that Coastcare has limited impact in the area of recreational boating. Outside established sailing and powerboat clubs, this is a difficult area target.[43]

- Metropolitan groups

We were advised that metropolitan natural resource management groups find it difficult to attract Natural Heritage Trust investment.

3.7   Conclusion: maintaining the partnership arrangements

The Natural Heritage Trust delivery approach that has been adopted is generally applications driven, rather than a "top down" strategic approach that characterises the rural research and development corporation framework. We note that in the Rural Research and Development Corporation strategies are developed in close consultation with industries and sectors. Marketing and communication strategies are incorporated early; as is technical and scientific input.

The Partnership Agreements have been an important innovation in intergovernmental cooperation and collaboration in Australia. The current agreements, which build on the earlier National Landcare Program Agreements,

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[43] Comment based on an assignment undertaken for New South Wales Waterways Authority.

need constant maintenance. The Agreements came together through informal networks of collaboration between officers at the Commonwealth and State levels. At a time of rapid change in public administration it is vitally important that social networks be continually strengthened.

Just as the success of Landcare relies on social interaction, the strengthening of the institutionalisation of the Partnerships Agreements will require open and frank communication and the development of personal relationships at the policy as well as the delivery level.

Implementation of the Natural Heritage Trust has involved the recruitment and appointment of many new staff. There has also been a high level of staff turnover, particularly in Environment Australia. This creates problems in that relationships that take time to develop evaporate as people move on and a new person arrives in the job, often with little knowledge or experience of what has gone before.

We have found that many (but by no means all) of the problems identified with the operation of the Partnership Agreements can be traced to problems in communication. These problems relate to difficulties of working in a very complex management, organization and delivery framework. Natural resource management involves a multitude of organizations and people with different professional backgrounds and expectations relating to policy development, program planning and project delivery.

Communication has both an internal and external focus.

- The internal dimensions relate to:

    - Letting people know, clearly and precisely, what the aims and ambitions of the Natural Heritage Trust strategy, rather than leaving it open to interpretation and adjustment to suit specific situations and circumstances (targeting is, of course to be encouraged – but in a way that is consistent with the overall strategy)

    - Letting people know how they fit into the overall picture and what the expectations are in relation to service and delivery

    - Ensuring ongoing and continued commitment

- External dimensions are concerned with

    - Letting taxpayers know what is happing with the transfer of their investment in Telstra to investment in "natural capital"

    - Letting people know that the Natural Heritage Trust is concerned with *investment* and that funds are provided to support proposals that are justified on economic, national benefits as well as environmental and social considerations

    - Letting people know why natural resource management, sustainable agriculture and environmental protection issues are critically important for Australia's future

    - To obtain leverage by catalytic investment from landowners, and industry.

Issues concerning the operation of the Partnership and the Coasts and Clean Seas Memoranda of Understanding are addressed in the context of Natural

Heritage Trust delivery in the remaining chapters of the Report. Communication matters are addressed separately in Chapter 8.

Chapter 4: The Natural Heritage Trust investment strategy

The purpose of this Chapter is to provide information on the way in which the Natural Heritage Trust funds are invested. It focuses specifically on the requirement in the Terms of Reference to "evaluate the administration of the Trust".

As indicated, the main purpose of the *Natural Heritage Trust of Australia Act* is to repair and replenish Australia' Australia's natural capital infrastructure by investment in natural capital. It was intended that this be undertaken through five strategically developed environmental packages. The investment is actually made through 21 largely independent programs.

The Chapter describes the current investment strategy, comments on the Strategic Plans of the 21 programs and makes recommendations for a more strategic approach to future investment.

4.1 The allocation of Natural Heritage Trust funds to programs

The Natural Heritage Trust was instituted as an "Investment in the Future". The level of funding available was pre-determined, and divided equally, on agreement between the two Ministers, between their respective portfolios. The then Minister for Primary Industries and Energy commented in his second reading speech that:

> The Howard Government has allocated resources to the Natural Heritage Trust for immediate action, to coordinate work on the ground now and to invest in projects that form part of a total approach to improving the health of the environment.

The allocation of funding between the Agriculture, Fisheries and Forestry and Environment Portfolios was agreed as a direct 50:50 split. Details of the allocation of funds to programs, reflecting expenditure to date and estimates for the next three years are provided in the following table.

Table 6: Natural Heritage Trust Expenditure Estimates Approved by the Natural Heritage Board, July 1999.

	1996-97 $m Actual	1997-98 $m Actual	1998-99 $m Actual	1999-00 $m Estimate	2000-01 $m Estimate	2001-02 $m	TOTAL $m Estimate***
Environment Australia							
Bushcare	3.7	22.2	50.5	99.2	87.1	83.8	346.5
National Land & Water Resources Audit	1.3	0.0	0.4	0.0	0.0	0.0	1.8
Coasts and Clean Seas	0.0	8.6	20.2	36.3	27.2	24.4	116.8
Oceans Policy **	0.0	0.0	0.0	4.1	7.4	8.5	20.0
World Heritage	4.7	10.7	10.0	9.4	8.9	8.9	52.5
Air Pollution in Major Cities	1.3	1.5	2.4	5.2	4.1	4.1	18.5
Waste Management Awareness Program	0.2	0.6	0.7	2.0	1.3	1.1	6.0
National Reserve System	0.4	2.9	12.8	29.0	20.0	20.0	85.0
Endangered Species Program	2.0	2.1	6.9	5.1	5.5	5.5	27.0
National Feral Animal Control Program*	2.1	1.3	0.9	3.6	1.5	1.5	11.0
National Weeds Program	1.3	0.8	1.2	3.6	1.8	1.8	10.4

	1996-97 $m Actual	1997-98 $m Actual	1998-99 $m Actual	1999-00 $m Estimate	2000-01 $m Estimate	2001-02 $m Estimate***	TOTAL $m
National Wetlands Program	0.5	1.6	2.4	4.9	3.8	3.8	17.1
Waterwatch	0.2	2.2	2.5	2.9	2.6	2.6	13.0
National River Health Program	0.1	1.6	1.7	6.2	4.5	1.8	15.8
Riverworks Tasmania	1.8	2.6	0.3	4.2	0.0	0.0	8.8
Included in above							
Departmental expenses	3.5	6.2	8.4	10.1	8.9	9.2	46.3
Indicative ASL	[41.0]	[74.3]	[93.1]	[103.6]	[97.1]	[99.5]	
Total	19.6	58.4	112.9	215.7	175.8	167.8	750.2
Agriculture, Fisheries and Forestry Australia							
National Landcare Program	10.2	30.1	49.1	61.3	49.5	46.9	247.1
Landcare Tax Credits	0.0	0.0	0.0	23.0	25.0	32.0	80.0
Farmbis - Advanced PMP	0.4	0.3	2.6	6.7	4.9	0.0	15.0
National Rivercare Program	0.0	5.7	14.9	24.8	23.5	14.9	83.8
Farm Forestry Program	0.0	2.8	6.5	15.1	15.6	9.2	49.2
National Land & Water Resources Audit	0.0	2.4	11.3	11.0	10.5	5.0	40.2
Murray Darling Basin 2001	3.8	27.5	35.0	48.6	48.2	32.6	195.6
National Feral Animal Control Program*	1.5	1.8	0.7	1.3	1.5	1.2	7.9
National Weeds Program	0.8	0.6	0.5	9.1	4.1	3.0	18.1
Fisheries Action Program	0.0	1.9	1.5	3.6	2.6	2.1	11.8
Included in above							
Departmental expenses	1.4	3.8	5.3	5.8	5.8	5.8	27.5
Indicative ASL	[15.2]	[41.75]	[55.75]	[60.75]	[60.75]	[60.75]	
Total	16.7	73.0	122.0	204.6	185.5	146.9	748.7
TOTAL OUTLAYS BY YEAR	36.3	131.4	234.9	420.3	361.3	314.7	1,499.0

* $750,000 for monitoring and surveillance of the release of the Rabbit Calicivirus Disease has been transferred from AFFA to EA.

** Oceans Policy election commitment of $50m included $30m to come from CRF funds.

*** The estimates for 2001-02 include $250m from the proceeds of the sale of the second tranche sale of Telstra.

It can be seen that both portfolios had similar levels of initial commitment to programs at the commencement of the Trust. Many of these were pre-existing (precursor) programs. However, Environment Australia was able to allocate Natural Heritage Trust investment funds to 13 programs and sub-programs in 1996-97, while Agriculture, Fisheries and Forestry Australia allocated funds to five. The major commitment in Agriculture, Fisheries and Forestry Australia was to the National Landcare Program.

- Allocation to "on ground" activity

A primary objective of the Natural Heritage Trust has been to support "on ground activity". The extent of support for on ground activity is indicated by the proportion of funds that are allocated to the States – most of which pass through the One-Stop-Shop process. Data provided by Environment Australia which will be published in the next issue of the Budget paper *Payments to for the States, The Territories and local government* are summarised below.

Table 7: Natural Heritage Trust Estimated Payments For On-Ground Activity

Program	Total 1996-97 to 1998-99		
	Payment to States $m	Total Natural Heritage Trust $m	Proportion States %
Air Pollution in Major Cities	0.0	5.2	0.0
Bushcare	69.1	76.4	90.5
Coasts and Clean Seas	26.8	28.8	92.9
Endangered Species	7.2	11.0	65.2
Farm Bi$	2.3	3.3	71.1

Program	Total 1996-97 to 1998-99		
	Payment to States	Total Natural Heritage Trust	Proportion States
	$m	$m	%
Farm Forestry	7.3	9.3	78.8
Feral Animals Control - AFFA	1.9	4.0	48.3
Feral Animals Control - EA	0.0	4.3	0.0
Fisheries Action	2.1	3.4	63.0
Land & Water Resources Audit	0.5	15.4	3.1
Landcare Program	76.7	89.4	85.8
Murray Darling 2001	59.6	66.3	89.9
Reserve System	18.2	16.1	113.2
River Health	1.3	3.4	39.2
Rivercare Program	18.1	20.6	87.8
Riverworks Tasmania	4.7	4.7	100.0
Waste Management Awareness	0.2	1.5	14.0
Waterwatch	4.2	4.9	85.8
Weeds - AFFA	0.2	1.9	8.8
Weeds - EA	2.5	3.3	74.2
Wetlands	3.2	4.5	70.6
World Heritage Management	15.9	25.4	62.8
	322.1	403.1	79.9

The data indicate that almost 80 percent of Natural Heritage Trust funds are allocated to States, which in turn provides funds for either their own projects or to community organizations. Bushcare, Coast and Clean Seas, Landcare, Murray darling 2001 and Waterwatch have the highest proportion of funding allocated to the States. Taken together, these programs account for 71 percent of all payments.

▪ Trends

The current budget for program investment over the life of the Trust for Environment Australia programs is indicated in the following chart:

Environment Australia Program Trends
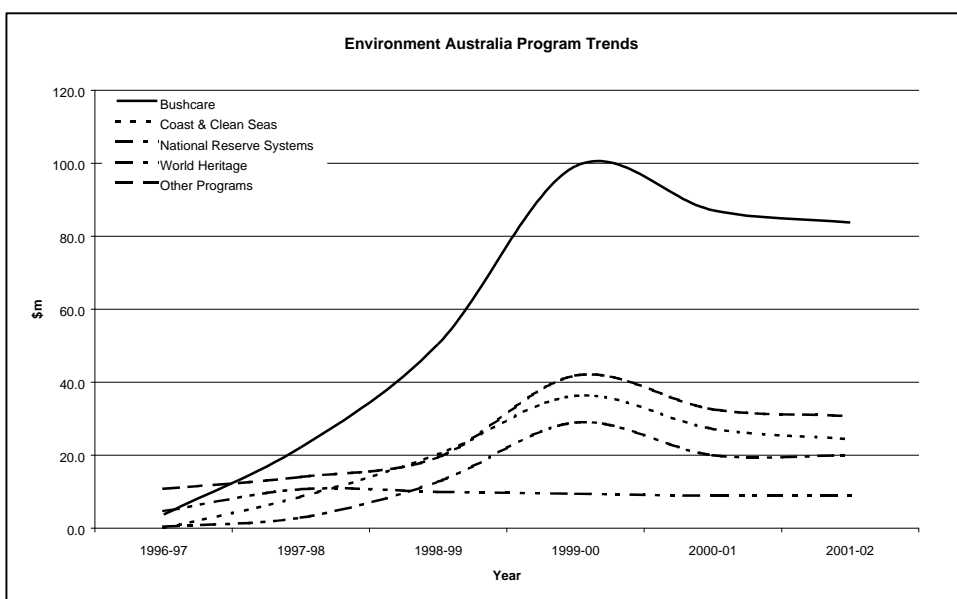
The estimates indicate the very large commitment to the National Vegetation Initiative (Bushcare) from a very low base in 1996-97. There is an expectation of a large increase in outlays in the current year with a taper in later years.

The estimated "bunching" of expenditure in the current year reflects a common characteristic of public sector budgeting. Program managers tend to think that shortfalls in expenditure in one year can be recovered in the next. We have concerns about the capacity of community organizations to "absorb" the levels of expenditure anticipated.

The investment pattern also implies that funding will cease at the end of 2001-02. It is most unlikely that all projects will be completed and funds exhausted at that time.

The budgeted investments for Agriculture, Fisheries and Forestry-Australia programs is illustrated below.

NHT Programs - Agriculture, Fisheries and Forestry Australia
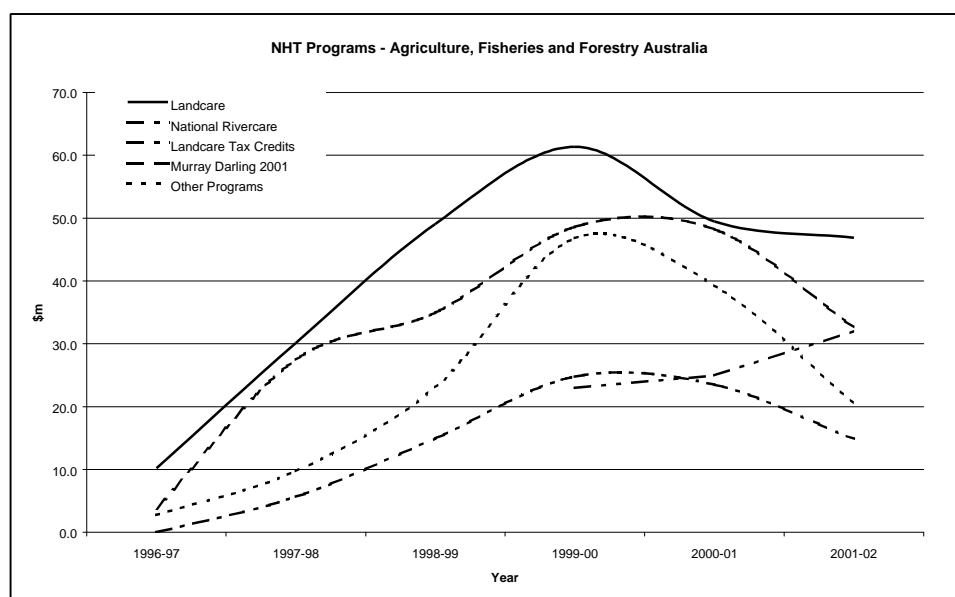
The estimates indicate a rapid increase in Landcare expenditure, again tapering away after 1999-2000. However, Agriculture Fisheries and Forestry - Australia deliberately designed annual allocations to match an expected expenditure profile

peaking 1n 1998-99. This has largely occurred, but has been frustrated to some extent by government budget decisions.

The Agriculture, Fisheries and Forestry Australia estimates suggest a more pronounced taper in the later years of the Trust, although as with the Environment Australia programs, we have doubts about the accuracy of the budget estimates.

Included within the program allocations are a number of specific commitments. These are described below.

- **Departmental expenses**

The Natural Heritage Trust has a provision of $74m for departmental expenses in Environment Australia and Agriculture, Fisheries and Forestry Australia. It is, in effect, a "management fee" and amounts to five percent of the Natural Heritage Trust Reserve. It does not include a 1.3 percent contribution to the "over-arching costs" of Natural Heritage Trust (see below).

Sixty three percent of the departmental expenses are allocated to Environment Australia. The Trust also allocates $2m per annum for State administration, based on annual agreement (except for Tasmania, where there is a three year agreement).

In the corporate sector, investment banks and venture capital firms typically allocate between two and eight percent of available funds for management. The amount is set with the agreement of funds providers and reflects the amount of work involved in managing the investments. For seed and start-up companies the management fee is relatively high, as investors take a close interest in the performance of their investments. For later stage investments, the fee is set much lower.

In the initial year of the Trust's operation, Environment Australia received 71.5 percent of the departmental expenses allocation. The reason for the imbalance appears to be that most of the Environment Australia programs were centrally administered, while as a matter of policy, the administration of Landcare projects was left to the States and Landcare groups. Presumably, additional time and resources were required to develop a strategic focus for the Environment Australia centrally administered programs.

The redesign and redirection of the programs that constituted the National Vegetation Initiative (Bushcare) has involved a great deal of effort and the program is now quite strategic in its orientation.   This is reflected in the current draft *Strategic Plan.* The setting up of the Coasts and Clean Seas initiative, which was announced by the Minister for the Environment and Heritage in August 1996 as a "$125m initiative to be funded principally through the Natural Heritage Trust", also involved a considerable amount of central commitment. [44]

The gap between the Environment Australia and Agriculture, Fisheries and Forestry Australia share of departmental expenses has continued over the life of the Trust.. This is indicated below.

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[44] We were not provided with a Strategic Plan for the Coasts and Clean Seas.

NHT: Running Costs
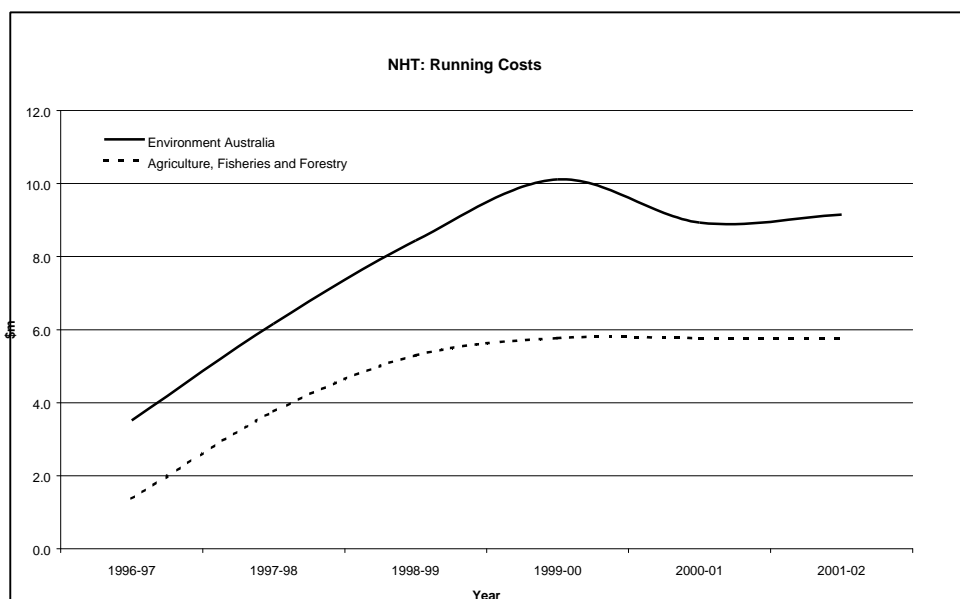
As the overall strategies for the National Vegetation Initiative (Bushcare) and Coasts and Clean Seas are now well established, it would now seem appropriate that economies be sought in departmental expenses budgets and reallocation of investment funds to projects.

The appropriate size of the "management fee" for the Natural Heritage Trust is difficult to determine. However, the following considerations are relevant:

▪ The start up work has been done

▪ There is extensive input of State Assessment Panels, Regional Assessment Panels and State Natural Heritage Trust Coordination Units in the assessment process

▪ There is a progressive move to regional based assessment

▪ There are potentially substantial economies to be realised by integrating Natural Heritage Trust management housekeeping and program support functions

We note that branches and sections within Environment Australia and Agriculture, Fisheries and Forestry Australia receive funds for departmental expenses from both the Consolidated Revenue Fund and the Natural Heritage Trust. Departmental expenses are allocated on a branch section basis.

CRF funds are returnable to the CRF if unspent at the end of the financial year, unless a good case can be put to the Department of Finance and Administration for carry forward. Natural Heritage Trust funds can be carried forward without explanation to the Department of Finance and Administration.

Given the flexibility allowed to managers under the new financial management arrangements, there has developed the practice of allocating consolidated revenue funds against branch/section expenditure first and then using the Natural Heritage Trust funds to pay the balance. It follows that where departmental expenses are less than the combined revenue received from the CRF and Natural Heritage Trust there will be an incentive to carry forward the Natural Heritage Trust component to subsequent years.

As there is no basis or standard for determining what expenditure is Natural Heritage Trust and what is CRF, there is no way of telling whether the carry forward in the Natural Heritage Trust administration is the result of under expenditure or a cross subsidisation from CRF.

We suggest that the Natural Heritage Trust should aim to reduce substantially the level of departmental expenses it provides to Agriculture, Fisheries and Forestry Australia and Environment Australia over the remaining life of the Trust. Accordingly, we suggest that a "management fee" of two percent of the current budget for the remaining years of the Reserve. We also suggest that the reduction should take effect from 1 July 2000.

The impact on Natural Heritage Trust departmental expenses would be as follows.

Table 8: Natural Heritage Trust Current and Proposed Departmental Expenses Budget

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	Total
Environment Australia ($m)	3.5	6.2	8.4	10.1	8.9	9.2	46.3
Agriculture, Fisheries and Forestry ($m)	1.4	3.8	5.3	5.8	5.8	5.8	27.7
Current Budget ($m)	4.9	9.9	13.7	15.9	14.7	14.9	74.1
Current Proportion (%)	13.4	7.6	5.8	3.8	4.1	4.7	4.9
Proposed Proportion (%)					2.0	2.0	3.9
Proposed Funding ($m)					7.2	6.3	57.9

Although there is an implication of a substantial reduction in departmental expenses for the next two financial years, it still provides for $6.75m per annum to run the support and housekeeping functions for the Trust. We are not proposing that the overarching budget that supports the corporate costs of the Natural Heritage Trust be reduced.

The consultations and investigations undertaken as part of this Review has convinced us that substantial economies can be achieved in administration by bringing together Natural Heritage Trust processing and program delivery responsibilities and an integrated approach to program support. These issues are addressed in Chapter 5 where specific recommendations are made.

Recommendation

8.   The Natural Heritage Trust contribution to departmental expenses be reduced from the present five percent to two percent from 1 July 2000.

A reduction of the management fee to three percent would result in a reduction in departmental expenses of $10m for the remaining two years

▪ Overarching costs

Included within the program estimates set out in the main budget table are estimates for the overarching administrative costs of the Trust. The Natural Heritage Ministerial Board approved these estimates to be derived from a levy across all Trust programs - by drawing proportionally from each program based on its share of annual Natural Heritage Trust funds.

The estimates for the overarching costs of Trust administration are for the implementation of the Natural Heritage Trust communications strategy, the

operation of the Natural Heritage Trust Advisory Committee, Annual Report preparation, preparation of the One Stop Shop Guidelines, database administration and the non program specific monitoring and evaluation of the Trust (i.e. the administration review and thematic and regional studies).

The break-up of the overarching costs, as approved by the Board, is as follows.

Table 9: Natural Heritage Trust Overarching Costs

Approval	1997-98 $'000	1998-99 $'000	1999-00 $'000	2000-01 $'000	2001-02 $'000	Total $.000
Board Administration, Guidelines, Reports, and database.	1,250	1,000	1,000	1,000	2000	6,250
Communications strategy	2,250	2,770	4,000	1,000	0	10,020
Monitoring & evaluation	0	0	1,100	400	2,000	3,500
	3,500	3,770	6,100	2,400	4,000	19,770

The provision for Board administration includes five ASL for Natural Heritage Ministerial Board administrative and secretariat support.

A significant amount of the expenditure is for the communications. Discussion of the communications strategy is provided in Chapter 8.

▪ Cape York

The commitment to spend up to $40 million from the Trust will be met over the life of the Trust from the following programs:

Table 10: Natural Heritage Trust Expenditure for Cape York

Program	1998-1999 ($'000)	1999-2000 ($'000)	2000-2001 ($'000)	Total ($'000)
EA Programs				
- Bushcare	4,000	1,500	11,750	26,250
- National Reserve System	0	6,000	2,750	8,750
Total EA	4,000	16,500	14,500	35,000
AFFA Programs				
- Landcare	100	2,000	2,900	5,000
	100	2,000	2,900	5,000
Overall Total	4,100	18,500	17,400	40,000

The commitment to Cape York represents a substantial component of the Bushcare Program.

▪ Commitment of $125 million to Tasmania

There is a specific $125 million commitment to Tasmania as part of the Trust. This represented 10 percent of the initial amount made available from the Telstra sale. Commitments to Tasmania will be met over the life of the Trust from the following programs:

Table 11: Natural Heritage Trust Commitment to Tasmania

	$m
ENVIRONMENT	
- Bushcare	17.6
- National Reserve System	1.0
- Coasts and Clean Seas	12.0
- World Heritage Management and Upkeep	8.0
- Endangered Species Program	2.4
- Air Pollution in Major Cities	2.4
- Waste Management Awareness Program	0.4
- National Feral Animal Control Program*	0.4
- National Weeds Program	0.4
- National Wetlands Program	1.2
- Waterwatch	1.2
Sub-Total	47.0
AGRICULTURE	
- National Landcare Program	17.0
- Farmbis – Advanced PMP	0.6
- National Rivercare Program	10.8
- Farm Forestry Program	3.2
- Fisheries Action Program	1.4
Sub-Total	33.0
JOINT PROGRAMS	
- Strategic Natural Heritage Program: see note (b) below	25.0
- Regional Forest Agreement: see note (c) below	20.0
Sub-Total	45.0
TOTAL	125.0

This commitment to Tasmania does not include non-Natural Heritage Trust Commonwealth funding for Tasmanian World Heritage management of $24.14 million from 1996-97 to 2000-01 as well as $8.750 million for Riverworks Tasmania that, although part of the Trust, constituted a prior commitment.

These payments constitute a significant proportion of Tasmanian expenditure on natural resource management.

▪ Budgeting and planning

Information concerning actual program expenditure in relation to actual expenditure in each year for Environment Australia is provided below. Information for Agriculture, Fisheries and Forestry Australia programs has not been provided.

Table 12: Natural Heritage Trust Expenditure - Budget vs. Actual

	1996/97 (%)	1997/98 (%)	1998/99 (%)	1999/00 (%)	2000/01 (%)	2001/02 (%)	TOTAL (%)
Bushcare	93.4	82.1	80.4	121.3	100.0	100.0	100.0
Land & Water Resources Audit	99.6	0.0					100.0
Coasts and Clean Seas	0.0	40.4	77.0	168.5	117.2	100.0	100.0
Oceans Policy	0.0	0.0	0.0	100.0	100.0	100.0	100.0
World Heritage Management and Upkeep	100.0	91.3	104.6	106.5	100.0	100.0	100.0
Air Pollution in Major Cities	89.7	41.6	69.0	193.8	124.2	100.0	100.0
Waste Management Awareness	41.6	29.3	64.1	379.9	181.8	100.0	100.0
National Reserve System	20.8	26.1	60.7	263.2	100.0	100.0	100.0
Endangered Species (EA)	100.0	48.0	148.2	100.0	100.0	100.0	100.0
Feral Animal Control	73.0	71.7	52.7	236.6	100.0	100.0	100.0
National Weeds Strategy	100.0	41.6	60.7	203.6	100.0	100.0	100.0
National Wetlands	35.9	88.3	96.7	129.5	100.0	100.0	100.0
Waterwatch Program	64.2	92.1	100.2	111.2	100.0	100.0	100.0
AFFA Programs (Total)	92.2	79.6	84.0	126.9	100.0	100.0	100.0
Total Funds	86.8	70.2	81.1	135.7	101.5	100.0	100.0

The data indicate that there has been a shortfall in budgeted expenditure in each of the three years the Trust has been in operation. The estimates for 1999-2000 suggest that the shortfall will be picked up in this year. We are not convinced that this will be the case.
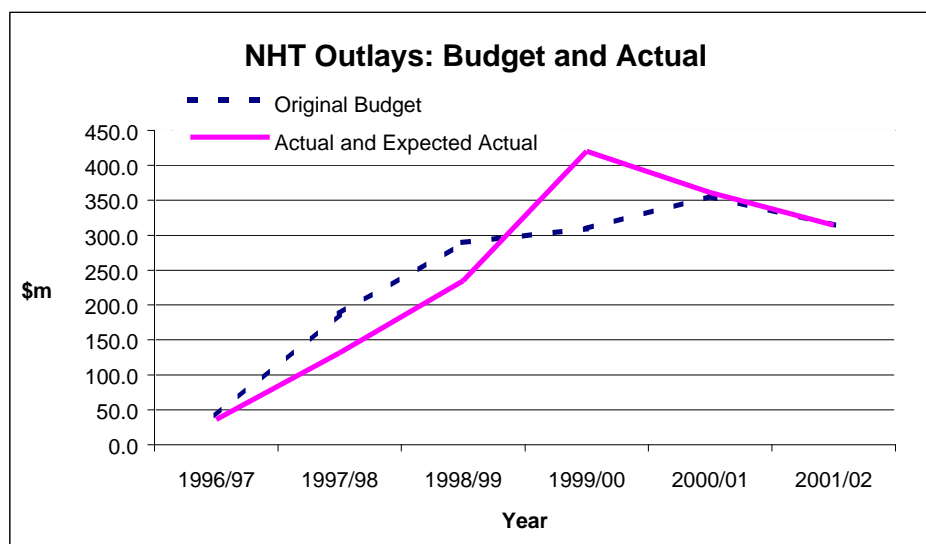
The relationship between budget and actual is indicated below.

As indicated, our experience in budgeting and financial management suggests that the shortfall will not be made up as quickly as the estimates envisage. It presumes that many community organizations will be able to "absorb" payments according to the schedules and work plans that lie behind the above estimates. Inevitably there are delays and other problems that prevent disbursements being made.

It is more likely that the shortfall will continue and that there will be further shortfalls. Prudent budgetary and financial management suggests that the time frame for the Trust should be extended to allow projects to be assessed in a

timely manner to ensure that funds are allocated on the basis of sound investment criteria – rather than meeting disbursement targets.

Recommendation

9. **The budget for each program be reviewed as to time frame and commitment and if necessary, the life of the Trust investment program be extended to reflect a more realistic time frame to enable projects to be supported that are based on sound investment criteria.**

▪ Commitments and capital works budgeting

Notwithstanding the investment focus of the Natural Heritage Trust, the resource management system does not reflect a capital works budgeting approach. The financial policy for the administration of the Natural Heritage Trust of Australia Reserve does not set a balance between works in progress and new works.

Although nearly all projects are currently approved on an annual basis, the Partnership Agreements and the move towards larger regional projects with a longer term time frame suggests that a heavy commitment to new projects in one year may constrain the ability to allow the entry of new projects in subsequent years

Recommendation

10. **Budgeting and financial management of the Natural Heritage Trust of Australia Reserve incorporate capital works budgeting principles that set a balance between works in progress and new works for each year.**

4.2 Integrating service delivery: the One-Stop Shop process

The Natural Heritage Trust has sought to integrate service delivery through the One-Stop Shop process. Ten programs are currently delivered through the One-Stop Shop arrangements. These programs account for 80 percent of Trust funds. However, the operation of the One-Stop Shop system was the source of a great deal of comment during the Review.

The terminology of the One-Stop Shop is intended to convey the message to users that there is a single point of access to a program services that might otherwise require multiple points of contact. The commitment to the One-Stop Shop is a reflection of the extent to which governments have recognised the need to rethink the way bureaucracies are structured to interact with citizens.[45] The report of the Sustainable Land and Water Resources Management Committee[46] on establishing the Natural Heritage Trust Partnership arrangements set out the objective of streamlining the project assessment process in the following terms:

> There was general agreement that existing delivery and assessment structures should be used where possible, with an approach based on

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[45] Aucoin, Peter, "Restructuring Government for the Management and Delivery of Public Services", in B. Guy Peters and Donald J. Savoie (eds) *Taking Stock: Assessing Public Sector Reforms*, Canadian Centre for Management Development: Montreal, 1998, p.322.

[46] Sustainable Land and Water Resources Management Committee, *Report in Future National Landcare Program Partnership Arrangements.*

> the One-Stop Shop incorporating "one set of guidelines, one application, one assessment process, one cheque, and one report. In principle, assessment processes need to be simple, straight forward and transparent.

Unfortunately, implementation of the Natural Heritage Trust One-Stop Shop process has not proceeded smoothly. There are numerous sets of program guidelines, several application processes and the potential to receive separate cheques from Environment Australia and Agriculture, Fisheries and Forestry Australia.

The Natural Heritage Trust One-Stop-Shop has introduced a process of program aggregation – not integration.

It is worth noting at this stage in the Report that setting up integrated service centres raise difficult and complex issues of authority, responsibility and accountability. One analyst has commented:

> The continuing demand for organization designs that effectively address the concerns of clienteles that intersect in a host of different ways have bedevilled even the most innovative governments.[47]

Examination of Australian, British and Canadian experience suggests that intra- and inter-agency and inter-governmental program structures must be horizontally managed to effect a significant integration of service delivery. This inevitably means a "matrix" type arrangement at the front line.

It follows that the people at the front line must be trained to deal with a multiplicity of specialists from different areas and be well versed in the corporate values and ethics of public administration if they are to provide seamless service that reflects the policy requirements of the services in question.[48]

These observations point to a number of stresses in the Natural Heritage Trust framework. Notwithstanding the existence of a One-Stop Shop that endeavours to integrate the application and assessment process, each constituent program of the Trust has its own set of objectives, outcomes and performance indicators. These are reflected in separate program guidelines within the *Guide to Applications.* The guidelines issued in the first year of the Trust's operation did not separately identify programs.

Each program has also established, and is building, its own distinctive identity around a similar service package. Not surprisingly, the people involved in delivery, the State Assessment Panels and the Regional Assessment Panels see separate programs and very little integration of service. Notwithstanding the defined differences, those at the management front-line – the network of facilitators and coordinators engaged under the different programs - see very little difference and are somewhat bemused at the attempts to create separate identities.[49]

It is our strong view that there should be an integrated set of program guidelines and a facilitator network for the Natural Heritage Trust, supported by specialist program coordinators and project officers who bring technical skills and specialist knowledge. To this end, we have recommended in Chapter 7 that there be a separate program within the Natural Heritage Trust that engages Natural Heritage Trust facilitators.

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[47] Ibid. p. 323.

[48] Ibid. p. 325

[49] Discussion with facilitators and coordinators. The National Landcare Coordinator in discussion made the point.

With the existence of separate agreements with the States it is possible for capital projects to be eligible under the one stop shop process (Partnership Agreement) as well as under the umbrella of the Coasts and Clean Seas Memorandum of Understanding. There is an elaborate protocol for referring projects from one investment source to the other. This is indicated below.

Referring Proposals Received under the One Stop Shop to Coasts and Clean Seas

Principles

1) Proponents to be given every opportunity to secure funding, with minimum inconvenience and no duplication of effort.

2) Proposals to be assessed through the process to which they are submitted until they are formally rejected.

3) If proposals are rejected they may be referred from one process to the other with the agreement of both the One Stop Shop State Team leader and the *Coasts and Clean Seas* State Team leader.

4) Referrals will be done in a timely manner to ensure that all proposals (both direct submissions and referrals) are treated equally. Timing of the two processes is such that proposals should be able to be referred before the closing date of the referred process.

5) Proponents of referred proposals will be advised that their application has been unsuccessful under the original process, but has been referred to the other process for further consideration. All other unsuccessful proposals to be sent standard unsuccessful letters with no reference to the other process. These letters to be written and sent by the original process.

6) *Coasts and Clean Seas* and One Stop Shop will keep each other informed of changes in State team leaders.

Protocol for transferring proposals from One Stop Shop to Coasts and Clean Seas

1) As soon as possible after the receipt of proposals under the One Stop Shop, the One Stop Shop State Team leaders will advise their *Coasts and Clean Seas* counterpart of any proposals that appear to be better suited to *Coasts and Clean Seas* programs.

2) The proposals identified should still be assigned to a One Stop Shop program for assessment under the One Stop Shop. Proposals should not be allocated to *Coasts and Clean Seas* programs in the Program Administrator until they are rejected by the RAP/SAP or assessed as ineligible under all One Stop Shop programs and *Coasts and Clean Seas* agrees to accept the proposal and advises of the appropriate program.

3) For each proposal, *Coasts and Clean Seas* will provide advice on: (a) the eligibility of the proposal under *Coasts and Clean Seas* programs; (b) the likelihood that the proposal would be funded under *Coasts and Clean Seas;* (c) whether *Coasts and Clean Seas* would accept the proposal, should it be rejected through the One Stop Shop process

4) This advice can either be entered into the Program Administrator Commonwealth Assessment field by *Coasts and Clean Seas* (note this will require access to the relevant One Stop Shop program in Program Administrator) or sent by email to the appropriate person.

5) The One Stop Shop State team leader will include the *Coasts and Clean Seas* advice in the Commonwealth briefing to the RAPs and SAPs.

6) The normal One Stop Shop assessment process should continue until the proposal has been rejected by the RAP or SAP.

7) If a *Coasts and Clean Seas* indicated that it would accept the proposal, then it can then be formally referred to *Coasts and Clean Seas*. Referral should be before 1 June 1999, but later referrals may be negotiated.

8) The proposal should still be included in the One Stop Shop Ministerial brief with a "Not Recommended" grading noting that it has been referred to *Coasts and Clean Seas.*

9) One Stop Shop will advise proponents that their proposal was unsuccessful under the One Stop Shop process, but has been referred to *Coasts and Clean Seas* for further consideration. The text of the letter is to be agreed between One Stop Shop and *Coasts and Clean Seas.*

10) No reference will be made to *Coasts and Clean Seas* in letters for any of the other unsuccessful One Stop Shop proposals.

11) *Coasts and Clean Seas* will advise One Stop Shop of the outcomes of the *Coasts and Clean Seas* assessment of referred proposals.

The same protocol will be observed for proposals referred from *Coasts and Clean Seas* to One Stop Shop.

We consider these arrangements to be both undesirable and unnecessary from an administrative point of view. We can see no valid reason why the Coasts and Clean Seas proposals cannot be managed through the one stop shop arrangement – and avoiding the need for non value adding administrative processes of the type contained in the above protocol.

Recommendation:

11. The Coasts and Cleans Seas Program be brought within the One Stop Shop Structure.

These developments point to the need to manage and develop programs (products) from the point of view of the "customer" as well as the outcome sought. The customer, who is most often a private landowner, is quite under whelmed whether a person (or project) is funded by Landcare, Bushcare, Coast Care or Murray Darling 2001.

4.3   From investment strategies to funding programs

The lack of time available to re-align programs around the Natural Heritage Trust strategies has meant that, to many people, including Commonwealth and State Program Managers as well as community organizations, nothing had changed – except there was now more money.   Such a re-alignment would have occurred, in our view, with a stronger commitment to strategic planning – *before funds were allocated to programs.*

The message that the Natural Heritage Trust was about investment in natural capital and not simply an assured supply of funds has not been effectively communicated.

The relationships between strategic areas and Natural Heritage Trust programs is depicted in the following chart:
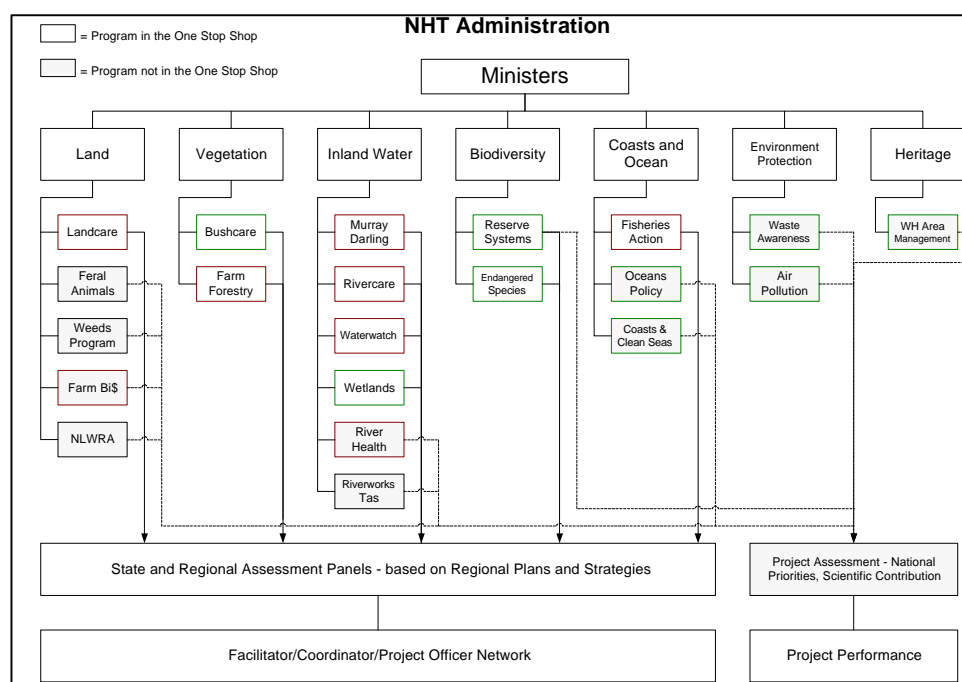
Over the last three years there has not been a commitment made to defining and developing the relationship between the five "strategic funding packages" and the programs that are now funded from the Natural Heritage Trust.   This has had the effect, in some areas, of losing the linkage between the strategic investment focus of the Natural Heritage Trust and individual programs.   The "strategic funding packages" are now seen as "themes" or a convenient presentational classification.

The failure to develop a strong linkage between overarching investment strategies of the Natural Heritage Trust and individual programs has resulted in some programs continuing to be seen in the same way as before.   We shall argue that the linkages between the investment focus of the Trust and individual

program strategies should be re-established and that the strategic funding packages should form the basis of program definition, planning, management and implementation.

Under present arrangements the "strategically developed environmental packages" do not drive Trust investment - except where the individual programs constitute the major element of the strategic area – as with vegetation (Bushcare) and land (Landcare). In other areas (rivers, biodiversity, coasts and clean seas) the Natural Heritage Trust funded programs tend to "drive" the Natural Heritage Trust. Program descriptions in these areas make frequent reference to "funding programs" and "grants" rather than investment.

In our view, the result of concentrating on existing programs as a vehicle for Natural Heritage Trust investment is that the Trust does not have a strategic focus.

Our comments on the individual Natural Heritage Trust Program Strategic Plans are provided below.

4.4   Program strategic plans

Each Natural Heritage Trust Program is also required to produce a Strategic Plan that is submitted to the Minister for endorsement. In our view a Program Strategic Plan would has a number of broad purposes:

- An instrument for specifying *purpose, direction and priority* - to ensure that the functions and responsibilities of the Program and the Natural Heritage Trust are undertaken from the viewpoint of Trust as a whole

- A mechanism for building *internal commitment* - to inform and focus the efforts of all people involved about the strategic directions and build a dedication to those directions through the development of a supportive corporate culture

- An instrument of *external accountability* - to inform the Parliament and key stakeholders of mission, strategic objectives, key initiatives and resource requirements, and the basis on which performance should be assessed.

Strategic plans should contain relevant input, output and outcome data. Most importantly, they should contain explanations of how results are going to be achieved with the resources that are to be made available. This information should be fundamental to Natural Heritage Ministerial Board, which should be able to use the information in strategic plans as a basis for allocating resources to individual programs.

In the case of the Natural Heritage Trust, and most other public programs, Strategic Plans are prepared *after* resources have been allocated. As a result there is little pressure to prepare a "business case" that will demonstrate how resources are going to be used to achieve particular targets and milestones. Output and outcome statements are provided on the basis of their desirability – not on the basis of whether they can be delivered over the time frame or with the resources that have been allocated.[50]

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[50] It is somewhat ironic, that the smaller the programs, in terms of funding, the more output and outcome statements are provided.

We requested a copy of the current Strategic Plan for each Natural Heritage Trust Program. Many of the Plans were still in a draft stage – even after three years of Trust operation.

In our view, the Strategic Plans for Natural Heritage Trust Programs have a number of serious deficiencies:

- An absence of information that relates resource use to the achievement of intended results (in some Plans, there are not even clear statements of results that are intended to be achieved). In the absence of this information it is impossible to provide an assessment of the extent to which the goals of Natural Heritage Trust, and the individual Programs themselves, are being efficiently and effectively delivered.

- The summary financial/budget data is presented in a variety of formats (different table layouts and in some instances the data is contained within the text itself), covers different time periods (for example next financial year, the life of the Natural Heritage Trust, forward years only or the projected life of the program)

- The Plans do not necessarily contain all funding sources (eg Natural Heritage Trust and non Natural Heritage Trust)

- The data is sourced from different places and times - which are not always identified

- Different categories and systems of classification are used for presentation of information, often without reference to source - for example, Landcare is classified along "sub-program" lines, Farm Forestry along quasi functional lines and others a mix

- Financial data presented is either, actual, or approved or "notional". In some Plans data is presented in such a way that it is difficult to understand how financial information can be interpreted as a basis for making resource allocation decisions

- Some Plans contain no financial or budget data at all.

Only the Bushcare Plan presents information that relates resources to the outcomes identified in the Partnership Agreement Key Results Areas. However, the Plan does not include forward financial information.

A summary of the information provided in the Strategic Plans where there is complete financial data is presented below.

Table 13: Financial Information in Program Strategic Plans

Program	1996-97 $m	1997-98 $m	1998-99 $m	1999-00 $m	2000-01 $m	2001-02 $m	Total $m
Bushcare							
One Stop Shop (funding approvals)							
Integration and Institutional Reform		5.3	6.4	7.3			18.9
Environment		12.0	26.6	49.0			87.6
Sustainable Production		2.7	3.4	4.6			10.7
People		5.5	5.9	11.2			22.7
Administration			0.9	0.4			1.3
		25.5	*43.2*	*72.4*			*141.1*
Non-One Stop Shop (funding approvals)							-
Integration and Institutional Reform				1.9			1.9
Environment				7.2			7.2
Sustainable Production							-

Program	1996-97 $m	1997-98 $m	1998-99 $m	1999-00 $m	2000-01 $m	2001-02 $m	Total $m
People				12.9			12.9
Administration				6.1			6.1
				28.1			*28.1*
Total Funding							-
Integration and Institutional Reform		7.4	7.3	3.1	2.9	2.7	23.4
Environment		15.2	41.3	69.8	70.0	62.4	258.7
Sustainable Production		2.5	2.7	1.1	1.8		8.1
People		14.9	11.0	13.8	12.2	11.8	63.7
Administration		3.4	5.5	4.9	4.8	4.9	23.5
Total		43.4	67.8	92.6	91.7	81.9	377.4
National Landcare Program							
On-ground/implementation elements		77.1	76.5	73.1	72.1		298.8
Landcare Tax			25.0	27.0	28.0		80.0
Tasmania Funding		2.0	7.0	11.0	9.5		29.5
Murray Darling Basin Drainage		5.7	5.7				11.5
National Component		3.0	2.0	2.0	2.0		9.0
Murray Darling Basin I&E		1.9	1.9	1.9	1.9		7.6
Cape York Funding			1.0	1.5	1.0		3.5
Total		89.7	119.2	116.5	114.5		439.9
National Wetlands Program							
Community Projects and Monitoring of Ramsar Wetlands	0.5	0.7	0.8	1.8	0.8	0.8	5.5
Other Projects	1.6	1.6	1.6	2.1	2.2	2.2	10.6
Administration (including ASL)	0.6	0.5	0.6	0.8	0.8	0.8	4.1
Overarching Natural Heritage Trust Costs		0.0	0.0	0.2	0.0	0.0	0.3
Total	2.1	2.8	3.0	4.9	3.8	3.8	20.5
National Rivercare Program							
On Ground/Implementation Elements		6.3	17.8	24.5	20.6		69.2
Waterwatch Australia		2.4	2.6	2.6	2.7		10.3
National River Health Program		3.0	3.3	3.6	3.5		13.4
Total		12.4	24.5	31.9	27.9		96.7
Waterwatch Program							
State Coordination		0.6	0.4	0.9	1.0	1.0	3.9
Regional Coordination	0.1	1.3	1.6	3.8	4.0	4.4	15.3
Community Waterwatch Projects				1.0	0.8	0.5	2.3
Other projects	0.1	0.2	0.2	0.7	0.5	0.5	2.2
Administration (including ASL)		0.2	0.2	0.3	0.3	0.3	1.2
Overarching NHT Costs		0.0	0.1	0.1	0.1	0.1	0.4
Total	0.2	2.4	2.6	6.6	6.6	6.7	25.1
National Reserve System Program							
Land Acquisition							
Community Component			3.6	3.0	2.0	2.0	10.6
State Acquisition of Protected Areas			11.8	11.1	4.7	9.4	38.5
Protected Area Management0	0.1	0.6	1.5	2.4	2.5	2.5	9.6
Information	0.0	0.1	0.7	0.5	0.5	0.2	1.9
Administration	0.3	0.8	0.9	0.9	0.9	0.9	4.6
Linking Programs			2.7	2.6	9.5	5.0	19.8
Total Budget/Commitment	0.4	2.9	21.2	20.5	20.0	20.0	85.0
Endangered Species Program							
Recovering Species and Ecological Communities			5.5	4.8	3.8	3.8	17.8
Community Involvement			0.7	1.2	1.2	1.2	4.2
New Environment Legislation Obligations				0.2	0.1	0.1	0.4
Other Projects			0.4	0.7	0.6	0.6	2.2
Administration			1.0	1.2	1.2	1.2	4.6
Total			7.8	8.0	6.8	6.8	29.4

Our main conclusion is that the program plans, taken together, provide little or no guidance about what the Natural Heritage Trust was set up to do and achieve. There are no meaningful linkages between the Program Plans and the Natural Heritage Trust purpose and objectives. Many of the Plans refer to the Trust only incidentally and then only as a source of funds.

The extent to which program managers collaborate with each other in the development of Strategic Plans is uncertain. There is no provision in the

Memorandum of Understanding between Environment Australia and Agriculture, Fisheries and Forestry Australia for Strategic Plans to be reviewed as a means for achieving consistency.

We understand that both members of the Natural Heritage Ministerial Board do not review all Strategic Plans – that each Minister only reviews the Strategic Plans for their own portfolio programs. There is, therefore, no effective mechanism for ensuring that Strategic Plans are consistent.

The problem in this area is similar to the problem we have referred to consistently throughout the Report: there are too many Natural Heritage Trust Programs and insufficient integration between them.

In our view Program managers should be required to prepare Strategic Plans that provide a "business case" for investment in their particular program. The information is required not only to make (justify) investment decisions but also to meet information and accountability objectives. There are many tools and techniques now available to assist Managers prepare business plans that meet these criteria. In this regard, the Plans should contain details of:

- What is to be *achieved* and how

- The resources that are required

- The time frame over which the results will be achieved and the milestones that will be met

- The way success will be assessed

- The way intentions and success will be communicated.

The Plans should be action oriented and provide information on a consistent basis in order to allow comparison.

Recommendation

12.   Program managers be required to prepare Annual Strategic Plans that constitute the "business case" for allocation of resources to the Program. As well as containing information that would justify a resource allocation decisions, the Plans should meet information and accountability requirements.

We have a related concern, which we will address in Chapter 10, that the Key Results Areas identified for the Natural Heritage Trust do not adequately relate to the purpose and objectives of the Trust set out in the legislation.

The failure to re-align programs within the strategic framework of the Natural Heritage Trust at an early stage, and to add new programs, means that the Natural Heritage Trust has lost its focus. Paradoxically, it has generated a high level of expectation in relation to delivery. This expectation is reflected in the summation of outcome and performance indicators contained in Natural Heritage Trust documentation.

4.5   Natural Heritage Trust outcome statements and performance indicators

The Partnership Agreements provided that the Commonwealth and the States will agree to identify, define and work to specific objectives, outcome statements and

performance indicators. Performance assessment was intended to be the basis for reporting and progress payments. The relevant principles are as follows:

> 8.3 The parties agree that in entering into financial agreements arising from this Agreement the following principles will apply:
>
> (a)   there need to be agreed objectives, outcomes, outputs, performance indicators and milestones;
>
> (b)   objectives should be measurable, outcome-oriented statements as to what the program or project aims to achieve;
>
> (c)   performance indicators should be linked to objectives, and data collection requirements should be outlined;
>
> (d)   reporting, monitoring, review and acquittal/auditing requirements should be explicitly outlined, and resources agreed, to ensure that value for money can be assessed over time; and
>
> (e)   progress payments should be linked to the achievement of agreed milestones.

The opinion survey provided the following feedback in relation to implementation of this aspect of the Partnership Agreements.
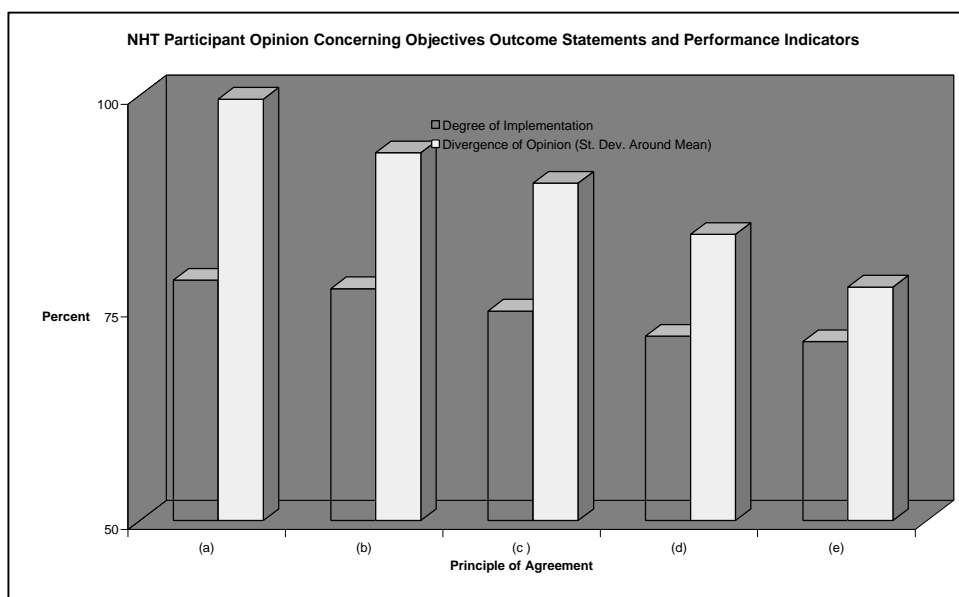
Basis for interpretation: degree of implementation 100 percent - all respondents regard the principle as fully implemented; degree of implementation 75 percent – respondents on average regard the principle as partially implemented; degree of implementation 50 percent – respondents on average regard the principle as not implemented.

On average, participants are of the view that these aspects of the agreements have been only partially implemented. As with other responses, the higher the level of perceived implementation, the higher the level of disagreement about effective implementation.

The lowest perceived level of implementation concerns reporting, monitoring, review and acquittal/auditing being explicitly outlined, and that progress payments should be linked to the achievement of agreed milestones.

In discussion with participants, the overwhelming problem was that the number of objectives, outcomes and performance indicators was confusing and, in implementation conveyed a lack of clarity about what the Natural Heritage Trust was supposed to do and achieve.

A number of programs are quite broadly defined – Landcare and Bushcare (with only three stated objectives) while some are very narrowly defined, but address the same issues as broader programs. The effect is a plethora of objectives, outcomes and performance indicators. To illustrate, the Partnership Agreements and the Memoranda of Understanding identify -

- 17 National Goals

- 62 Objectives

- 190 Outcomes

- 159 Performance Indicators

There are 20,000 words in Program descriptions in the Partnership Agreements, Memoranda of Understanding and Natural Heritage Trust Guidelines.

The profile of goals, objectives, outcomes and performance indicators is provided below.

Table 14: Natural Heritage Trust Programs - Objectives and Outcomes

Natural Heritage Trust Programs: Separate Statements of Objectives and Outcomes

	National Goals	Objectives	Over Arching National	Outcomes and Performance Indicators										
				Environment		Sustainable Production		Integration and Institutional		People		Total	
				Outcomes	P.I.s	Outcomes	P.I.s	Outcomes	P.I.s	Outcomes	P.I.s	Outcomes	P.I.s
National Vegetation	1	3	1	6	8	1	7	4	9	2	9	14	33
National Rivercare	1	5	1	2	4	3	4	5	3	2	2	13	13
National Riverhealth	1	4		5		2		7		3		17	0
National Landcare	1	5	3	2	2	3	3	3	4	1	3	12	12
Murray Darling 2001	1	5	1	7	7	5	6	3	4	1	3	17	20
Farm Forestry	1	2	1	3	3	5	4	6	4	9	7	24	18
Fisheries Action	1	5	1	5	5	3	3	4	4	4	4	17	16
National Wetlands	1	4	1	2	2			6	7	5	6	14	15
Endangered Species	1	3	1	4	5			4	2	2	2	11	9
National Reserve System	1	4		4				3		3		10	0
National Feral Animals	1	3		4	5			2	3	2	3	8	11
National Weeds	1	3		4	5			2	3	2	4	8	12
Coast Care	0	4	5									5	0
Clean Seas	1	2	6									6	0
Coastal & Marine Planning	1	2										0	0
Introduced Marine Pests	1	2	6									6	0
Capacity Building	0	0										0	0
Marine Species	1	3	5									5	0
Marine Protected Areas	1	3	3									3	0
	17	62	35	48	46	22	27	49	43	36	43	190	159

Whilst objective and outcome statements will vary as to content, the reality is that the sheer number is daunting to potential project proponents.

Moreover, while an accountability objective might be served by having so many performance indicators, the impact on the target groups is daunting. More specifically, however, it is neither realistic nor feasible for the Natural Heritage Ministerial Board to be responsible and accountable for the achievement of an aggregation of 190 outcomes.

The reality is, however, that many outcome statements are descriptions of what program managers would *like* to achieve, and want to convince others that that is what they *need, or want* to do, rather than being a realistic statement of what can be done with the available resources in the time frame. Outcome statements are also expressed more often than not in *process* terms – with the result that it will always be possible to report some level of achievement.

We acknowledge the difficulty of specifying outcomes in a way that achievement can be ascertained and performance assessed in the areas for which a program manager is accountable. This issue is taken up in Chapter 10 on Monitoring and Evaluation.

4.6   Natural Heritage Trust achievements

Despite the criticisms relating to a lack of overall focus, there is generally strong support for the Natural Heritage Trust. It has delivered/is delivering on many of the intended outcomes. For example -

- ▪ Sustainable communities – the Landcare movement is internationally recognized

- ▪ Raising awareness of biodiversity issues and conserving remnant vegetation

- ▪ Sustainability in agriculture/farm management practices

- ▪ Integrates community involvement with science and analysis

- ▪ The Natural Heritage Trust Is strengthening regional planning approaches – particularly through catchment management approaches

- ▪ It has raised awareness of Natural Resource Management issues

The Natural Heritage Trust and the expansion of community activity for conservation has been major plus for the Australian environment and sustainability of production systems.

The framework for implementation has also enabled Environment Australia and Agriculture, Fisheries and Forestry Australia to work effectively at a senior management and policy level.

Notwithstanding the multiplicity of Natural Heritage Trust programs we have been advised that despite the differences in program purpose and "ownership", on site facilitators and coordinators, all work together, and sometimes out of the same room or office. They have a strong desire to get on with the job. They are, however, becoming concerned with the multiplicity of guidelines and reporting arrangements.

There are, however, some problems. The number of individual programs, associated with increasing demands for accountability and measurable outcomes has the potential to increase complexity and costs of administration.

An over emphasis on formal processes for reporting and requests for detailed performance based contracts erode "social capital" that is critical for effective on-ground delivery.

4.7 Support for "private benefit" projects

The Productivity Commission in the Report of its inquiry into Ecologically Sustainable Land management, *A Full Repairing Lease*, related criticism that Natural Heritage Trust funds are being used to confer private benefits to individuals with little or no demonstrable public benefit.

The Commission considered that formal cost sharing arrangements should be introduced where there are joint public and private benefits in a project proposal. The difficulties of such an approach were acknowledged, but the Commission argued that if it is not adopted, "not only are the net public gains unlikely to be realised, but community support for the Natural Heritage Trust is likely to be eroded – especially if substantial public funds end up being provided for purely private gain".[51]

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[51] Productivity Commission (1998), *A Full Repairing Lease,* Report the Inquiry into Ecologically Sustainable Land Management, p. 365.

The Commission was of the view that the issue of balancing public gain and private benefit should be taken up in the administration of the Natural Heritage Trust. It concluded:

- The Natural Heritage Trust represents a substantial investment of public funds which calls for a framework that will ensure the highest net benefit to the community and enhance public confidence

- The lack of detailed objectives for the Trust remains a pressing issue, and the articulation of well defined and measurable outcomes and milestones is essential to assess performance

- Decisions on project funding should be based on a risk management strategy so as to maximise public benefit

- There is a need to better integrate the setting of government priorities for program funding with local initiatives in the selection of individual projects.[52]

Many of these issues have been taken up and are reported upon in the remainder of the Report.

4.8   Working with complexity

It is our view that the Natural Heritage Trust planning, organization and delivery framework is still in a development stage. It works very well at the policy and senior management levels through what is effectively a joint a joint venture arrangement. However, delivery is a very large and complex effort. The size of the effort and complexity in delivery was probably not appreciated when the Trust commenced.

Organisational complexity is not a problem of itself. Public and private sector experience demonstrates that the best way to manage and work with complex program arrangements is through disaggregation – by achieving consistency and conformity at the delivery end. Excessive efforts to achieve policy, program and administrative consistency through restructuring can result in a high degree of central control and a consequent loss of flexibility in management and administration.

The Natural Heritage Trust agreements set up a very complex system of administration in a very short time. The importance of management structures to support team-based and collaborative arrangements was possibly not appreciated. The problems encountered in delivery suggest that more integration in the delivery and support might be needed. There is also a greater role for internal communication *within* the "virtual" organization of the Natural Heritage Trust and developing the informal networks that are so important to effective delivery.

Recent OECD research suggests that:

- Although public administration is too multi faceted for mutual consistency to be achieved in practice there are "spheres" of coherence, each with its own internal logic, reflecting a different dimension to a particular issue - as is reflected in the Natural Heritage Trust strategic categories and collaboration at the delivery level with the Landcare network

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[52] Ibid, p. 368-9.

- Good public administration is less a question of avoiding contradiction than one of managing it – although teams can address interagency and intergovernmental issues, they must still be managed through a form of executive leadership: there must be a "captain" who makes the final decision.

- Efforts to improve systems should remain centred on the notion of coherence as a guiding principle to promote outcomes such as strategic direction and consistency

In the view of the OECD, there is a need for:

- Strong strategic capacity at the centre

- A high level of organizational flexibility

- Communication systems and guidelines that are clear and easily comprehended as to purpose, activity and expectation

- Effective information gathering and processing systems

If contradictory decisions are made, they must be made lucidly, deliberately and on the basis of information and analysis.

These observations are particularly relevant to the Natural Heritage Trust. We have argued that there is a need to continually promote the strategic focus of the Trust by developing the five "strategically developed environmental packages as the basis for Natural Heritage Trust investment.

The organisational flexibility that has been established by the working arrangements between the policy and senior levels of Environment Australia and Agriculture, Fisheries and Forestry Australia does not, however, translate to the program areas where there are sharp demarcations and territory protection between and within the two agencies. This will always occur, even within agencies.

The important issue is that these boundary-protecting characteristics of organisational behaviour do not impact on delivery. This issue will be addressed in Chapter 5, where we argue the case for organisational integration at the delivery level. The need for clear communications and guidelines is also addressed in later Chapters, as is the need for effective information collection and processing systems.

One of the most complex issues in the administration of the Trust is integrating Natural Heritage Trust strategy with program delivery arrangements. This is addressed below.

4.9 Integrating Natural Heritage Trust strategy with program delivery

While strategic directions for each individual program are set out in Partnership Agreements, Memoranda of Understanding and Funding Guidelines, it has been left up to Program staff, State Agencies, Natural Heritage Trust Units, State Assessment Panels and Regional Assessment Panels to interpret and apply these.

A dilemma for the Natural Heritage Trust delivery framework is that "top down" strategic approaches must be balanced with "bottom up" community based

commitment that is essential for effective delivery. A way of thinking about this issue is to clearly differentiate between:

- Programs that have policy, research and science orientation, where the main focus of program efforts is to identify and analyse problems and issues related to the purpose of the Natural Heritage Trust and to inform planning, decision making and delivery arrangements

- Programs that have a community orientation, where the main focus of program effort is on capacity building and delivery of "on ground" projects.

Quite clearly, the Natural Heritage Trust must address both dimensions. It is recognised that regional approaches to planning and decision-making will facilitate this.

The characteristics of the two dimensions can be represented in a matrix – for

Natural Heritage Trust: Relatonships Between Strategy and Delivery

High

Top down, science based approaches. Commissioned studies based on firm policies and agreed strategies

Strategic, regionally based approaches. Combine technical (science) input with community commitment

Traditional grants approach Funding for "good causes",

Bottom up, community approaches. Capacity building and on-ground capital works

Orientation towards policy, research and science

Low   High

Orientation towards community delivery

example:

A number of programs within the Natural Heritage Trust reflect both approaches. There is also, a difference between program intention and perception. For example, the increased emphasis of Landcare on on-ground projects and the strategic focus of the National Vegetation Initiative has not been well understood in the community,

Moreover, while the Natural Heritage Trust has a framework for regional assessment, it relies on the States for regional planning *and delivery* infrastructure through catchment management approaches. The capacity of this infrastructure to deliver Natural Heritage Trust outcomes varies among the States.

Our indicative perceptions of where the current Natural Heritage Trust programs lie on this matrix is summarised below.

Natural Heritage Trust: Program Orientation

High

National Land and Water
Resources Audit

Feral Animals

National Reserve System

Regional Planning and delivery
Organisations (Not Funded)

MD2001

National Vegetation
Initiative (Bushcare)

Orientation towards policy,
research and science

Coasts and Clean Seas
Initiative

Waterwatch

Landcare, Rivercare

Low

High

Orientation towards community delivery

We have argued elsewhere in this Report that effective planning and delivery on a regional basis will require appropriate and continuing support infrastructure and an appreciation of the inter-relationship between national policies, priorities and strategies and community commitment. It is an *integration effort* that places a high level of expectation on Natural Heritage Trust facilitators and coordinators operating at a local and regional level.

The capacity to integrate strategic direction and delivery is made difficult by the complexity created by the large number of Natural Heritage Trust programs. While the separate logic of programs might be well understood at a policy level, the distinctions make little sense at the regional planning and delivery. For example, depending on how an application was presented, Landcare, Rivercare, Bushcare, and Coastcare might support the same riparian repair and conservation project.

Notwithstanding the ability to work with complexity under certain circumstances, we are of the view that the program structure of the Natural Heritage Trust is too complex for efficient and effective management and delivery. *To the greatest extent possible, programs should focus on the problems being addressed, not the mechanisms of funding.* This issue is addressed below.

4.10   Revising the program structure

In its Report on the Natural Heritage Trust, the Senate Committee indicated that there were too many programs to fall under the umbrella of the Natural Heritage Trust. The Committee also wanted the objectives of the five strategic packages to be set out in legislation.

In response to the Committee's Report, the Government referred the Senate to Senator Hill's Statement *Investing in Our Natural and Cultural Heritage* in which he said "we will develop integrated approaches to minimize the number of separate programs and consequent paper warfare."

The Government agreed that administrative processes should be streamlined and indicated that it was undertaking a consultation process with States/Territories, community and non-government organization representatives on proposed management arrangements for Trust programs. The Government also stated that:

> The aim is to ensure that delivery of programs is organized so as to ensure that natural resource management, sustainable agriculture and nature conservation programs are complementary; that the interface between these programs and the community is straightforward; and that public funding is directed to catalytic, strategic investments in natural capital with clearly identified and measurable outcomes

> The aim is to have the streamlined arrangements in place so that projects can be funded in the 1997-98 financial year, recognizing that a lead time of some six months is needed for such grants (sic) programs between the time applications are sought and announcements of funding are made by Ministers.

> One of the principles which will underpin the delivery of the Natural Heritage Trust package is that, as far as practicable, interaction between local communities and government bureaucracies in relation to Trust

programs should be simple, readily understood and based on the "one-stop-shop" concept.[53]

Progress in implementing these aims and principles has faltered. The Natural Heritage Trust started with 17 programs – there are now 21.

This multiplicity of programs gives rise to a number if difficulties –

- The generation of extensive documentation regarding purpose, etc

- A tendency to rely very heavily on documentation as a form of communication

- Placing pressure on Natural Heritage Trust facilitators and program facilitators – tendency for role demarcation

- A high probability that Regional Assessment Panels and facilitators are not aware of what is required/expected under each program and the difference between them.

As indicated, the focus on individual programs has detracted attention from the overarching capital investment focus of the Natural Heritage Trust. It also adds to the cost of administration and introduces some aberrant behaviour in that proponents adjust their applications to suit a set of program criteria rather than concentrating on developing a good "business case".

From an investment program point of view, there are too many products. While some segmentation is appropriate for policy, management and administration purposes, it must be also directed at "client/customer needs". *It is apparent that several programs can address the same need*. This is because programs tend to be designed from the top down – rather than from the point of view of the problem to be addressed.

From a management point of view, it makes no sense for the Natural Heritage Trust to accommodate the large number of outcomes and performance indicators that are specified in all the agreements. However, the funding guidelines and outcome statements of 21 separate programs support this situation.

It has been an objective of government for many years to broaden the base of programs and to ensure that multiple constituencies are served. It is often necessary, however, to ensure that the needs of particular constituencies are addressed within programs by specific actions, initiatives and defined outcomes. The creation of separate programs, however, gives rise to fragmentation of effort, duplication, "turf battles", confusion and inefficiency.

Of particular concern is the large number of small projects that are supported by the Natural Heritage Trust. Information provided in Appendix 1 indicates that over the four years the Trust has been in operation, nearly 8,000 projects have been approved, involving an expenditure of $537m. The average project size is $67, 700. For projects allocated to community groups, there have been 3,464 projects entailing an approval of $120.25m. The average project size is $34,710.

The coverage of projects in this way may not be able to tackle the problems that the Natural Heritage Trust was set up to address. Dryland salinity is, for example, a serious national problem that requires integrated, regional approaches with a combination of "bottom up" commitment and "top down

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[53] Senator Campbell, Senate, 5 December 1996.

technical and scientific strategic direction and input. A conscious effort is being made within Bushcare to increase the size of projects with greater strategic input.

Regional approaches are embedded in the Partnership Agreements and Ministers are seeking large projects. However, the present program structure of the Natural Heritage Trust militates against these approaches being implemented.

In our view, fewer, more explicitly defined "programs" would be desirable. The programs should be defined around clear strategic directions and priorities, performance outcomes, rather than funding purposes. The redefinition of the program structure should also have regard to:

▪ Reinforcing and clarifying the relationship between Landcare and the "capital" programs

▪ Ensuring that programs are intended for investment in natural capital – with a return relating to redressing land degradation, environment protection and related results.

Recommendation

13. **The number of programs financed by the Natural Heritage Trust be reduced. Desirably, there should be one investment program for each of the "strategic environmental packages" defined in Natural Heritage Trust documentation**

A clear focus on the relationship between the Natural Heritage Trust and Programs will allow for the development of a more strategic focus. Issues in this connection are addressed below.

4.11 Towards a more strategic approach to Natural Heritage Trust investment

Greater commitment to and association with the Natural Heritage Trust goals and objectives can be achieved through the process of strategic planning at all levels – Corporate (Natural Heritage Trust), Program and Delivery, the wide dissemination of the plans and ensuring that plans reflect the purpose, goals and objectives of the Natural Heritage Trust.

The different functions of strategic planning at the Natural Heritage Trust, Program and Implementation levels are illustrated below.

Strategic Planning level	Natural Heritage Trust	Program	Delivery
Planning Issue	The overall strategic directions and objectives that are be followed in each of the Natural Heritage Trust "Strategic Investment " areas	Interpretation of Natural Heritage Trust objectives into specific program outcomes	Decision making and resource allocation in relation to specific projects within the Program parameters

Strategic Planning level	Natural Heritage Trust	Program	Delivery
Planning Focus	Determining what the Natural Heritage Trust ought to be doing and can do within a given time frame Setting investment criteria and parameters Identifying the resource allocations and controls that will be required.	Translation of Natural Heritage Trust initiatives into specific programs plans Incorporation of the strategic framework into ongoing programs Quantification of financial and resource budgets over a one to three year period	Linking annual budgets to specific responsibilities and activities Determining quantifiable performance measures Ensuring the efficient allocation of financial, staffing and physical resources.
Planning Outputs	Identification of specific roles and responsibilities Establishment of corporate level objectives Identification of key corporate strategies and initiatives A mechanism for monitoring progress.	Input into regional planning strategies Divisional/functional support plans Program budgets; Quantified program performance measures.	Project Plans. Work Plans. Milestones to assess performance, Instrument for project management

We consider it important for a *Natural Heritage Trust Strategic Plan* to be updated on an annual basis in the light of performance and achievement as well as changing situations and circumstances. The Natural Heritage Trust Strategic Plan would set the framework for each program plan and ensure that they were mutually consistent and reinforcing. The Natural Heritage Ministerial Board would sign-off the Natural Heritage Trust Strategic Plan.

There has not been a commitment within Environment Australia or Agriculture, Forestry and Fisheries Australia to develop strategic directions and focus for the five "strategic investment packages" identified by Ministers when the Trust was established. As indicated elsewhere in this Report, the concept of strategic packages has been diluted to "funding themes" – reinforcing the input focus of the Natural Heritage Trust.

Recommendation

14. **Environment Australia and Agriculture, Forestry and Fisheries Australia commit to preparing and widely disseminating a *Natural Heritage Trust Strategic Plan* based on the five strategic environmental packages identified for the Natural Heritage Trust Reserve: Biodiversity; Coasts Oceans; Land; National Vegetation Initiative (Bushcare); Rivers.**

The development of a strategic plan around the Natural Heritage Trust investment strategies is essential. Unless there is a commitment to this process, the Natural Heritage Trust will not be remembered or distinguished, from previous large Commonwealth spending initiatives that merely provided "financial assistance" or "grants" for eligible purposes".

The Natural Heritage Trust Strategic Plan should be concerned with the particular strategic directions that are to be followed and how individual program and sub program areas should be directed towards achieving those objectives.

A number of *individual programs* are now being designed around clear *investment strategies* set out in Strategic Plans. Some of these Plans are generally well developed and provide clear statements and directions about investment intentions and outcomes. Significantly, however, a number of plans make only passing, or no, reference to the Natural Heritage Trust.

Strategic Plans for each Program can provide information to Natural Heritage Trust Units, State Agencies and other program managers about the purpose of programs and what they are intended to achieve. To this end, they should be widely disseminated and easily accessible. They should be available at the time proposals for Natural Heritage Trust investments are sought.

Recommendation

15. The Strategic Plans of the Programs that constitute the Natural Heritage Trust contain clear statements about how the program links and contributes to the over-arching purpose, goals, objectives and investment strategies of the Natural Heritage Trust.

Chapter 5: Commonwealth roles and responsibilities in the administration of the Natural Heritage Trust

This Part of the Report represents a "management and organization review" of the Natural Heritage Trust Administration. It addresses the following specific matters in the Terms of Reference:

- Evaluate the Administration of the Natural Heritage Trust

- Make recommendations for any improvements in the administration of the Trust . . .for its future years

- The role and contribution of advisory committees, including program advisory committees and the Natural Heritage Trust Advisory Committee

The Review is undertaken in the context of a "virtual" organization described in Chapter 1 of the Report. A representation of a management and organisational framework, albeit "virtual", provides a framework for addressing the specific issues raised in the project brief.

5.1   Overview

In establishing the administrative arrangements for the Natural Heritage Trust Ministers made it clear that they wanted integrated delivery by two portfolios. A program had not been delivered in this way before and represented a challenge for the agencies concerned.

It was believed that a single management model could not address the wide range of activities – in both scale and scope. The Landcare model was adopted for delivery. It had the attraction that it was already in place and the environmental protection was seen as a logical extension of Landcare strategies.

The Natural Heritage Trust provided a framework for strengthening and maintaining effective working relationship between two ministries with potentially diverse interests

- Environment Australia - environment protection – with linkages to conservation movement

- Agriculture, Forestry and Fisheries Australia – natural resource management and sustainable agricultural production – with linkages to agricultural sector

The two departments shared a common interest in integrated natural resource management. Within Agriculture, Forestry and Fisheries Australia the Natural Heritage Trust initiative has been useful for developing sustainable agriculture linkages with the industry/commodity divisions.

Implementation took place in a context of tension between development and conservation interests and competition to be the lead agency on land management issues. A failsafe mechanism was needed for dialogue and so that senior management in both departments could be involved to keep matters on track.

A mechanism was needed to provide systems to address new issues and a framework for operations that allowed groups to be set up to achieve planning and implementation outcomes. These matters were provided for in a memorandum of understanding between the two agencies.

Agreement between the two Departments was made easier because there was no argument over money: the two Ministers agreed at an early stage that Natural Heritage Trust funds would be divided equally between their two respective portfolios

As a "virtual" organization, arrangements for Commonwealth Administration are complex. The virtual structure can be defined in the following terms:

- **Executive Management**: the Ministerial Board, Advisory Board, Ministerial Advisers

- **Corporate Management**: Secretaries and Deputy Secretaries of Agriculture, Fisheries and Forestry Australia and Environment Australia - covered by a Memorandum of Understanding

- **Program (line) Management**: branches, sections, units, in Agriculture, Fisheries and Forestry Australia and Environment Australia

- **"Front line" Managers**: liaison staff, Natural Heritage Trust facilitators

- **Program support**: policy development and review, communication, education, awareness, publications, research, analysis, commissioned studies, "science input"

- **Housekeeping**: finance – payments, acquittals, tracking and monitoring

These structural arrangements can be represented as follows.

Administration of the Natural Heritage Trust - Commonwealth Arrangements
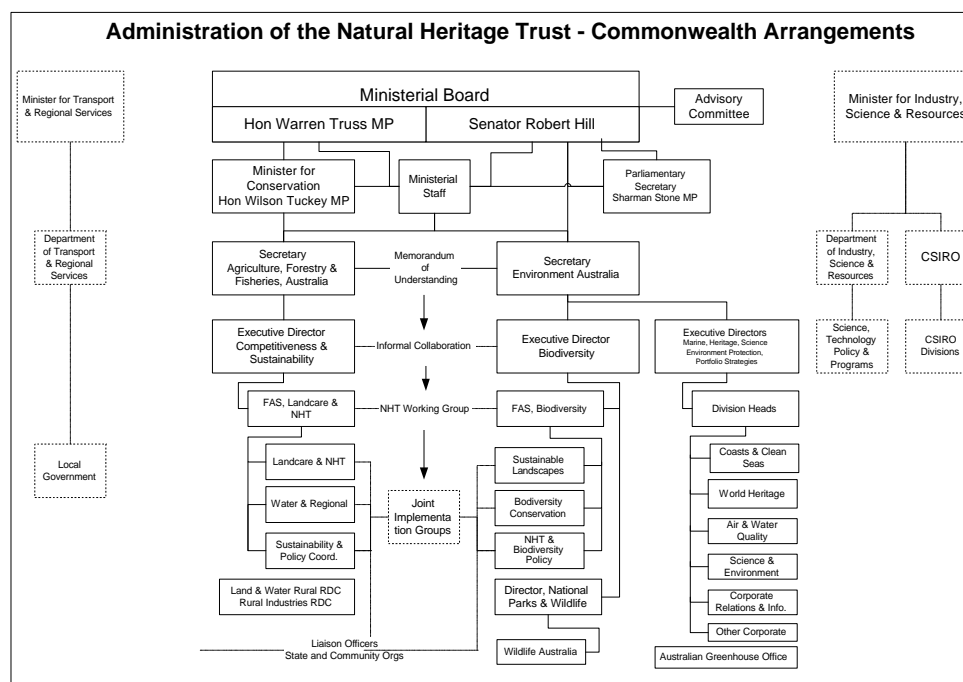
Comments, observations and recommendations in relation to the administrative structure are provided below.

5.2   The Natural Heritage Ministerial Board

5.2.1   Roles and responsibilities

The legislation provides that the Natural Heritage Trust Ministerial Board is a forum in which the Ministers for Environment and Heritage and Agriculture, Fisheries and Forestry are to consult with each other on all matters relating to the Reserve – including decisions in relation to:

- Proposals to spend money

- Investments

- Regulations

The Board is also required to:

- Prepare estimates of expenditure from the Reserve

- Monitor the effectiveness of the administration of the *Natural Heritage Trust of Australia Act* in achieving the primary objectives of the various initiatives

The Ministers may delegate their powers under the Act to:

- The Secretaries of each Department

- The Director of National Parks and Wildlife

- A member of the Senior Executive Service.

The act specifically excludes the power to delegate provisions relating to the functions of the Board and the preparation of estimates.

The Secretary to Environment Australia is the nominated Secretary to the Natural Heritage Ministerial Board.

The Bard has met formally on ten occasions since the Trust was created in June 1997. Meetings tend to be brief and are often cancelled at short notice.

5.2.2   The Minister for Forestry and Conservation

Since late 1998, the Minister for Forestry and Conservation, Hon Wilson Tuckey, as a portfolio Minister in the Agriculture, Fisheries and Forestry Portfolio, has a responsibility for administrative issues in relation to the Agriculture, Fisheries and Forestry Australia programs in the Trust.

5.2.3   Parliamentary Secretary to the Minister for the Environment and Heritage

The Parliamentary Secretary to the Minister for the Environment and Heritage Dr Sharman Stone has, since late 1998, held a number of responsibilities in relation to the administration of the Natural Heritage Trust. These cover monitoring and evaluation, local government and the Natural Heritage Trust, and Training.

Dr Stone has other responsibilities concerned with Bushcare, Dryland Salinity, the local government biodiversity strategy, Greencorps and a number of other issues.

5.2.4 Ministerial staff

Members of the staff of Ministers involved in the administration of the Natural Heritage Trust have an important role in advising the Minister on policy and related issues.

The Natural Heritage Trust communications strategy is managed from the Office of the Minister for the Environment and Heritage, and the Office of the Minister for Agriculture, Fisheries and Forestry, in consultation with the Office of the Minister for Forestry and Conservation.

5.2.5 Corporate governance issues

It is of interest to look at the roles of the Ministerial Board in the context of the governance functions of a corporate Board. According to Hilmer in *Strictly Boardroom* –

> The board's key role is to ensure that corporate management is continuously and effectively striving for above-average performance, taking account of risk. This is not to deny the board's additional role with respect to shareholder [taxpayer] protection.[54]

Hilmer recommends that a Board should clearly define what is meant by above average performance in its particular situation, and in a way that allows for effective monitoring. The extent and type of monitoring "should reflect the strength of the board's reasons for scrutinizing performance on an issue as well as the importance of the issue to the corporation"[55].

The mid term review of Administration and Programs represents the commitment of the Natural Heritage Ministerial Board to assessing the performance of the Trust.

According to Hilmer, Boards should also define their governance roles in five key areas "and in ways that reflect their prime responsibilities for formulating proposals and monitoring implementation in a way that enhances managerial accountability". These areas are:

- *Appointment of a CEO* and human resources issues

- *Strategy and policy* – a focus on review of proposals, with management having the primary duty to formulate and then implement proposals

- *Budgeting and planning* – boards should take a broad and long term view of both targets and results than is usually contained in financial budgets

- *Reporting to shareholders* and regulatory compliance

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[54] Hilmer, F., *Strictly Boardroom: Improving Governance to Enhance Company Performance*, The Business Library: Melbourne.p.33

[55] Ibid. P.71.

▪   *Ensuring own effectiveness* – regular review and assessment of its own performance and that its committee structure and support are appropriate to the task.[56]

With the exception of the first item, the Natural Heritage Ministerial Board undertakes these corporate governance functions. However, it is possible to see the Board in another light – as essentially a Cabinet subcommittee with Ministers jointly exercising responsibilities under legislation.

Interpreting the role of the Natural Heritage Ministerial Board as a Cabinet Subcommittee means that there is little difference between the governance arrangements of the Natural Heritage Trust and a traditional Ministerial Department. It is a situation where two Ministers jointly (and individually) decide on policy matters, including assessment of investment proposals, and the public service in two Departments (Environment Australia and Agriculture, Fisheries and Forestry Australia) implements those policies.

The model of the traditional Departmental framework would be acceptable if it were not for the existence of specific goals, objectives and outcomes contained in legislation and a specification of roles and responsibilities of the Natural Heritage Ministerial Board. The Board has responsibilities that are in many respects greater than the two Ministers acting alone and subsume responsibilities that are commonly within the ambit of the public service.

Moreover, as we have argued in Chapter 2, the *Natural Heritage Trust of Australia Act* creates a responsibility for the Board to manage *The Natural Heritage Trust Reserve* as an *investment program* – a program that invests in natural capital.

While we are comfortable with a notion that the Board makes investments in natural capital through specific programs, as identified in the Partnership Agreements and Memoranda of Understanding, and each with their own program managers, we are not comfortable with the absence of a Program Manager for the Natural Heritage Trust.

In terms of the principles of corporate governance outlined above, the responsibilities of the Natural Heritage Trust Program Manager would be to formulate and implement policies following review and endorsement by the Board. Under the current arrangements the Board itself performs the role of Program manager. *Our view is that it is inappropriate for the Natural Heritage Ministerial Board to be, in effect, holding itself accountable for its own performance.*

There is no mechanism, except for the Board itself, to ensure consistency and conformity in the overall strategy of the Trust and to ensure the effective performance of the Natural Heritage Trust as a whole in achieving the objective to "redress the current decline and prevent further decline, in the quality of Australia's natural environment"[57].

Recommendation

16.   **The Natural Heritage Ministerial Board operate on the basis of accepted principles of corporate governance, covering matters concerned with the review of overall strategy and policy, a focus on review of proposals (with management having the primary duty to**

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[56] Ibid. Pp.72-3

[57] *Natural Heritage Trust of Australia Act*, preamble.

formulate and then implement proposals) and ensuring that corporate management is continuously and effectively striving for above-average performance, taking account of risk

Recommendations concerning the role and function of a CEO are covered in the next Section.

5.2.6   The requirement for a Chief Executive Officer for the Natural Heritage Trust

In a formal organization structure, a CEO is appointed to take overall management responsibility and to provide a linkage between a Board (Executive) and the corporate management team.   The key responsibilities are generally defined to:

- Implement Executive policies and decisions

- Coordinate advice on strategic and policy issues

- Exercise day to day management

- Take overall responsibility for resource allocation

    - Prepare plans, budgets, financial plans, cash flows, running cost requirements

    - Monitor expenditure and match actual expenditure to estimates at least on a month by month basis

    - Report on resource use

The Natural Heritage Ministerial Board performs the functions in the last category, with advice provided by the Natural Heritage Trust Coordination Branch in Environment Australia.

Under current arrangements, however, there is no-one, except the Board itself, to be held accountable for the performance of the Natural Heritage Trust investment strategy in terms of the key criteria underlying a well functioning program - cost, effectiveness, responsiveness, client satisfaction, communication. We consider that this is one of the major shortcomings in the administration of the Natural Heritage Trust and one that permeates through to problems in administration at the delivery end.

The absence of a "core" that provides a unity and sense of overall purpose and direction for the Natural Heritage Trust perpetuates the perception that the Natural Heritage Trust is a "fund" that underwrites a number of independent programs that are going in their own directions. Many of these programs had been established well before the inception of the Trust, and program staff see the main benefit of the Trust as an assurance of continued funding.   Program managers have sought to retain independence – particularly programs in Environment Australia managed outside the Biodiversity Group.

Independence in program management is facilitated by the absence of a corporate centre for the Natural Heritage Trust. In a traditional public service framework a Departmental Secretary/Head of Corporate Services, or the CEO of a statutory authority would perform these functions. The Natural Heritage Ministerial Board, on the advice of the Departments of Agriculture, Fisheries and Forestry Australia and Environment Australia performs these functions.

It has been noted elsewhere in the Report that some program strategic plans do not even mention the Natural Heritage Trust. There is a tendency for program managers to take responsibility for their own programs independently of the overarching purpose of the Natural Heritage Trust. Apart from the Ministers, no-one really "owns" the Natural Heritage Trust.

Independence in program management has advantages from a policy point of view. It allows specific issues to be addressed and constituencies to be satisfied. Unfortunately, when it comes to delivery, separate programs are often targeted at the same problems and people. As argued previously, separate programs also distort resource allocation by limiting capacity for the highest priority projects to be addressed in a region, or between regions.

As indicated, the Secretary to Environment Australia is Secretary to the Natural Heritage Ministerial Board. By virtue of this position, the Secretary exercises Chief Executive responsibilities under the provisions of the *Financial Management and Accountability Act 1997* in relation to Environment Australia programs. The Secretary to Agriculture Fisheries and Forestry - Australia also exercises these responsibilities in relation to programs administered in that Department. There is not a Chief Executive for the Natural Heritage Trust *per se.*

A Memorandum of Understanding handles coordination between the two Departments. This arrangement is discussed below, but it is essentially concerned with process and operational issues: it does not create a major policy or strategic arrangement. As we have emphasised, *there is not a Strategic Plan for the Natural Heritage Trust.*

As we have pointed out in Chapter 5, the Natural Heritage Trust does not have a mechanism to ensure that the strategic plans prepared by each program are mutually consistent and supportive of the Natural Heritage Trust overall strategy. There is no mechanism to sort out the multiplicity of objectives, outcomes and performance indicators contained in individual program statements.

In terms of the current Natural Heritage Trust "virtual organization", there are no CEO responsibilities for the Trust. This has both strengths and weaknesses. It's greatest strength is flexibility – but one of the most significant weaknesses is that it is not transparent to stakeholders and clients who is actually "in charge" of the Natural Heritage Trust. Even "virtual" organizations in the corporate sector, such as global corporations, have a corporate office and a CEO.

The lack of enthusiasm to establish a corporate centre for the Natural Heritage Trust no doubt reflected a concern at the time about the costs of "corporate services" and something being "in the middle" where information flows in and direction flows out – an extension of the familiar command and control (bureaucratic) model that market based and collaborative approaches to organization seek to avoid.

It is now being acknowledged, however, that even "virtual" organizations need a "core" that conveys a sense of essence and purpose. Recent experience also indicates that a core is also essential for conglomerate organizations: it is needed to set the tone and to ensure that all the pieces are in place and working effectively. It is required to add value, not "overhead".[58] Thus, the main role of the core is to:

> . . . create the incremental value above and beyond what the businesses [programs] can do on their own. It should be based on the strategy of why the particular pieces are put together in the first place.

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[58] Ibid. pp. 148-9.

> This is a very dynamic and positive role and one that, if done right, should be recognized as positive throughout the corporation. It is also a role that should be mandated by effective boards.[59]

Experience also indicates that the role of the core is a significant one and is regarded as the cornerstone of the centreless or virtual organization. If the core fails, however, the essential purpose of the organization is difficult, if not impossible to achieve. While the role is large, it is not bulky. In private sector corporations the core consists of a CEO, direct reports and requisite supporting activities.

The Natural Heritage Trust communications strategy, directed out of the Minister's Office, has endeavoured to create a unified message with some success. But in our view, a stronger management and leadership commitment is required.

The continuing success of the Natural Heritage Trust is likely to be assured with recognition of a need for a "core" set of activities managed by a CEO.

Recommendation:

17.   A Chief Executive Officer be appointed to manage the "core" activities of the Natural Heritage Trust. The main role of the CEO should be to convey the sense of purpose of the Natural Heritage Trust and ensure that the strategies of individual programs are mutually consistent and support the objectives and strategies of the Natural Heritage Trust. The corporate "core" should also include the Natural Heritage Trust communications and awareness strategy.

5.3   The Natural Heritage Trust Advisory Committee

The Natural Heritage Trust Advisory Committee is established under the *Natural Heritage Trust of Australia Act* to:

- Advise the Natural Heritage Ministerial Board about the integration of objectives of environmental protection, natural resource management and sustainable agriculture

- Advise the Board about the effectiveness of Partnership and other agreements with the States in achieving integrated outcomes for the operation of the Reserve

- Advise the Board on other matters when requested.

The committee must consist of a chair and between five and nine other members. Five members must have a specialisation in:

- Biodiversity conservation - Professor Roger Kitching, Chair, Australian Biological Diversity Advisory Council

- Land and/or water management - Mr Bruce Lloyd, Chair, Australian Landcare Council

- Native vegetation sciences - Dr Nigel Montieth, Chair, Council for Sustainable Vegetation Management

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[59] Ibid. p. 149

- River and/or wetland ecology – vacant

- Coastal and/or marine systems - Ms Diane Tarte, Executive Officer, Australian Marine Conservation Society

- Also Dr Roy Green - Chair, National Land and Water Resources Audit Advisory Council.

In application and operation, the functions of the Advisory Committee are not clear. [60] They are evolving over time and importance in relation to functions. The Committee has had a major role in the Mid Term Review of the Natural Heritage Trust.

The Committee does not have a budget or dedicated staff support. Nonetheless, the Committee membership has the capacity and potential to make a major contribution to the development of an integrated approach to natural resource management, environmental protection, and sustainable agriculture.

The Committee membership, reflecting knowledge and expertise in the five strategic areas of the Natural Heritage Trust (Land, Vegetation, Rivers, Biodiversity and Coasts and Oceans) is in a unique position to propose innovative and integrated policies and programs in each of these areas.

As the Natural Heritage Trust has a purpose to work in partnership with all levels of government, we consider it appropriate for people with knowledge and experience in natural resource management issues at the state and local government level to be included on the Advisory Committee.

To ensure that the partnership is fully reflected in the Advisory Committee, as well as ensuring consistency in approach with other advisory intergovernmental bodies, the Committee should also invite people in the following positions to become members of the Natural Heritage Trust Advisory Committee:

- The Chair of the Sustainable Land and Water Resources Management Committee of the Standing Committee on Agriculture and Resource Management

- The Chair of the Standing Committee on Conservation of the Australia and New Zealand Environment and Conservation Council.

- The Chief Executive of the Australian Local Government Association.

The current Advisory Committee membership has a predominance of public policy and research involvement. Consistent with the objectives of the Natural Heritage Trust in relation to encouraging industry investment, we consider that the Committee should include representation from a peak industry body. We are aware that the Australian Chamber of Commerce and Industry is involved in addressing matters of ecologically sustainable development and should be encouraged continue in that role by membership of the Advisory Committee.

Recommendation

18.   The membership of the Natural Heritage Trust Advisory Committee be extended to include the Chairs of Sustainable Land and Water Resources Management Committee and the Standing Committee on

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[60] We were advised at an early stage in the Review that Members of the Advisory Committee did not wish to have discussions with the Review Team.

Conservation and representatives of the Australian Local Government Association and Australian Chamber of Commerce and Industry.

19. **The Committee take a responsibility for advising the Natural Heritage Ministerial Board on development of integrated strategies in the five Natural Heritage Trust strategic environmental areas**

5.4 Program advisory committees

The Natural Heritage Trust Programs have access to a number of Policy and Program Advisory Committees. These include:

▪ The Sustainable Land and Water Resources management Committees of the Standing Committee of Agriculture and Resource Management (the officers committee of the Agriculture and Resource Management Council of Australia and New Zealand)

▪ The Standing Committee on Conservation (the officers Committee of the Australia and New Zealand Environment and Conservation Council)

▪ The Council for Sustainable Vegetation Management

▪ The Australian Landcare Council

▪ The Biodiversity Advisory Committee

▪ The Intergovernmental Coastal Reference Group.

There are in addition a number of consultative and interest groups that provide policy input into natural resource management, environmental protection and sustainable agriculture.

The Constitution and functioning of the Committees is set out in Attachment C.

Program managers have established and ongoing dialogue with industry representative bodies.

5.5   Corporate management

The Natural Heritage Trust is managed within Agriculture, Fisheries and Forestry Australia and Environment Australia. The management arrangements with each Department differ in terms of both structure and staffing. The "corporate structure" for the Natural Heritage Trust is, in effect, a collaborative arrangement between the two agencies.

The arrangements for collaboration are set out in a Memorandum of Understanding and working groups. As the title suggests, these are operational rather than strategic in nature.

The structural and operational arrangements are outlined in the following Sections.

5.5.1   Organizational arrangements

Arrangements of the delivery of Natural Heritage Trust programs in Environment Australia are located throughout the Department.   The main focus is, however, in the Biodiversity Group. The management structures in the Group are outlined in the chart below. Staffing levels are also indicated.
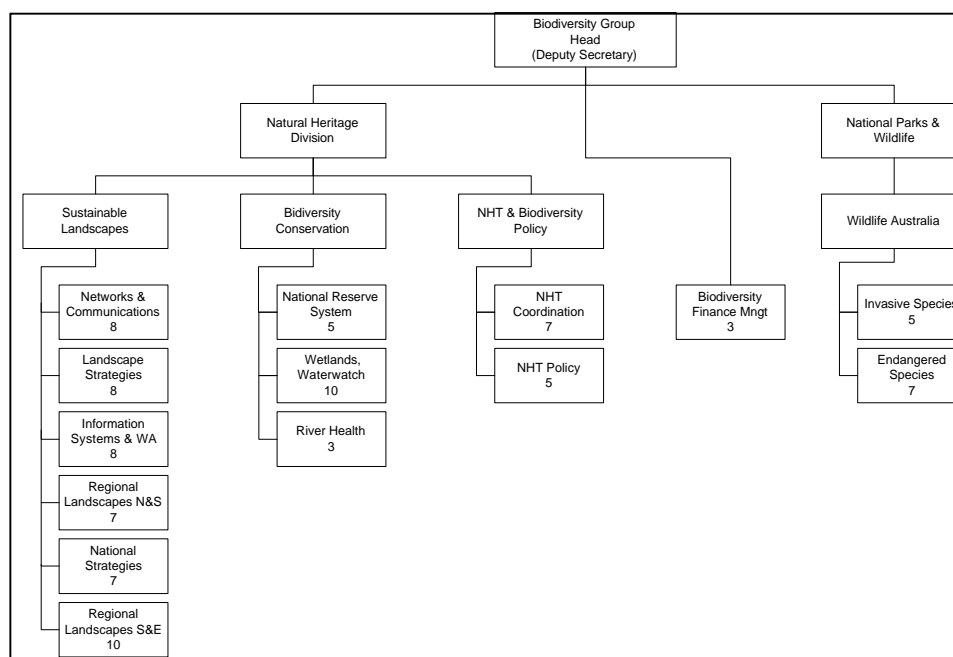
Other Natural Heritage Trust program management responsibilities are undertaken in the following Groups

- Marine: Coasts and Clean Seas

- Heritage: World Heritage

- Environmental Protection: Air and Water quality

- Science: Riverworks Tasmania

- Portfolio Strategies: Communications, Evaluation, Payments

Natural Heritage Trust management arrangements in Agriculture, Fisheries and Forestry Australia are located in the Natural Resource Policy Division. The current structure is as follows:
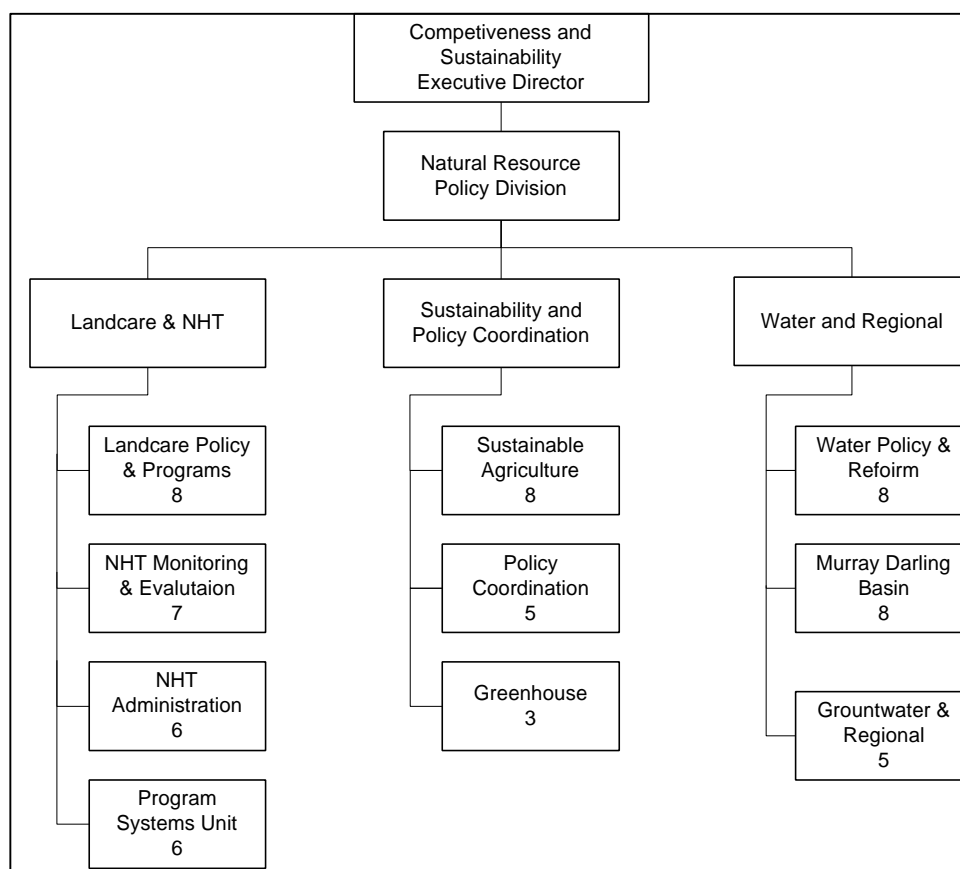
The identification of staffing levels in the structure does not imply that people are engaged full time on Natural Heritage Trust matters.

Management responsibilities for other programs are undertaken in the following Groups

- Bureau of Rural Sciences: Invasive species

- Fisheries and Forestry Industries Division: Fisheries Action, Farm Forestry

- Rural Programs and Community Division - Farmbiz

5.5.2 The AFFA-EA Memorandum of Understanding

A Memorandum of understanding between Environment Australia and Agriculture, Fisheries and Forestry Australia establishes agreed consultation and issue resolution procedures and an administrative framework for the Natural Heritage Trust.

The Memorandum of Understanding specifies arrangements in three areas

- Roles and responsibilities

- Frequency of consultation

▪   Framework for cooperation through specific issue implementation groups chaired at Assistant Secretary level

Higher-level consultation at First Assistant Secretary level occurs through a Natural Heritage Trust Working Group.

The Memorandum of Understanding recognizes that for Agriculture, Fisheries and Forestry Australia and Environment Australia, specific roles and responsibilities are set out in the Administrative Arrangements Order and related legislation. No separate structure for the Natural Heritage Trust was seen as necessary at the time.

The Memorandum of Understanding provides that Departmental Secretaries meet at least twice each year "to review progress on all programs funded under the Natural Heritage Trust and to resolve issues referred to them".

According to departmental advisers, the Memorandum of Understanding approach is "consistent with current management theory" in that "the Natural Heritage Trust operates on a task force approach pulling together resources to achieve outcomes as required"[61]

This is, however, only one element of the picture. There is a wide variety of parameters that are needed for the taskforce/team approach to work effectively. This issue is canvassed in Attachment H`. In particular, current management theory also stresses the need for balance between teams and strong executive leadership.

The Memorandum of Understanding arrangements are depicted in the following chart.

Administering the Natural Heritage of Australia Act 1997
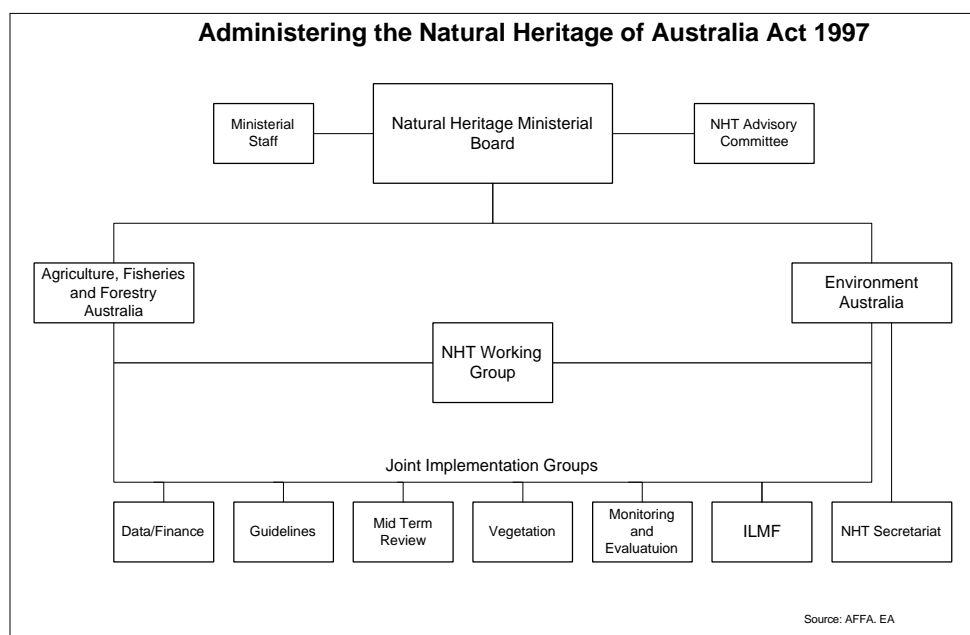
The Memorandum of Understanding addresses operational matters concerned with program funding and administration arrangements. It does not address

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[61] Papers provided by AFFA

policy or strategic matters, although the joint working groups to endeavour to achieve consistency in direction among programs between the two Departments.

At the administrative and process level, the evidence seems to be that the Memorandum of Understanding works well. There are many matters there are dealt with on a daily basis under the Memorandum of Understanding between the two Departments.

Comments on the structural elements of the Memorandum of Understanding are provided in the following paragraphs.

5.5.3 The Natural Heritage Trust Working Group

The Natural Heritage Trust Working Group is intended to provide overall coordination and direction for policy and program integration to achieve Natural Heritage Trust objectives and the development of joint program delivery arrangements.

The Natural Heritage Trust Working Group is supposed to meet monthly, or on an as needs basis. The First Assistant Secretary of Environment Australia and Agriculture, Fisheries and Forestry Australia responsible for Natural Heritage Trust implementation would chair the Group alternatively.

The Natural Heritage Trust Working Group can delegate specific tasks to Joint Implementation Groups. This was expected to include coordinating evaluation and review of Natural Heritage Trust initiatives – including the Partnership Agreements and the One-Stop Shop.

The Natural Heritage Trust Working Group has not met regularly. We were advised that issues have been resolved as they arise.

5.5.4 Joint Implementation Groups

Joint Implementation Groups have been established to take responsibility for the detail of:

- Development, management and review of particular policy and program areas where both participants are significantly involved

- Development and implementation of appropriate mechanisms where a high degree of coordination is required – eg

    - One-Stop-Shop arrangements

    - Public relations and communications activities about the Natural Heritage Trust or its delivery arrangements

Joint Implementation Groups are chaired by relevant Assistant Secretaries in Environment Australia or Agriculture, Fisheries and Forestry Australia. They meet monthly or on an as needs basis and report to the Natural Heritage Trust Working Group meetings.

Joint Implementation Groups provide basis for preparation of inter-agency projects through Memoranda.

5.5.5 The Natural Heritage Trust secretariat and administrative support

Administrative and policy support for Natural Heritage Trust administration and management activities is provided in:

- The Administration and Program Systems Sections of Agriculture, Fisheries and Forestry Australia

- The Natural Heritage Trust Coordination and Natural Heritage Trust Policy Sections of the Biodiversity Group in Environment Australia

- The Biodiversity Financial Management Unit in Environment Australia.

These units undertake financial management, management information, communication, and evaluation and monitoring activities. They also have a role in ministerial correspondence.

A total of 34 people are involved in these sections.

Communication and awareness in Environment Australia is undertaken in the Corporate Management Division.

The development of efficient administrative arrangements for the Natural Heritage Trust required the development of an effective framework of interaction among the following:

- The Finance and Natural Heritage Trust administration units *within* Environment Australia and Agriculture, Fisheries and Forestry Australia

- The Natural Heritage Trust program and administration areas *between* Environment Australia and Agriculture, Fisheries and Forestry Australia

- The administration and finance areas of Environment Australia and Agriculture, Fisheries and Forestry Australia and the Natural Heritage Trust Coordination Units in the State Lead Agencies

- The State Natural Heritage Trust Units and delivery agencies (much easier if all delivery responsibilities in the Lead Agency)

- The program and finance areas of Environment Australia and Agriculture, Fisheries and Forestry Australia for programs covered by the Coasts and Clean Seas Memoranda of Understanding.

While some of the arrangements were already in place, through the Landcare arrangements, the scaling up of activity, as well as the change in direction of a number of programs, created a major administrative challenge.

Some particular problems in relation to the administration of the Natural Heritage Trust have been encountered in:

- The absence of management information and reporting systems

- New financial systems being implemented and applications developed in context of other policies and programs (Environment Australia has been introducing a new SAP system)

- Different systems between Environment Australia and Agriculture, Fisheries and Forestry Australia

- The need for staff to be recruited and trained

We are of the view that considerable economies could be achieved by bringing responsibility for administrative support for the Natural Heritage Trust into a single management unit. This would provide a basis for achieving greater consistency and uniformity in administrative and financial processes and a single "window" with the State Natural Heritage Trust Units.

A single unit would also provide a basis for the development of a more strategic role for the Trust as well as assisting in the continuing development of an integrating corporate culture between Environment Australia and Agriculture, Fisheries and Forestry Australia.

A major function of the Unit would be to review the Natural Heritage Trust Program Strategic Plans to ensure consistency and conformity with the overarching objectives of the Natural Heritage Trust and provide a basis for effective monitoring and evaluation of outcomes.

The Unit would report directly to the proposed Chief Executive of the Natural Heritage Trust.

Recommendation:

20.   The Natural Heritage Trust administrative support units in Environment Australia and Agriculture, Fisheries and Forestry Australia be integrated into a single Natural Heritage Trust Management Unit under a single management structure.

21.   The Support Unit adopt a strategic role in advising the proposed Chief Executive and the Board on the consistency of Program Strategies in delivering Natural Heritage Trust purpose and outcomes

22.   The Support Unit have a responsibility for managing Natural Heritage Trust communications and awareness strategy in collaboration with Program managers.

5.6   Program management

From an administrative and organizational perspective, the essential responsibilities of program management fall in three areas. These are:

- Strategy development

    - Establishing objectives and priorities

    - Working with regional bodies to develop regional strategies – especially across boarders and to national strategies

    - Devising operational plans

- Managing internal components

    - Responsibility for organizing and staffing

- Directing people and the personnel management system

- Managing and controlling performance

▪ Managing external constituencies

- Dealing with Natural Heritage Trust delivery agencies, including State agencies and community organizations

- Dealing with policy advisory and advocacy organizations

- Dealing with the press and public

With so many Natural Heritage Trust programs, implementation of these tasks on a consistent and coherent basis can be difficult.

5.6.1 Strategy development

The importance of Strategic Plans as integrating elements in the Natural Heritage Trust has been addressed earlier in the Report.

Strategy development and implementation is a fundamental role of program managers. A Strategic Plan is the basis on which program, and management, performance should be assessed. Outcome statements and performance indicators included in plans are the means by which achievement is reviewed and performance appraised.

The Review team was provided with Strategic Plans for nearly all Natural Heritage Trust Programs. The Plans are of varying quality as to scope and the identification of performance indicators. We have provided information on the content of the Program Strategic Plans in Chapter 4.

5.6.2 Internal management

The Natural Heritage Ministerial Board agreed to a resourcing provision for the administration of the Natural Heritage Trust based on average staffing levels (ASL) as a contribution to departmental expenses. Resourcing is not based on financing specific or ongoing administrative functions.

ASL is calculated on the basis of salary cost for a mid-level manager and an addition for related employment costs and contribution to corporate overheads. The ASL calculation is slightly different for Environment Australia and Agriculture, Fisheries and Forestry Australia.

There is no requirement for ASL resourcing to be allocated to employment costs. It can be allocated to contractors, purchases, travel, or any virtually any purpose decided by Departmental Managers. It may be used for policy development, research as well as program delivery. Following the allocation of ASL funds there is no mechanism for ensuring that this is actually spent on Natural Heritage Trust programs.

The provision of ASL funds is in effect a subsidy to Departmental departmental expenses. Departments may decide to supplement the ASL provision for Natural Heritage Trust purposes, or underspend with a plan for later projects.

The allocation of ASL from the Natural Heritage Trust of Australia Reserve, on an average annual basis is[62]:

▪ Environment Australia: $9.2m, (99.5 ASL; 93.1 in 1998-99)

▪ Agriculture, Fisheries and Forestry Australia $5.8m (60.75 ASL; 55.75 in 1998-99)

Information on ASL allocated to specific programs is provided in the following table.

Table 15: Natural Heritage Trust Forward Estimates: Indicative ASL (Number)

Program	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
Environment Australia						
National Vegetation Initiative	9.0	18.8	22.8	25.8	26.1	26.1
National Land & Water Resources Audit	0.0	0.0	0.0	0.0	0.0	0.0
Coasts and Clean Seas*	0.0	15.0	17.8	18.8	18.5	18.5
Oceans Policy Start-Up**	0.0	0.0	0.0	6.5	0.0	0.0
WHA Management & Upkeep	4.0	4.0	4.0	4.0	4.0	4.0
Air Pollution in Major Cities	8.0	8.0	8.0	8.0	8.0	8.0
Waste Management Awareness	2.5	3.0	3.0	2.5	2.5	2.5
National System of Reserves	5.0	9.0	9.0	9.0	9.0	9.0
Endangered Species Program	4.5	5.5	5.5	2.0	2.0	2.0
National Feral Animal Control Strategy	2.0	2.0	2.0	2.0	2.0	2.0
National Weeds Strategy	1.0	2.0	2.0	2.0	2.0	2.0
National Wetlands Program	3.0	2.0	3.0	9.0	9.0	9.0
Waterwatch	0.0	2.0	3.0	3.0	3.0	3.0
National River Health Program	0.0	1.0	3.0	3.0	3.0	3.0
Tasmanian Water Quality - Riverworks Tasmania	2.0	2.0	2.0	0.0	0.0	0.0
Overarching & Communications Strategy	0.0	0.0	8.0	8.0	8.0	10.4
Total	41.0	74.3	93.1	103.6	97.1	99.5
Agriculture Fisheries and Forestry Australia[63]						
National Landcare			21.0			
Rivercare			5.0			
MD 2001			8.0			
National Land & Water Resources Audit			4.0			
Farm Forestry			4.0			
Fisheries Action			2.0			
Land and water Audit (NFI)			3.0			
National Feral Animal Control			4.0			
Advanced PMP			3.0			
	15.2	42.7	55.7	60.7	60.7	60.7
Total	56.2	117.0	148.8	164.3	157.6	160.3

During the course of the Review there was considerable interest in the reason why the ASL allocation to Environment Australia is 64 percent higher that for Agriculture, Fisheries and Forestry Australia when the funds available from the Natural Heritage of Australia Reserve have been distributed equally between the two Departments. The reasons advanced within Environment Australia include:

▪ The need to develop a delivery network that already existed in Agriculture, Fisheries and Forestry Australia

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[62] Figures sourced to Table 4.

[63] Data only available for current year.

- The assignment of responsibility for the over-arching communications strategy to Environment Australia

- A greater focus in Environment Australia on identifying innovative projects and ensuring that projects meet the Trust objectives and guidelines

- The cost of dealing with a more diverse range of interest and lobby groups.

We note in connection with these comments that the architects of the Natural Heritage Trust Partnership Agreements envisaged that Natural Heritage Trust programs would be delivered through the Landcare One Stop-Shop network. In particular, Landcare would provide the policy and delivery framework for the delivery of remnant vegetation initiatives within Bushcare and riparian initiatives from Rivercare.

It is apparent that the National Vegetation Initiative (Bushcare) has become more strategically focussed, reflected in the current *Bushcare Strategic Plan* and supported by research and commissioned studies[64] reported in a number of important strategy documents (particularly those relating to local government). The implication is that more Environment Australia resources are required to set directions and assist with implementation than is available through the Landcare movement (which is also seen to have its greatest strength in sustainable agriculture). This has given Bushcare a greater "top down" orientation than Landcare.

Agriculture, Forestry and Fisheries Australia has tended to retain a focus on setting a policy framework and encouraging the Landcare movement to undertake implementation. The Department has not retained close contact with the delivery infrastructure for the Landcare program. Over the last three years Bushcare has moved away from the Landcare "bottom up" delivery model and has developed its own delivery infrastructure with a strong environmental protection emphasis.

Given the divergence in policy and strategic direction, there is major challenge to ensure that the front-line delivery mechanisms, through the facilitator and coordinator networks are fully integrated – and working collaboratively and cooperatively. This issue is addressed in some detail in Chapter 7.

5.6.3   Workload

In order to obtain an indication of how staff spend their time, we distributed to all staff involved in the administration of the Natural Heritage Trust in Agriculture, Fisheries and Forestry Australia and Environment Australia a short survey form asking people to allocate their time, on average, among four categories. The categories were:

- Program delivery

- Program support

- "Housekeeping"

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[64] Research and studies are supported within the Bushcare program and from National programs covering biodiversity issues.

▪ Corporate services.

It had been our intention to survey staff in State government departments and agencies associated with the administration of the Natural Heritage Trust. It proved to be impossible to identify, on a consistent basis across States, the number and location of people involved in Natural Heritage Trust activities. .

The results of the survey, presented in terms of proportion of total workload, are summarised below.

Table 16: Estimated Distribution of Staff Workload on Natural Heritage Trust Matters in Environment Australia and Agriculture Fisheries and Forestry - Australia

	AFFA %	EA %	Total %
Project Delivery			
Project Work	2.5	9.5	7.6
Other Project Delivery	0.2	1.9	1.4
Total	2.6	11.3	9.0
Project / Program Support			
Monitoring and Evaluation	12.4	13.8	13.3
Development and Review	7.6	5.4	6.0
Site Inspections	1.1	0.6	0.8
Communications and Awareness	9.6	4.0	5.5
Education and Training	1.1	1.6	1.5
Ministerial Advice and Submissions	13.9	9.7	10.8
Application Processing	4.5	10.6	9.0
Other Project Program Support	7.3	4.8	5.5
Total	57.4	51.5	52.4
Housekeeping Services			
Financial Management and Administration	8.1	9.9	9.4
People Management	0.9	1.7	1.5
Information Management	6.1	7.5	7.2
Other Housekeeping	3.0	2.1	2.3
Total	18.1	21.3	20.4
Corporate Services			
Policy Development	15.7	9.9	11.5
External Monitoring	1.5	0.5	0.8
Resource Allocation, Budgeting	3.0	0.9	1.5
Other Corporate Management	1.7	5.5	4.5
Total Corporate Services	21.9	16.9	18.2
Total for all Activities	100.0	100.0	100.0
Number of Responses	*28*	*77*	*105*

The results of the survey should be regarded as broadly indicative, but they provide a broad confirmation of observed differences in operating arrangements between the two departments. A number of observations can be made:

▪ Approximately 60 percent of Natural Heritage Trust time is spent on activity directly related to the delivery of Natural Heritage Trust programs

▪ Only nine percent of time is spent on actual project work – mainly in Environment Australia

▪ A total of 20 percent of time is spend on "back office" functions (22 percent in Environment Australia and 16 percent in Agriculture, Fisheries and Forestry Australia)

▪ Eleven percent of time in Environment Australia is spent on processing applications, compared with three percent in Agriculture, Fisheries and Forestry Australia

▪   Between the two Departments, eighteen percent of time is spent on "corporate" functions, including 12 percent on "policy development".

The survey data indicated that of the 96 responses, 32 (33 percent) indicated that they spent 100 percent of their time on Natural Heritage Trust work. Of the total responses, 17 percent of the total time is spent on non Natural Heritage Trust activity.

For a program that has a strong delivery focus, we would have expected the time spent on project delivery and project/program support to be much higher than the figures indicate. A benchmark used in the New South Wales government is that back-office and corporate service activities should amount to no more than 20 percent of total costs.

We are also concerned at the significant amount of time allocated to policy development within the time allocated to the Natural Heritage Trust. It is our understanding that the Natural Heritage Trust is concerned with action and on ground activity and that no resources are provided for policy development.

Consistent with the strategic emphasis, we note that Environment Australia program staff participate actively in the project assessment process. This has involved assisting proponents, Regional Assessment Panels and State Assessment Panels prepare project submissions and the State Bid. A description of the process that has been followed for Western Australia for 1999-2000 proposals has been provided by Environment Australia and is summarised below. The full text of the process document is included at Attachment D. Points at which program coordination staff are actively involved are highlighted in italics.

Table 17: Environment Australia Project Assessment Activities

Timing	Task
July-October	*Pre-road show preparation*
October	*Road shows, Natural Heritage Trust seminars, and workshops*
November	*Executive Officer and Regional Assessment Panel Briefing*
December-February	*Assessment panel Formation*
March	Applications Received in State Natural Heritage Trust Administration
March	Technical Assessment
April	*Regional Assessment Panel Briefings*
April-May	Regional Assessment
May	Post Regional Assessment Panel
June	*State Assessment Panel Briefing*
June	State Assessment Panel Meeting
June	Packaging the "State Bid"
June	Endorsement of the State Bid by Ministers
July	*Preparation of the Commonwealth Brief*
August-September	*Commonwealth Minister's Approval*
September	*Letters of Offer*
September	*Announcements*
September	*Financial Agreements*
September October	*Reasons for rejection*
Ongoing	*On going project management*
October	*Annual reports*
October and March	*Natural Heritage Trust Fora*

The processes and procedures for review of investment proposals differ substantially within Environment Australia and between Agriculture, Fisheries and Forestry Australia. While not suggesting that the processes be the same for each

State, we see merit in some form of documentation as a basis for continuity, training, and quality assurance.

The Minister for the Environment and Heritage reviews all recommended proposals for Environment Australia programs – and reviews proposals that were not recommended by Regional Assessment Panels.

Agriculture, Fisheries and Forestry Australia followed similar arrangements to Environment Australia, but following ANAO Report 36, introduced new arrangements based on enhanced program management, improved overall packaging of effort, better risk management and improved monitoring and evaluation.[65]

The new Agriculture, Fisheries and Forestry Australia arrangements involve putting less resources into assessing Natural Heritage Trust project inputs and allocating time to what the Department saw as amore appropriate division of responsibilities between the Commonwealth and the Sates, and in line with the Partnership Agreements. The changes involved:

- New initial advice on all projects for eligibility against program objectives prior to Regional Assessment Panel consideration

- Regional Assessment Panels responsible for management of project development and assessment with Agriculture, Fisheries and Forestry Australia input on an as required basis

- Agriculture, Fisheries and Forestry Australia direct participation in all State Assessment Panel processes

- Introduction of a detailed audit of a selection of new projects, targeting problem areas

- More effort directed towards larger scale regional projects

Agriculture, Fisheries and Forestry Australia notes that the difference in management of their programs and Environment Australia programs is already recognised in the community and in the ANAO Report. It involves elements of "risk management", relating to project size, applicant and work proposed. Reliance is placed on the knowledge and experience of Agriculture Fisheries and Forestry - Australia in assessing the degree of risk.

The Department is also conscious that the approach depends heavily on resource managers at the local and regional level accepting responsibility for identifying problems and developing and implementing solutions. It also means, in our view, moving away from the mindset of the "grants application" process to an approach based on developing sound investment proposals. This issue is addressed in Chapter 9.

It would be desirable, in our view, and from the point of view of the project proponent for Agriculture, Fisheries and Forestry Australia and Environment Australia to adopt, to the greatest extent possible, a consistent approach to assessment of proposals.

Recommendation

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[65] Advice provided by Agriculture, Fisheries and Forestry Australia.

23.   Agriculture, Fisheries and Forestry Australia and Environment Australia work towards adopting a consistent approach to the assessment of project proposals.

We have made suggestions and recommendations for change and improvement in Chapter 9.

5.6.4   External relationships

Agriculture, Fisheries and Forestry Australia and Environment Australia appoint Team Leaders for each State for One-Stop Shop programs. This gives a total of 16 between the two departments. Team leaders provide the contact point for Natural Heritage Trust programs. There are separate arrangements for the Coasts and Clean Seas programs.

Environment Australia Team leaders attend Regional Assessment Panel meetings as observers.   Agriculture, Fisheries and Forestry Australia Team leaders prefer not to become involved in the assessment process. However, State Natural Heritage Trust Units indicated that some Team leaders did not carry enough knowledge about programs outside their own program areas.

For the purposes of consistency in approach, and economy in resource use, it would be desirable to move to a situation where there was only one team leader for each State – covering all Natural Heritage Trust funded programs, including those from Coasts and Clean Seas. This can only occur with a simpler program structure and an integrated service delivery framework. Recommendations to achieve this outcome have been made in Chapters 4 and 10.

Program managers and team leaders also have an important role in working with advisory councils and committees and environmental, conservation and agricultural interest groups as well as with community based delivery organizations. It is therefore important that they have the skills and capabilities for delivering communication strategies and creating awareness of the Natural Heritage Trust in consultation and in public forums.

Creating awareness and communicating with target audiences should be a responsibility of team leaders and program managers – including the proposed Natural Heritage Trust CEO – within an overall strategic framework developed by the Natural Heritage Trust "corporate office" and communication specialists in Program areas.

Recommendation

24.   Program managers have a clear responsibility for creating internal and external awareness within the framework of the Natural Heritage Trust communications strategy.

Matters concerned with communications and awareness are addressed in the next section.

5.7 Financial management

5.7.1 Financial Agreements with the States

The Partnership Agreements include as Attachment B a standard set of terms and conditions of Financial Agreements between the Commonwealth and a the State for "the purposes of financial assistance under the Partnership Agreement.. An Appendix contains a standard "proforma" Financial Agreement. The proforma Agreement is simple and straight forward, and has been regarded as a major achievement in the negotiation of the Partnership Agreements.

The significant provisions of the Financial Agreement are as follows.

3.1	Payments made to the State will be in accordance with a signed Financial Agreement as outlined in the proforma annexed to these Standard Terms and Conditions, for defined projects or programs with specified outputs, outcomes and reports.
3.2	The Commonwealth will pay the State the fees and any allowances, meet costs and provide assistance as specified in the Financial Agreement.
3.3	Payments made to the State will be in accordance with these Standard Terms and Conditions unless specifically varied within a signed Financial Agreement for defined projects or programs.
3.4	Payments made to the State under a Financial Agreement shall be made either to the lead agency, or direct to the State, for full and direct passing to the lead agency. The lead agency will be responsible for timely delivery to project proponents.
3.5	Payments will generally be by progressive instalments in advance unless otherwise agreed. Where the Financial Agreement provides that the State is to be paid by progressive instalments, the Commonwealth will be entitled to defer payment of an instalment until the State has completed to the satisfaction of the Commonwealth that part of the project or program to which that instalment relates, as defined in the scope of the project or program. In circumstances where the Commonwealth intends to defer payment of an instalment, it should provide written advice to the State within 30 days of receipt of the unsatisfactory material, as defined in the scope of the project or program, providing a reason for not accepting the material.
3.6	Any underpayment or overpayment under a Financial Agreement will be recoverable by or from the State, as the case may be, and without limiting any other rights, may be offset against any amount subsequently due by the Commonwealth to the State under that Financial Agreement.
3.7	In circumstances where there are several sources of funding for a single project being undertaken by a third person, the lead agency shall, as far as practicable, be responsible for ensuring that the project proponent receives one cheque, or where progress payments are made over time a series of cheques, and that all payments are covered by one agreement and one reporting mechanism.
3.8	Funding for approved projects or programs will generally be provided for up to 36 months. Where it is agreed between parties that projects or programs are sufficiently important to require support in excess of this period, they may be approved in stages with subsequent approval conditional on formal reviews of progress involving both parties. In order to provide certainty of funding, projects and programs will normally be approved for their duration, subject to satisfactory progress ascertained by an agreed reporting schedule against financial, project and program outputs, outcomes and milestones.

Although the agreement is simple and straight forward, the arrangements to give effect to the processes and procedures have been challenging.

The rapid scaling up in administrative activity to assess, approve, pay and monitor the activity generated by the Natural Heritage Trust placed substantial pressure on the pre-existing management and administrative infrastructure. There was not a lot of support for investment in additional support infrastructure.

While it may be sensible, or justified, to have separation in policy and program management between Agriculture, Fisheries and Forestry Australia and Environment Australia, we see little reason for separate approaches to financial processing. Greater consistency could be achieved by integrating financial management arrangements into a single Natural Heritage Trust processing Unit in Canberra

5.7.2 Basic arrangements

Each participant has authority to draw on the Reserve. To this end, they have developed processing arrangements around their own financial systems. From a client viewpoint, this has been confusing and source of much frustration. The processes and procedures differ substantially between Agriculture, Fisheries and Forestry Australia and Environment Australia

For all Partnership Agreement projects payment is to be made on the following basis for 1999-2000:

- Less than $50,000 - in full up front (in effect this amount is in fact $55,000)

- $50,000 to $150,000 - two instalments with the first being a minimum of $50,000. The first instalment to be paid in September 1999 and the second in March 2000. If the amount in the second instalment is less than $50,000, this amount shall be added to the first instalment.

- Greater than $150,000 - three equal instalments, paid in September 1999, March 2000 and May 2000

Several systems are used:

- Environment Australia uses Project Administrator, SAP, and Excel

- Agriculture, Fisheries and Forestry Australia uses Project Administrator, Prophecy and Excel

The payments processes between the two Departments are completely different:

Environment Australia has completely decentralised payment initiation and raising, with this being the responsibility of individual program officers/ managers. Actual payment processing is through a centralised finance system (SAP) and unit. Payment details are passed over to the unit for data entry and processing (manual form).

Agriculture, Fisheries and Forestry Australia has a centralised system for payment initiation and raising with the process being managed in the Program Systems Unit. Actual payment processing is through a common finance system (Prophecy).

5.7.3 Processes and procedures

- ## Environment Australia

Project managers are responsible for raising all payments. For projects covered by Partnership Agreements, managers make payment against the Attachment to the Agreement - as a general rule this is (and should be) consistent with the above payments schedule.

For projects not covered by Partnership Agreements - payment is made according to the terms and conditions of the contract. Monitoring of payment due dates is done by way of Excel Spreadsheets, not Program Administrator. There is a plan for Program Administrator to provide this information, however, the information is not currently available and not all programs are on Program Administrator.

For Partnership Agreement projects payment is schedule driven (as outlined above) but decentralised (the responsibility of individual program officers/ managers). We can see no reason not to centralise and automate the payment process: it is date driven and there is no value added in requiring program officers/managers to raise payment. A schedule of payments can be put together as soon as the agreements and attached schedules are prepared.

Projects outside of the Partnership Agreement can remain on a contract-determined basis. We suspect that this should be very few projects - the main ones that spring to mind are the National Reserve Projects. These could never really be centralised as they subject to extensive variation in timing and largely vendor driven.

The current decentralised environment means that the interface between the program officer/ manager raising the invoice and the finance area making the payment is limited to the request for payment (this is a manual process that involves filling in the form and posting it internally to the Finance Area). The Finance Area will then process the form and make payment direct to the nominated payee.

At present, the field for detailing the payment purpose is only 25 characters long. While this is clearly inadequate, the problem is further exacerbated by the fact that the Finance area are in the habit of making payments on a vendor basis i.e. when they do the cheque run, they will print one cheque or make an electronic transfer for all funds to be paid to say, Western Australia. In such an instance there is even less detail attached, and insufficient detail stored within the system to enable payees to obtain any information on the attribution of payments – such as between programs.

This has led to the practice of program officers/ managers requesting a collect cheque (Finance return the cheque to the requesting officer) so that the officer can attach a detailed payment schedule. An associated problem is that the Environment Australia Finance area makes payments on a periodic, e.g. fortnightly basis, not on an as needed basis. We cannot understand the continuation of this practice in today's financial management environment.

The practice of only making periodic (fortnightly) cheque runs should be investigated. It is hard to imagine the reason for it given the relatively low volume and associated transaction costs associated with electronic funds transfer.

We suggest that as an immediate solution Biodiversity Finance Section raise routine payments, with a long-term view of moving to a combined service centre. All payments must have a proper disbursement detail attached. If this is a problem with SAP (the Department finance system) then Systems engineers should be called in to fix it. This should stop the practice of collect cheques.

Environment Australia continues to include continuing project approvals with new project approvals. The result is that payments for ongoing projects can be delayed for several months as they are tied to the lengthy review and appraisal that new projects go through.

Environment Australia should adopt the practice of Agriculture, Fisheries and Forestry Australia and separate continuing projects and send them up to the

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Minister as a separate minute. For Agriculture, Fisheries and Forestry Australia this has resulted in continuing projects being approved for funding and the money getting out to proponents in weeks rather than months as has been the previous practice.

- **Agriculture, Fisheries and Forestry Australia**

Program officers/managers are not involved directly in processing payments. Officers provide the finance area with information concerning projects to be funded. Payments are processed centrally in the Natural Heritage Trust Systems Section and made as per partnership agreement schedules. One off payments are made on an as requested basis, generally within 24 hours and if necessary within 2 hours.

Payment details and schedules maintained in Excel spreadsheets are reconciled to Program Administrator. This has been audited by ANAO and passed. It is probably not ideal but it works well enough as there is duplication of data in Program Administrator and Spreadsheets. However, with the upgrading of Program Administrator it should be possible to eliminate the level of detail required in the Spreadsheets.

There are no major issues associated with payment detail as specific payments for Natural Heritage Trust are made, and not rolled into general department payments. The actual spreadsheet detailing what is being paid is usually attached.

The separate use of Program Administrator, Excel and Prophecy is not optimal. However, with further development and final implementation of Program Administrator and for the establishment of an integrated service centre there should be substantial improvements.

5.7.4 Audit and acquittals

The Financial Agreement provides for the following in regard to Audit

4.1	In accordance with clause 11.3 of the Partnership Agreement the Commonwealth will accredit State reporting and auditing processes. The State or the lead agency shall provide signed and audited financial statements to the Commonwealth as part of its annual report under clause 12.1 of the Partnership Agreement. These statements shall separately disclose aggregate funds received from the Commonwealth for each program, and aggregate Commonwealth funds expended for each program.
4.2	The State, or the lead agency, shall provide to the Commonwealth, within three months of the end of each financial year, a statement of expenditure for each project or program under a Financial Agreement. The statement of expenditure shall include:
(a)	Commonwealth funds expended; and
(b)	a certification signed by an authorised official of the State or lead agency ("certifying officer"), stating that in the opinion of the certifying officer, the amounts shown on the statement of expenditure were spent in accordance with the terms and conditions of the Financial Agreement.
4.3	The Commonwealth may require that Commonwealth funds that have not been spent on the project or program, or have been mis-spent, be returned by the State to the Commonwealth.

Our observations are that acquittals are basically up to date and there is now in place an agreed format, process and timing for the collection of the acquittals.

There are now in place schedules and financial acquittals guidelines.

5.7.5   Conclusion

There is, in our view, substantial scope for integration of payments and acquittals to ensure that the accounts processing is dedicated to Natural Heritage Trust. There should be one cheque/EFT facility that is also linked to the financial reporting aspects of the Natural Heritage Trust.

For the accounts processing system to be effective it would be necessary to process accounts to certification, then forward to a common location to produce cheques. This would mean full accounts processing and an ability to drive the cheque payment and EFT payment processes directly without intervention from other agency processes.

There is a need to consider linking in the Program Administrator aspects to the financial side, so that there can be more seamless reporting between financial (expenditure and budget) data, and approval and project data.

Recommendation

25.   A central unit be established to handle all aspects of Natural Heritage Trust processing, including payments, acquittals and reporting of transactions

Options for implementation of this recommendation would involve establishing either:

- A separate component of the accounts section in the Corporate Management Division of Environment Australia

- An entirely separate section reporting to the Natural Heritage Trust "CEO"

- An addition to the financial responsibilities of the Biodiversity Group Finance Section

- A separate section.

We do not consider that the first option would resolve the current problems. Our preference would be for the processing unit to be located in the integrated administration unit referred to earlier in this Chapter.

5.8   Knowledge management

With the introduction of the Natural Heritage Trust it was necessary for departments, particularly Environment Australia to recruit a large number of people to staff the new initiatives. We have been advised that staff turnover has been high within Environment Australia. Turnover is also high for facilitators and coordinators.

High staff turnover and the recruitment of new staff creates pressure for training and learning about program design, as well as, how to work with and communicate with Partners and project clients.

The implementation of the Natural Heritage Trust through its strategies and programs has involved the creation of a great deal of knowledge about natural resource management, sustainable agriculture and environment protection.

We consider it important for Environment Australia and Agriculture, Fisheries and Forestry Australia to consider how to extract the knowledge from the people who have worked on Natural Heritage Trust programs in a structured form and maintain and refine it over time.

Knowledge management is a difficult and challenging task. It is much more than storing information in files or on computers. It has a strong human dimension. We have noticed during the review that processes are emerging for knowledge exchange and transfer between groups within and between Environment Australia and Agriculture, Fisheries and Forestry Australia.

5.9   Information management

Effective management requires high quality management information systems. The characteristics of such systems are:

- Being geared to setting and monitoring of executive and corporate objectives and targets

- Focussed on regular presentation of a small number of key indicators that will portray Natural Heritage Trust performance

- Provide information on resource usage and output

- Ability to answer "what if" questions

- Ability to produce relevant, accurate and timely reports

- Draw on the same data sources that are used for operational decision making

- Being cost effective and easy to maintain

Credible information systems are essential for devolved management and management on a partnership and collaborative basis.

The participants have agreed under their Agreements and MOUs to establish compatible and mutually transparent administrative and data management systems. However, each State has developed its own management information system. A number of States have adopted the South Australian system.

In any organization, information management involves two quite distinct, but inter-related purposes:

- To assist strategic and business (program) planning, decision making and resource allocation

- To facilitate control, accountability and statutory reporting.

Due to the interest of the ANAO and inexperience in managing large programs, there has tended to be a focus on the second aspect of information management. The first aspect, which can deliver substantial benefits has not been addressed in a concerted way.

Program Administrator is being developed to handle approvals and project information. As we have established in this Review, a large amount of useful information can be extracted and presented regarding individual and overall

program performance. It should be possible to relate this information to budgetary and expenditure information.

It would have been desirable, in the context of a partnership arrangement, for there to have been a common set of data and records relating to the administration of the Natural Heritage Trust, particularly in the area of approvals and project monitoring and reporting. Regrettably this has not occurred and the Commonwealth and the States are going in separate directions.

At the same time, we acknowledge that at this stage not all Natural Heritage Trust programs are on the Program Administrator system and there are many subsidiary systems. Every effort should be made to ensure that there are effective interfaces between State and Commonwealth systems.

Recommendation

26.   **The interfaces between the approvals and monitoring system in Program Administrator and the Natural Heritage Trust financial management system be integrated.**

27.   **A commitment be made in renegotiation of Partnership Agreements to establish interfaces between Commonwealth and State approvals and project monitoring systems.**

Chapter 6: State, regional and community approaches to planning, organization and project delivery

This Chapter of the Report addresses the item in the Terms of Reference that requires the scope of the Review to cover:

> For Natural Heritage Trust programs delivered through formally established Partnership Agreements with the States/Territories, the role of the States/territories in the administration of the Trust is to be reviewed.

6.1   Partnership obligations

The Partnership obligations are outlined in the box below.

9.1 Natural Heritage Trust funding will be delivered at a number of levels such as community, regional, State and Commonwealth. Individual programs will differ in the delivery frameworks they utilise. The Attachments to this Agreement will specify the programs and their delivery framework.

9.2 Regional/catchment planning will generally form the framework for the integration of the various levels of delivery of the Natural Heritage Trust, such as the community and regional components.

9.3 Under the *Natural Heritage Trust of Australia Act 1997* the Commonwealth may provide direct funding to community groups and other organizations, such as local governments and indigenous communities, to achieve the objectives of the Trust. The Commonwealth will consult with the relevant States on any such proposals, and will only implement such arrangements with the agreement of the State or in the decision of the relevant Commonwealth Minister. In the event of such decision the Commonwealth will have full responsibility for project administration and accountability.

Up until now, most Natural Heritage Trust investments have been at the Commonwealth (national projects), State and community levels. Regional/catchment planning is furthest developed in New South Wales and Victoria. The Commonwealth has not made direct investments with community organizations, preferring to work through the States.

Participant views on the extent of implementation of these aspects of the Partnership Agreements are represented in the Chart below.
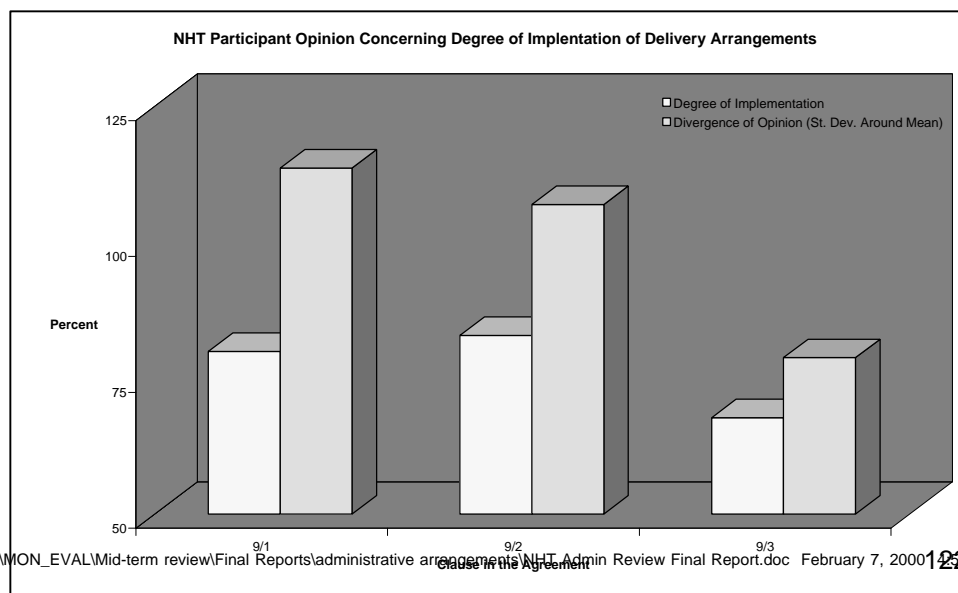
Basis for interpretation: degree of implementation 100 percent - all respondents regard the principle as fully implemented; degree of implementation 75 percent – respondents on average regard the principle as partially implemented; degree of implementation 50 percent – respondents on average regard the principle as not implemented.

The opinion survey indicates that there has been very little implementation of the provision that allows direct funding to community groups and other organizations, such as local governments and indigenous communities. This issue is being addressed with the introduction of the Indigenous Land Management Facilitator Project (See Chapter 3).

Aspects of delivery responsibilities for States, community and regional organizations are addressed in the remainder of the Chapter.

6.2   State administration

6.2.1   Features of State Administration

Each State has a different approach to integrating policy, planning and delivery in natural resource management, environment protection and sustainable agriculture. This is reflected in different Ministerial and agency responsibilities in each jurisdiction. Traditionally, responsibilities for land management, agriculture and land management have been located in separate agencies. Agencies have different missions, cultures and professional orientations.

State governments have been involved in an almost continuous process of restructuring natural resource management administration over the last 10 years. The focus of restructure has been driven by a need to develop a greater integration of natural resource management responsibilities. Detailed information on State government administrative structures for natural resource management are provided in Appendix 3.

It is of some interest, to compare and contrast how different states have gone about the process of restructuring land management functions and responsibilities. Some States have given a priority to policy integration, whilst others have emphasised delivery integration. There has been a great deal of innovation and experimentation.

In addition to policy and delivery issues, restructuring also has had to address differing cultures and create effective frameworks to ensure that professionals (eg surveyors, engineers, scientists, agricultural economists) work together efficiently and productively – and achieving the best possible outcome for the main player in natural resource management – the private landowner and the on-site property manager.[66]

Notwithstanding restructuring, silos still exist between and within newly constituted agencies. Effective integration requires a substantive commitment to team building and change management. Structural change requires a substantial amount of time to bed down. The rate of progress with these aspects of public sector management reform differs substantially between States.

The way in which States organize and manage their land management, environment and agricultural activities has implications for the implementation of Natural Heritage Trust goals, objectives and strategies and the capacity to achieve outcomes. This issue has been addressed in a recent study published by

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[66] Different people often hold the responsibilities of owner and manager: sometimes-absentee owners have little interest in sustainable resource management.

a researcher in environmental law[67]. It is not an issue that has captured the attention of researchers in the field of public administration.

Only one State, Victoria, has a single government agency responsible for all three areas of concern to the Natural Heritage Trust – the Department of Natural Resources and Environment (although statutory planning functions are located in a separate Ministry). In New South Wales there are five agencies sharing responsibility. However, in many respects, the New South Wales system, whilst complex, is more transparent in that the relationships between land management, agriculture, environment and planning are conducted between agencies rather than within.

6.2.2 Lead agencies

The Partnership Agreements and the MOU nominate a "lead agency". The Partnership Agreements define a lead agency as a State government agency, or State statutory or corporatised authority with responsibility for a specific Natural Heritage Trust program or component of a program, as specified in the Attachments to this Agreement. Lead agency responsibilities fall into the following categories

- Financial management

- Coordination of priority setting

- Planning

- Implementation

- Monitoring and evaluation.

Financial responsibilities are documented in Attachment B to the Partnership Agreements.

For programs that fall under the one-stop shop arrangements, responsibilities are coordinated in Natural Heritage Trust Units under the direction of a *State Natural Heritage Trust Coordinator.* The level of activity carried out in the Unit, and the way it is organised, varies considerably between States.

The Coasts and Clean Seas Memoranda of Understanding are more specific in the text of the agreement in relation to the responsibilities of lead agencies:

For each particular Schedule included in this MOU, the State undertakes to nominate an agency or Ministry to assume primary responsibility within its jurisdiction for matters covered in the Schedule, and

(i)   Ensuring that projects are undertaken as approved by Ministers and consistent with the terms of this MOU

(ii) Ensuring that recipients of *Coasts and Clean Seas* payments are able to manage and monitor expenditure in accordance with state/territory financial accounting requirements and in conformity with sound financial practices

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[67] Gardner, A (1999) "The Administrative Framework for Land and water management in Australia", *Environmental and Planning law Journal*, 16:3.

> (iii) Ensuring that, where appropriate, recipients of *Coasts and Clean Seas* payments provide the outcomes of projects to the Commonwealth in a suitable electronic format as specified in the relevant project contract.

The allocation of responsibilities to lead agencies creates a complex matrix of responsibilities and accountabilities. This is indicated in the chart on the following page.

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Table 18: Natural Heritage – Lead Agency Program Responsibilities

	Natural Heritage Trust Partnership Agreement											Coasts & Clean Seas Memorandum of Understanding						
	Bushcare	National Rivercare	National Landcare	Murray Darling 2001	Farm Forestry	Fisheries Action	National Wetlands	Endanger-ed Species	National Reserve System	Feral Animal Control	National Weeds	Coast Care	Clean Seas	Coast & Marine Planning	Introduced ed Marine Pests	Capacity Building	Marine Species Protection	Marine Protected Areas
Commonwealth	EA	Agriculture, Forestry & Fisheries Australia (AFFA)					Environment Australia (EA)			EA/AFFA		Environment Australia (EA)						
NSW	Department of Land and Water Conservation (DLWC)				NSW Ag	NSW Fish-eries	DLWC	National Parks & Wildlife		NSW Agriculture (NSW Ag)		DLWC		DUAP	NSW Fisheries	DLWC	NSW Fisheries/ NPWS	Marine Parks Authority
Victoria	Department of Natural Resources and Environment											DNRE/ MAV		DNRE/ EPA	DNRE	State/ MAV		DNRE
Queensland	DEH	Department of Natural Resources (DNR)			Department of Primary Industries (DPI)		Department of Environment and Heritage (DEH)			DNR		Department of Environment and Heritage						
South Australia	Department of Primary Industries and Resources, SA (PIRSA)						Department for Environment, Heritage and Aboriginal Affairs (DEHAA)					DEHAA						
Western Australia	CALM	Water & Rivers Comm (WRC)	Agriculture WA (AgWA)	Not operational	CALM & AgWA	WA Fish-eries	CALM & WRC	Dept of Conservation and Land Management (CALM)		CALM & Ag WA		Ministry of Planning					CALM	
Tasmania	DPIWE				Private Forests Tas	Department of Primary Industries, Water & Environment (DPIWE)												
Northern Territory	PWLC	Department of Lands, Planning & Environment			Department of Primary Industries & Fisheries		Parks & Wildlife Commission (PWLC)			DPIF		DLP&E						
Australian Capital Territory	Department of Urban Services (DUS): Environment ACT				DUS: ACT Forests	Environment ACT						Not Operational						

6.2.3   Natural Heritage Trust Units

Each State has established Natural Heritage Trust Units to coordinate the activities of the One-Stop-Shop Process.

The Commonwealth provides financial support for the Natural Heritage Trust Units on the basis of annual agreements (except Tasmania, which covers three years). The amounts paid for the last two years and the current years are as follows.

Table 19: Natural Heritage Trust Support for State Administration

State	1997-98 Actual		1998-99 Actual		1999-2000 Estimated	
	$'000	%	$'000	%	$'000	%
New South Wales	387.0	20	387.0	19	387.0	19
Victoria	338.0	17	338.0	17	338.0	17
Queensland	298.0	15	298.0	15	298.0	15
Western Australia	304.0	15	304.0	15	304.0	15
South Australia	265.0	13	265.0	13	265.0	13
Tasmania	210.0	11	260.0	10	260.0	13
Northern Territory	112.0	6	112.0	5	112.0	6
Australian Capital Territory	61.0	3	61.0	3	61.0	3
Total	1,975.0	100	2,025.0	100	2,025.0	100

State governments in most States provide additional financial and in-kind support for the Natural Heritage Trust units. The budget for the Queensland Natural Heritage Trust Unit is in the order of $2.0m per annum.

The Natural Heritage Trust Units are essentially processing units. Their structure and operation varies between the States – for example:

▪   With the exception of Tasmania, the Units do not have a significant policy role

▪   Units do not attract significant State support – except in Queensland

▪   The Unit in NSW is integrated into the catchment management responsibilities of the Department of Land and water Conservation.

There is a common view that as the Natural Heritage Trust is a Commonwealth Program, the Commonwealth should support it administratively. This view was repeated on many occasions during our Review process. It is a view that was expressed notwithstanding the content of the Partnership agreements.

We find this view somewhat anomalous, given that the Commonwealth is providing a substantial level of investment funding under the Natural Heritage Trust capital programs. The situation reflects an irony of Commonwealth-State relations to the extent that State Ministers have often found it relatively easier to place pressure on the Commonwealth for funding rather than State Treasuries – notwithstanding the allocation of general purpose financial assistance to the States on the basis of Commonwealth Grants Commission assessment of "fiscal need".

The problem in State resourcing also reflects a difficulty, also found in the Commonwealth, of getting agencies to contribute their respective shares for cross portfolio program administration.

Recommendation

28. **State Lead Agencies pressure State Treasuries to provide the required level of resources to support the administration of Natural Heritage Trust capital programs.**

6.2.4 Distribution of Natural Heritage Trust Funding between States

Information on the distribution of Natural Heritage Trust approved funding as recorded in Program Administrator for 1998-99 is provided below.

Table 20: Distribution of Natural Heritage Trust Approved Funding Between States

	Number of Projects	Total Funding $'000	Average Funding $	Proportion of Projects (%)	Proportion of Funding (%)
New South Wales	1,060	51,240.7	48,340	30	24
Victoria	610	41,627.4	68,242	17	19
Queensland	507	40,422.1	79,728	14	19
Western Australia	437	31,676.4	72,486	12	15
South Australia	467	25,784.0	55,212	13	12
Tasmania	233	11,493.1	49,327	7	5
Northern Territory	169	8,045.8	47,608	5	4
ACT	41	1,055.4	25,743	1	0
National	48	4,132.5	86,093	1	2
Grand Total	3,583	216,101.4	60,364	100	100

The data indicates that while New South Wales receives 30 percent of projects, it receives 24 percent of funding, reflecting the smaller size of projects. We note in this regard that New South Wales has a much lower proportion of state government projects – which tend to be larger in value (this issue is addressed below). By contrast, Queensland has 12 percent of projects, but receives 15 percent of funding.

We note that Victoria has been more relatively more successful in obtaining funds for projects under the contestable component of the MD2000 initiative.

6.2.5 Issues in State administration of the Natural Heritage Trust

▪ "Cost shifting"

Given the high priorities of State Governments in Health, Education and Policing, State natural resource management, agriculture and environmental agencies have suffered significant reductions in expenditure. These reductions have been targeted at head office and back office functions but inevitably there is an impact on service delivery.

State agencies have also sought to reduce expenditure through privatisation of and contracting service delivery. Large numbers of experienced staff have also left public sector employment due to downsizing and redundancy programs.[68] The situation has now arisen where there is little scope for further reductions in expenditure without substantially impacting on service quality.

State Treasury Departments, focusing on fiscal contraction do not generally provide additional resources to State Departments for delivery of what are often

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[68] Interestingly, many well qualified, but redundant agricultural extension officers are now working as Landcare facilitators.

seen as Commonwealth programs. State delivery agencies become concerned when they have to re-allocate shrinking resources from existing programs to intergovernmental programs to match Commonwealth payments under agreements.

Available data indicates that from the inception of the Natural Heritage Trust States have been able to increase natural resource management expenditures. Data for 1995-96 and 1996-97 for major environmental expenditure categories is provided below.

Table 21: Natural Resource Management Expenditure 1995-96 - 1996-97

	1995-96 $m	1996-97 $m	Increase (%)
Biodiversity and landscape			
Commonwealth	213.1	220.8	3.6
State	621.6	741.6	19.3
Local	93.7	94.6	1.0
	928.4	1,057.0	13.9
Protection of soil and groundwater			
Commonwealth	88.4	158.7	79.5
State	21.0	36.2	72.4
Local	5.3	5.4	1.9
	114.7	200.3	74.6
Waste Water and Water Protection			
Commonwealth	2.6	6.8	162.1
State	118.7	201.3	69.5
Local			
	121.3	208.1	71.5
Waste Management			
Commonwealth	5.9	7.1	19.8
State	15.5	53.3	243.9
Local	234.2	209.0	-10.8
	255.6	269.4	5.4
Other			
Commonwealth	117.5	180.6	53.7
State	272.0	187.8	-31.0
Local	21.0	21.1	0.5
	410.5	389.5	-5.1
Total			
Commonwealth	427.5	574.0	34.3
State	1,048.8	1,220.1	16.3
Local	354.2	330.1	-6.8
	1,830.6	2,124.2	16.0

Source: Derived from tables in **Australian Bureau of Statistics,** *Environmental Protection Expenditure, Australia 1995-96 and 1996-97*. **Cat 4603.0, July 1999**

Funding provided from the Natural Heritage Trust in 1996-97 was $36m, suggesting that States have increased expenditure on natural resource management at a higher rates than Commonwealth funding.

The most significant increases reported in the above table relate to soil and groundwater, which includes soil remediation, costs to slow soil degradation and protection of groundwater from contaminants. The Australian Bureau of Statistics notes that the increase corresponds to the establishment of the Natural Heritage Trust.

The extent of actual "cost shifting" within Natural Heritage Trust funded areas is difficult to determine, but an anecdotal evidence suggests that it has occurred to some extent. However, the pressures for cost shifting emanate more from State Treasuries than they do from natural resource management Ministers and Managers. Natural Heritage Trust funding may have the effect of allowing State resources to be allocated to areas that would have otherwise born the brunt of expenditure cuts.

The States also expressed a concern about Commonwealth cost shifting – where costs of administration are passed on to the States and program outlays have been absorbed into the Natural Heritage Trust framework.

- ▪ Support for state "core business"

There are many projects supported by the Natural Heritage Trust that are the core business of State Departments. For example the NSW Department of Land And Water Conservation is using Natural Heritage Trust funds from Murray Darling 2001 for surveys of water use, development of irrigation plans and monitoring.

Many people contacted during the Review commented that the National Landcare Program has allowed States to withdraw more easily from the provision of agricultural extension services.

Similar considerations apply to support for "demonstration projects" under the Coasts and Clean Seas programs. There are numerous clean water projects that involve innovative approaches to sewerage treatment. Many of these projects might have been funded from internal resources or local government rate revenue if Coasts and Clean Seas funding was not available.

It has to be recognised, however, that Natural Heritage Trust funds represent a small proportion of State natural resource management expenditure. Payments to the States from the Natural Heritage Trust totalled $138m for 1996-97 and 1997-98 and $184m in 1998-99.

New South Wales indicated that Natural Heritage Trust funds provide about 10 percent of State expenditure on natural resource management activities. The proportion varies among other States, but data does not allow an accurate picture to be obtained.

- ▪ State sponsored projects

A review of Program Administrator data indicates that 45 percent of project approvals over the period 1996-2000 are identified as State Government sponsored. Information regarding the proportion of payments being allocated to a State Government agency for each Program covered by Program Administrator by is provided below.

Table 22: State Sponsored Natural Heritage Trust Projects

Program	Projects (No.)	Proportion of Projects (%)	Value of Projects $'000	Proportion of Total Value (%)
Bushcare	157	8.1	19,186	22.6
Endangered Species Program	211	66.8	9,891	57.5
Farm Forestry Program	113	55.9	7,893	63.8
Fisheries Action Program	74	44.3	2,862	66.4
Joint Project (EA/AFFA)	51	18.4	10,127	28.7
Murray-Darling 2001	352	32.1	30,223	30.8
National Weeds Program (EA)	3	75.0	1,399	68.1
National Feral Animals Strategy (EA)	20	74.0	2,452	61.7
National Landcare Program	991	35.0	130,015	63.2
National Rivercare Program	143	25.7	14,868	45.4
National Wetlands Program	61	32.3	2,062	30.4
Waterwatch Australia	50	24.6	2,930	43.1
Grand Total	2,226	28.0	233,907	43.5

The proportion of Landcare projects undertaken in State agencies is particularly high. This reflects the practice in some States of employing Landcare facilitators and coordinators within Agriculture or Natural Resource Management Agencies.

The role of the State Government is often only to provide management infrastructure, including financial arrangements and employment terms and conditions. States argue that it is more efficient (easier) to have Natural Heritage Trust funded staff on their payroll rather than monitor and account for activities undertaken in small community groups. This gives rise to issues in management and accountability – including direction, supervision, and ultimately, performance appraisal.

In New South Wales Landcare facilitators and coordinators are employed by incorporated community organizations, including Landcare Groups.

To clarify the information contained in Program Administrator about the number and value of projects that were nominated as State agency projects, but actually undertaken by organizations outside the Agency we contacted State Natural Heritage Trust Coordinators to identify projects that were actually community projects. The returns, in respect of 1998-99 approvals are provided below.

Table 23: State Projects Passed Through to Community Organizations

	Number of State Projects	Value of State Projects ($'000)	Number of State Projects undertaken outside Agency	Proportion of Number of State Agency Projects (%)	Value of Projects ($'000)	Proportion of Value of State Agency Projects (%)
NSW	174	15,298.7	18	10	2,040.1	13
Victoria	162	21,366.0	65	40	5391.3	25
Queensland	148	13,951.9	n.a		n.a	
South Australia	83	12,315.7	20	24	5195.9	42
Western Australia	110	12,289.4	0	0	0	0
Tasmania	66	5,298.5	3	5	171.2	3
Northern Territory	64	4,742.1	1	2	104.7	2
ACT	11	279.2	0	0	0	0

Queensland did not supply the requested information.

In providing the information to complete this table States provided a number of comments about the role of State agencies in managing the delivery of Natural Heritage Trust projects. For example, the NSW Natural Heritage Trust Coordinator advised that:

> . . . we (and I also mean our community clients) get a bit upset at the Agency vs the community furphy.
>
> In NSW many of the agency projects, particularly those from DLWC and NSW Ag, (where most of the work done in the regions is based on extension), that are submitted are generally joint efforts, but you could not say that the agency was not the proponent.
>
> . . . some NHT programs eg Endangered Species are designed so that the agencies are virtually the only proponents able to be approved for funding. The guidelines for this program stipulate that threat abatement plans and recovery plans are the priority. NPWS are virtually the only mob qualified to submit this type of project. So in any negative appraisal of all the NHT money going to agencies, that lot should come out of the equation.

We are concerned, however, in relation to advice provided to the Review Team that State government projects receive support in the Regional Assessment Panel process on account of the capacity of State officers to prepare superior documentation and presentation of project proposals. In other words, good and well presented proposals are being funded rather than good investment projects. The evidence for this is anecdotal rather than systematic.

In order to avoid concerns about cost shifting and Natural Heritage Trust support for core business, all States should include in their Natural Heritage Trust Annual Reports information on expenditure on natural resource management, sustainable agriculture and environment protection from their own resources. This information may already be provided in State Government Budget Papers – but such information is difficult to access and interpret on a consistent basis.

Recommendation

29.   States and Territories include in their Annual Reports on the Natural Heritage Trust information on State funded outlays on natural resource management, environment protection and sustainable agriculture.

6.3   Community projects

The allocation of Natural Heritage Trust investment to projects managed by community organizations over the period 1996-2000 by program is summarised below.

Table 24: Natural Heritage Trust Community Project Approvals - Number

Program	Aboriginal Organization		Community Groups		Non Government Organization	
	Projects (No.)	Proportion of Total Projects (%)	Projects (No.)	Proportion of Total Projects (%)	Projects (No.)	Proportion of Total Projects (%)
Bushcare	91	4.7	961	49.8	147	7.6
Endangered Species Program	0	0.0	26	8.2	18	5.7
Farm Forestry Program	0	0.0	37	18.3	28	13.9
Fisheries Action Program	7	4.2	52	31.1	12	7.2
Joint Project (EA/AFFA)	23	8.3	129	46.7	1	0.4
Murray-Darling 2001	0	0.0	484	44.1	31	2.8
National Feral Animals Strategy (EA)	0	0.0	4	100.0	0	0.0
National Landcare Program	70	2.5	1,347	47.6	76	2.7
National Rivercare Program	0	0.0	316	56.7	5	0.9
National Wetlands Program	2	1.1	27	14.3	11	5.8
Waterwatch Australia	3	1.5	80	39.4	14	6.9
Grand Total	196	2.5	3,464	43.6	343	4.3

The data indicate that aboriginal, community and non-government organizations have received over 50 percent of the projects funded under the Natural Heritage Trust. However, the proportion of funds flowing to community organizations is substantially less, as indicated in the following table.

Table 25: Natural Heritage Trust Community Project Approvals - Value

Program	Aboriginal Organization	Community Group	Non Government Organization

	$'000	Proportion of Total Funding (%)	$'000	Proportion of Total Funding (%)	$'000	Proportion of Total Funding (%)
Bushcare	1,202	1.4	27,176	32.0	12,543	14.8
Endangered Species Program	0		1,611	9.4	3,553	20.6
Farm Forestry Program	0		1,378	11.1	1,864	15.1
Fisheries Action Program	97	2.2	692	16.1	193	4.5
Joint Project (EA/AFFA)	2,911	8.3	8,168	23.2	33	0.1
Murray-Darling 2001	0		20,889	21.3	2,656	2.7
National Weeds Program (EA)	0		656	31.9	0	
National Feral Animals Strategy (EA)	0		1,105	27.8	0	
National Landcare Program	2,964	1.4	45,103	21.9	6,720	3.3
National Rivercare Program	0		9,807	30.0	489	1.5
National Wetlands Program	51	0.7	1,797	26.5	288	4.2
Waterwatch Australia	71	1.0	1,867	27.5	451	6.6
Grand Total	7,295	1.4	120,250	22.4	28,790	5.4

Thus, while community organizations have received 50 percent of the projects, they have received 29.2 percent of the funds

The data indicate that most funding for community organizations comes from Bushcare, Murray Darling 2001, Landcare and Rivercare. Taken together, these four programs amount to 86 percent of Natural Heritage Trust investments through community organizations.

Information on project approvals for 1998-99 identifies 1187 projects for community organizations, involving approvals of $50.7m. The largest approval was for just under $680,000 and the smallest $300. The 100 largest projects totalled $21.4m, or 52 percent of the total approvals. The 190 smallest projects totalled less than $500,000 – one percent of total approvals.

6.4 Local Government and regional organizations

The allocation of Natural Heritage Trust funds to local government and regional organizations for the period 1996-2000 is set out on the following table.

Table 26: Natural Heritage Trust Approvals of Local Government and Regional Organizations

Program	Local Government		Regional Organization	
	$'000	Proportion of Funding (%)	$'000	Proportion of Funding (%)
Bushcare	11,520	13.6	5,634	6.6
Endangered Species Program	150	0.9	10	0.1
Farm Forestry Program	80	0.6	870	7.0
Fisheries Action Program	72	1.7	104	2.4
Joint Project (EA/AFFA)	1,033	2.9	12,155	34.5
Murray-Darling 2001	1,013	1.0	31,015	31.6
National Landcare Program	8,297	4.0	9,391	4.6
National Rivercare Program	1,266	3.9	5,838	17.8
National Wetlands Program	172	2.5	151	2.2
Waterwatch Australia	359	5.3	564	8.3

Grand Total	23,962	4.5	65,733	12.2

The data indicate that the Bushcare program is the strongest supporter of local government, followed by Landcare. The Murray Darling 2001 Program is a strong supporter of regional organizations. The level of funding provided by Bushcare has increased substantially in 1999-2000.

6.5   Catchment and regional planning

6.5.1   Background

There is now widespread recognition of the importance of involving communities in natural resource management. World Bank projects for the third world, as well as strategies being developed in the United States endorse this recognition. A recent Report from the President's Council on Sustainable Development points out that:

> Government plays a critical role in conserving, protecting and restoring natural resources by setting and maintaining a foundation of strong environmental laws and regulations. Enforcement is an important component, particularly for pollution control. No single government agency or collection of unconnected agencies is sufficient. No set of statutes – however comprehensive and detailed – can take the place of commitment by individuals and communities to protect natural resources and ecological integrity. Individuals, communities and institutions need to work individually and collaboratively to ensure stewardship of natural systems.[69]

The characteristics of successful collaborative approaches are emerging:

- Frameworks based on a catchment ["watershed"] or bio-region

- Voluntary multi-stakeholder discussions

- A transparent process open to the public

- Incorporation of existing law

- The best use of available science.[70]

There is also a growing concern about the cumulative impact of numerous local management actions by both government and private landowners. Many scientists and resource managers now believe that biodiversity, water quality and other natural resources can only be protected through cooperative efforts across large landscapes – landscapes that often cross ownership and jurisdictional boundaries.

Catchment planning has been advocated as the way to address natural resource management and biodiversity at a regional level and to develop linkages with broader policies and programs. It also recognizes and builds on the concept of natural resource stewardship. In the catchment-planning context, stewardship has been described in the following terms:

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[69] *Sustainable America – A New Consensus*, Ch 5 p.4

[70] Ibid

> The ethic of stewardship is essential to define human interaction with natural resources. It builds on collaborative approaches, ecosystem integrity, and incentives in areas such as agricultural resources management sustainable forestry, fisheries and biodiversity conservation
>
> Continued prosperity depends on the country's ability to protect natural heritage and learn to use in ways that do not diminish it. Stewardship is at the core of the obligation.
>
> Public policies should strengthen stewardship commitments in private land ownership that reflect principles of sustainable development and support for collaborative processes to enable landowners to enhance the value, productivity and ecological integrity of their lands.[71]

There is an emerging trend for public agencies to explore new planning and policy mechanisms that involve broader public participation at a number of levels[72] - landholder, community, catchment (watershed) regional and state. A number of States in Australia are following this framework.

6.5.2   Australian context

The Natural Heritage Trust Guidelines contain specific provisions relating to regional planning on a catchment basis. An overview of State approaches to catchment planning and regional based resource allocation frameworks is provided in Appendix 2.

New South Wales has progressed furthest in implementing a catchment-based approach to Natural Resource and Environmental Management (NREM) planning. Over the last two years NREM regions have been established, through community and government consultation, to determine regional priorities for funding, streamline the grant application process and drive regional natural resources and environmental management planning. The NREM regions are based on inland Catchment Management Committees (CMCs) and groups of coastal CMCs.

In 1998-99, the 13 NREM regions each produced a regional strategy. The strategies are non-statutory planning documents. Their aim is the promotion and coordination of long term improvements in the condition and productivity of land, water resources and native vegetation and the maintenance of biodiversity.[73] The strategy documents are intended to give effect to this aim by:

▪   Providing a point of reference for issues of common concern between resource specific planning for water and native vegetation management

▪   Informing local planning of the "…care" groups

▪   Informing statutory land use planning

▪   Providing regional interpretation of other broad plans and policies for natural resources and the environment from state, national and international levels.

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[71] *Sustainable America,* Ch 5.

[72] Ibid

[73] State Catchment Management Coordinating Committee, *Identifying the Priorities for Investment in natural Resource Management: An Issues paper*, June, 1999

According to the State Catchment Management Coordinating Committee (SCMCC)

> . . . the regional NREM strategies are prospectuses for strategic investment decisions of State and Federal governments, local government, industries and individuals. Funding programs such as the Commonwealth Government's Natural Heritage Trust, give priority to key issues and projects recognised in a regional strategy or action plan as having a high priority. The regional NREM strategies will fulfil this function.[74]

Recognizing that it takes time to put new approaches in place, the Department of Land and Water Conservation has observed that current plans lack consistency in form and content. Guidelines for the development of Regional NREM strategies are currently being developed to ensure consistency in identification of issues and provide more rigour in future natural resource and environmental management.

Many regional strategies have been developed or are being developed. For example the Western Catchment Regional Strategy covers the 170000 km^2 of western NSW from Cobar to Tibooburra and Walgett to Broken Hill. The Strategy sets out in detail resource management priorities covering water management, weed and feral animal management and many other issues. They have been subjected to detailed public scrutiny. They also take into account the natural resource management concerns of the seven biogeographic zones that lie in the catchment.

Victoria has developed a detailed structural framework for implementation of the Natural Heritage Trust Partnership Agreement set out in 26 pages as Attachment C to the Agreement. It has also developed a framework for catchment planning by the creation of Catchment Management Authorities – as Statutory Authorities. The task is now to implement such strategies.

In Western Australia State regional organizations have had increasing involvement and input to the management of environmental protection, natural resource management and sustainable agriculture issues within their respective regions and have the strong support of the State Government. These include:

- The Swan-Avon ICM Group

- South West Catchment Council incorporating the Blackwood Basin Group

- South Coast Regional Initiative Planning Team

- Gascoyne-Murchison Strategy Group

- The Northern Agriculture Integrated Management Strategy Group

Most of these Groups have developed regional strategies - some are now into their second phase. Western Australia has a comprehensive system of statutory based land use planning. The approach indicates the potential to integrate with natural resource management planning.

Other States have been much slower in moving to a regional/catchment approach to natural resource management:

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[74] Ibid

- Queensland has a policy of using the existing State wide planning framework

- South Australia has natural resource management and environmental plans for specific areas of the State

- Tasmania is yet to move on a regional approach, although it can be argued that Tasmania is really only one region.

As indicated, further details of State approaches are detailed in Appendix 2.

6.5.3   Natural Heritage Trust regional planning initiatives

The Commonwealth issued regional guidelines in the first year of the Trust's operation. In March 1999 the Commonwealth distributed a paper outlining a framework for regional planning in the context of the Natural Heritage Trust. The paper noted that

> A key principle in the Natural Heritage Trust is to promote planning and implementation at a scale appropriate to address the underlying environment and natural resource management problems, rather than just managing the symptoms. We believe that this is best achieved by taking a whole landscape approach - integrating the common goals of sustainable agriculture and biodiversity conservation.[75]

The paper reaffirmed a focus on on-ground actions based on the best available information, the setting of priorities based on identification of the most urgent action, and the designing of activities that will deliver a range of outcomes. The importance of planning to achieve these outcomes was stressed. The paper also contained advice on how to go about preparing plans, who to involve and what to put into them.

On 14 May 1999, the Ministerial Board wrote to the State Ministers on a number of matters relating to the administration of the Natural Heritage Trust, including regional planning and strategies. Relevant extracts of the Ministers' letter is reproduced below.

We also wish to improve the standard of regional institutional arrangements to improve the quality of Natural Heritage Trust investments, based as far as possible on agreed regional priorities. Robust regional institutions and regional plans are fundamental to achieving integrated outcomes. We see regional strategies as crucial to informing the community about the priorities for on ground works in their regions, thereby achieving lasting outcomes against common objectives and avoiding overlap or duplication.

There has been a significant move towards the development of regional plans during the life of the Trust. However, more needs to be done and lack of, or weaknesses in, plans can compromise the community's capacity to engage in on-ground activities. We see robust regional strategies reflecting Commonwealth and State and Territory priorities as a prerequisite for an increased use of the devolved grants model that has begun to develop in programs such as Bushcare.

Where regional plans have yet to be finalised, we consider that their development must be accelerated. We do not believe that it should fall upon community groups alone to attempt this work. State and local government agencies need to provide leadership, technical assistance and administrative support in preparing plans. Furthermore, we do not believe funds destined for on ground activity should be used for this work if it can be avoided. We therefore seek your cooperation in ensuring that the necessary State and Territory government and local agency is provided to prepare regional strategies that identify priority projects for regional investment.

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[75] Natural Heritage Trust: *Support for Regional Activities*

> To this end, we are seeking your views to describe an agreed set of regional institutional arrangements. In exchange for such an agreement, the Commonwealth is prepared to devolve Trust funding to the implementation of regional strategies.

The States responded in a non-committal way. It is not clear how the Natural Heritage Trust proposals relate to State initiatives.

The Commonwealth regional planning framework identifies the major purposes of regionally based strategic planning as:

- Ensuring that public investment is directed to the highest priorities in a region or catchment, based on the knowledge and experience of local land managers and community interests;

- Creating the potential to save money by reducing wasteful duplication and avoid counter productive actions;

- Ensuring that all the issues related to sustainable natural resource management and environment protection are addressed through a coordinated effort; and

- Informing others in the community of activities in their area so that they can tailor their efforts to contribute to an overall improvement in their local environment.

The Commonwealth paper indicates that:

- Projects seeking Natural Heritage Trust funding would still be submitted on a Natural Heritage Trust project application form. The project proposals and the funding proposal would clearly indicate the linkages between the proposed projects and the regional strategy and action plans.

- The process for developing a funding proposal should be coordinated by a regional organization - including making local calls, commissioning projects, and considering projects for assessment in the national Natural Heritage Trust call.

- While all projects submitted for funding under the Trust will be considered on their individual merit, where a regional approach has been adopted projects given a high priority in a good regional strategy or action plan are more likely to receive funding priority. Funding in future years will increasingly be directed towards implementing agreed regional strategies.[76]

- The Regional Assessment Panels and the State Assessment Panels would advise on the appropriateness of the regional organisation's funding proposal for implementing the regional strategy and action plans, including external evaluation or technical review process, where appropriate.

It is understood that the processes for reviewing, recommending and implementing regional strategies and action plans, may vary from State to State. However, the point is made that there should be independence between:

- Organizations preparing regional strategies and action plans

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[76] Ibid

- Bodies endorsing the strategies and plans

- The Regional Assessment Panels assessing the funding bids.

The proposed models and frameworks raise a number of issues concerning implementation, and in particular, the administrative, organisational and management frameworks that will be developed. While it is important not to be prescriptive, *some element of formal organization will be required* to ensure that strategies are developed and that there is some clarity about who is responsible and accountable for activity and performance.

6.6   Toward regional delivery

6.6.1   Some principles

The Natural Heritage Trust has been developed and promoted on the basis of devolution of decision-making responsibility to States and regional assessment processes. To that end, the delivery of Natural Heritage Trust programs involves the commitment of 47 regional assessment panels with over 620 members.

The task of ensuring that these 47 panels address both regional and national priorities, and focus on *investment* in natural capital is a major challenge for the Administration of the Trust.

It is important that devolution is not confused with independence. We suggest that the following broad principles, drawn from practice in the management of complex organizations in the corporate sector, are relevant to the regional assessment process:

- Regions can manage and operate in their own way, provided that it is consistent with the broader Natural Heritage Trust purpose and objectives – as set out in the Legislation, Partnership Agreements and background documentation leading to the establishment of the Trust

- Regional organizations, and staff involved in the assessment process need to be informed and educated about what the Natural Heritage Trust purposes and objectives are – there is currently a great deal of confusion as a result of a multitude of different "funding guidelines" and loosely worded outcome statements relating to the current Key Result Areas

- The Natural Heritage Ministerial Board (as the investor) has a right to initiate action that might cut across local priorities when broader national priorities are of higher priority

- Actions and activity are undertaken within a framework of "common laws" covering process and procedure – these are reflected in the current guidelines and directives.

The identification of the principles that underpin the definition of the Trust and regional/local interests is a major issue for the Natural Heritage Trust.

In our view it would be desirable for the Commonwealth to maintain a register of Regional Assessment Panel members for the purposes of developing and maintaining awareness about the Natural Heritage Trust, policy and strategic initiatives and "best practice" in assessment processes.

6.6.2   Models and mechanisms

In July 1999 the Natural Heritage Trust Stakeholders Group prepared a Discussion Paper, *Alternative Approaches For The Delivery Of Natural Resources Management* that sought to identify regional delivery models that would continue to provide accountability and tangible outcomes. This paper is yet to be submitted to the Natural Heritage Trust Advisory Committee.

A regional model was sought that would encourage projects that address resource management issues in an integrated manner, and at a scale that would ensure all stakeholders were engaged so that greater responsibility for on-ground action occurs. The Paper noted that there is agreement that local delivery is preferred, but where communities are unwilling or unable to deliver national outcomes at the regional or local level, the Commonwealth should use alternative mechanisms to ensure national environmental priorities are implemented.

Suggested mechanisms identified in the Paper for implementing new arrangements included strategic alliances with key stakeholders, Commonwealth or State commissioned projects and accrediting national organizations to develop regional strategies and action plans.

The Group preferred a delivery framework that would have the following characteristics

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The funding emphasis is regional self-sufficiency and in many respects may be able to be incorporated into, or linked with, local government operations. The focus would be on a radical approach which:

- Identifies and establishes agreed regional boundaries
- Establishes regional authorities (probably statutory)
- Establishes a representative selection process
- Authorises regional organizations to borrow and to levy regional taxes and charges to ensure viable funding base
- Authorises regional organizations to make integrated decisions about the environment, economic and social parameters
- Authorises regional organizations to plan for, assess, approve and implement environmental and natural resource management
- Authorises regional organizations to establish regional incentives and regulations
- Authorises regional organizations to make decisions about resource allocation, including natural resources such as water
- Accredits regional organizations to meet national commitments such as endangered species
- Accredits regional organizations (by the States and Territories) to meet land management commitments
- Authorises regional organizations to negotiate outcomes for inter-regional issues
- Establishes independent monitoring and reporting regimes to ensure accountability
- Establishes independent monitoring and reporting regimes to ensure that outcomes for state and national priorities are addressed effectively
- Eliminates state and national involvement in project administration
- Amalgamates state and national programs
- Authorises the regional authority to make strategic funding decisions
- The Commonwealth against strategies and action plans allocates Block funding.

The Group considered that the level at which a regional strategy is developed should reflect the environment and natural resource management issues of concern to regional stakeholders. Factors to be considered included the location of natural landscape features, such as catchments, ground water flow, artesian basins, ecosystems or land systems, and the social and economic support structures, including state and local governments, communities and industry.

The Commonwealth framework envisages that a *regional organisation* should develop the regional strategy. It would work with all stakeholders to develop the action plans and that "prospective investors, including the community, Commonwealth, State and Local governments, should be involved in negotiations on the outcomes targeted in these plans".

It is often overlooked, however, that regional organizations (in fact any organization) require a clear mandate and a robust support infrastructure. It is also important to address the issue about "which" regional organization. In the context of the Natural Heritage Trust, it is also important to differentiate between the roles and responsibilities for regional *assessment* and regional *planning*.

In the context of the criteria noted above about separation between proposal development and proposal assessment, there is currently considerable overlapping membership between Regional Assessment Panels, Catchment Management Authorities/Councils and Landcare Groups. While this has advantages for integration between planning and assessment, there are issues concerned with potential conflicts of interest – particularly in relation project advocacy and assessing project merits and consistency with objectives.

It remains an important issue concerning the extent to which regional delivery of Natural Heritage Trust programs can rely on existing structures or whether further investment is required. This issue is addressed briefly below and in Chapter 7 in the context of our analysis of the Natural Heritage Trust Facilitator and Coordinator framework.

6.7 Organizations and institutions for regional planning and delivery

As indicated above, it is important to distinguish between regional *structures* for planning and the *organisational infrastructure* that will be required to deliver the strategies and actions identified in planning documents

This section briefly canvasses the contribution of Catchment Management Authorities, the Landcare network and Local government in the development of regional planning and delivery of the Natural Heritage Trust investment strategy.

6.7.1 Catchment Management Authorities

While NSW has a Total Catchment Management approach for planning, it is a non-statutory arrangement and delivery is the responsibility of the Department of Land and water Conservation and participating agencies and organizations. Victoria has established catchment planning and delivery of a statutory basis. There are nine Catchment Management Authorities (CMAs) that have responsibilities for:

- Development and on-going review of their Regional Catchment Strategies (RCSs);

- Identification of priority activities and work programs to implement the Regional Catchment Strategies;

- Provision of advice to the State Government on Commonwealth and State resourcing priorities relevant to its region;

- Provision of services related to integrated waterway and floodplain management.

Catchment Management Authorities are also responsible for guiding natural resource management in their region to ensure that management is consistent with the broad performance standards, but is tailored to reflect specific regional circumstances and to meet regional community expectations and needs.

The RCSs are intended to provide a means of establishing community-owned, statutory goals for environment protection, and developing practical, coordinated management programs which meet regional needs and principles of environmental management.

It is also intended that the Catchment Management Authorities work with State and Commonwealth agencies and the community to ensure that the Natural Heritage Trust programs in Victoria are delivered effectively to promote positive environmental outcomes and the sustainable management of the State's natural resources.

The Regional Catchment Strategies are intended to provide the basis for future investment in catchment management and sustainable agriculture across the States and at regional level. The State Government supports the actions identified as high priority for the catchment. The DNRE comments, however, that:

> It needs to be recognised that the rate of implementation of the high priority actions, and others specified in the RCSs, will depend upon the level of funding available through State and Federal Governments *and local authorities* in partnership with local communities.[77]

The RCSs identify objectives and priorities. On ground action is managed through an annual business planning process to set short term targets, allocate resources to priority projects and identify responsibilities and accountabilities.

Regional implementation packages, consisting of priority activities are intended to enable the RCS to be implemented in each region. Each package will contain details of the actual priority projects to be implemented, the proposed sources of funding, objectives and performance measures. It is intended that:

> Implementation packages are to be submitted for federal NHT funding, based on the RCSs plus an additional State-wide package covering projects like the State water Plan. However, it is important to recognise that the majority of resources for implementation comes from outside government. Regional implementation packages will provide the foundation for the "business plans" of the catchment bodies and of DNRE service agreements for regional program delivery. The packages will identify costed project proposals and resource contributions that are to be sought from local communities and the Commonwealth, State and local governments[78].

During the course of the Review, a great deal of interest was expressed by other States about the way in which the Victorian model will deliver natural resource management outcomes. An issue that arose concerned the relationship between the CMAs, Landcare and local government.

6.7.2 The Landcare network

The Natural Heritage Trust was implemented with an understanding that there was a pre-existing delivery network, through Landcare. The strength of Landcare

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[77] DNRE, *Partnerships in Action*. Emphasis added

[78] Ibid

is in its contribution to sustainable agriculture through community education, awareness and support. It is also a very strong social network.

As a social network, Landcare is not necessarily comfortable with the catchment management approaches and boundaries. However, the social structure means that there is link with a desire of group members to become advocates for the Landcare cause. The New South Wales State Landcare Coordinator has argued that the attributes of advocacy and community support within the communication networks of Landcare enable project planning and on ground implementation to happen at a local level without a regional or state network.[79]

The experience of New South Wales in building Landcare regional structures and strategies has demonstrated that it is quite a task, with most of the work and consultation undertaken by the Regional Landcare Facilitators themselves. There was a common complaint from the Landcare movement that it has been pushed too fast with the changes to support infrastructures and funding: the groups wanted time to catch up and consolidate[80]. There was also a concern that with the development of regional strategies Landcare groups would lose the management of their own employed Landcare coordinators.

Initially, Landcare groups did not want to take responsibility for employing staff. Now, most groups would not want to relinquish this responsibility - and it would be very difficult to achieve. However, the structures that have been built rely on Natural Heritage Trust funding - that is due to end in 2002. This has created some anxiety. Faced with this uncertainty, many Landcare groups are starting to look for their own sponsorship from local businesses and local government. This is an important "catalytic" impact, but it does require time, effort and a particular skill to extract sponsorship.

The capacity to use the Landcare network as a basis for regional planning varies among the other States.

6.7.3   Local government

The Australian Local Government Association notes that in the evolving regional planning approach to Natural Heritage Trust investment, regions will have to develop a *structure and process for strategy development and priority setting*. The Association considers that regional strategy groups must involve local government and should be established using existing forums such as Regional Organizations of Councils or other local government planning structures.

A significant problem in implementing this approach is that local government boundaries rarely line up with natural resource management regions based on a catchment basis[81]. There is also the problem that many local government authorities have limited capacity and capability in natural resource management and environment protection. On the other hand, many rural Councils are active supporters of Landcare groups and coastal councils are active participants in Coastcare programs.

The more significant problem for expanding local government involvement in natural resource management is one of resourcing. Local government argues that it is pressured for resources, although retains access to the property tax base

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[79] Wright, Kate. "Developing Communication Networks for Landcare", Department of Land And Water Conservation, Sydney, 1999.

[80] Ibid.

[81] We note, however, that there is some interest in local government restructuring on a catchment basis, particularly in New South Wales.

in all States. There is an obvious linkage between property taxes and natural resource management. It is, however, important that the property tax structure *supports* environmental protection and sustainable agriculture through appropriate incentive arrangements.[82]

The involvement of local government in natural resource management varies considerably between States and within States. Each State has different institutional arrangements concerning the roles and responsibilities of local government and expectations regarding performance. However, local government is a popularly elected institution and can therefore provide an important focus for locating local and regional responsibilities and accountabilities for planning as well as delivery.

Local government is under pressure for restructure, but often without reasons being advanced, except assurances of efficiency gains. We think it appropriate for local government restructuring to be advanced on the basis of greater responsibility for natural resource management with possible efficiency dividends being applied to developing natural resource management capacities and capabilities.

We note that the Natural Heritage Trust has supported an number of projects directed towards improving the roles and responsibilities of local government in natural resource management and that there is strong support within the local government industry for a greater role in natural resource management and planning. This issue was addressed in Chapter 3. There is, however, some work to do in convincing some Council members about the merits of taking grater responsibilities in these areas and building capacity and capability within Councils.

It is also important to link local government involvement in natural resource management with the strong interests of councils in local economic development, particularly in rural and regional Australia. Over the last 15 years there have been many successful Commonwealth-State-Local Government initiatives aimed at building local government capacity and capability. The National Review of Local Government Labour Markets, for example, was important in moving local government toward the introduction of general management arrangements in Councils across Australia.[83]

Given the objectives of the Natural Heritage Trust to conserve, repair and replenish Australia's natural capital infrastructure, and the important role of local government in the planning, regulation, and control over land use, it is vital that local government have the highest possible level of capacity and capability for effective management in this area.

Recommendation

30. **The Natural Heritage Trust, through Environment Australia and Agriculture Fisheries and Forestry Australia, in cooperation with the States and Local Government, undertake a comprehensive review directed towards improving the leadership, planning and professional capacities and capabilities of local government in natural resource management planning and delivery.**

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[82] This issue was addressed in the recent paper, *Beyond Rates and Rubbish*

[83] Prior to 1980 it had been common for Councils in all States to be managed on a 'Dual " basis – with a City/Shire Engineer and Town Clerk holding equal management responsibilities.

6.8   Moving forward

There is an expectation, and agreement, on the part of both the Commonwealth and the States that, in time, regional strategies should form the basis for the States Natural Heritage Trust Bid. However, the State Bids need to stand up as *business cases* for Commonwealth investment rather than as applications for Commonwealth financial assistance.

At this stage, the State Bids are not presented, or assessed, in the way an investor would assess a business plan. They tend to be disaggregated and examined on a program-by-program basis. States, acting in this knowledge, are reluctant to put in large investment proposals that might cover several programs because of the fear of missing out entirely. The risk of putting in separate proposals for large projects is that one part might be funded – but not another.[84]

Nonetheless, planning at a regional level is a key to an integrated approach to natural resource management. The Regional Assessment Panels, developed from the Landcare processes, are important in this regard. There are, however, in some States a multiplicity of regional and local planning and delivery agencies with overlapping responsibilities and jurisdictions.

There is also an important issue about balancing regional priorities with national priorities and between regions. To this end, we do not support the allocation of *all* Natural Heritage Trust funds on a "block basis" to regions. Consistent with the investment nature of the Natural Heritage Trust, it is important that resources flow to those projects that represent the best investment potential. As these may vary across regions on a year-to-year basis the Natural Heritage Ministerial Board should have the flexibility to allocate resources to projects that represent the best investment return.

As argued in Chapter 9, if there are insufficient high quality proposals in any one year, there should not be any pressure on the Natural Heritage Ministerial Board, or on State Assessment Panels to fully allocate the available funds. We have argued strongly in this Report that Assessment Panels should be encouraged to address only the investment criteria of projects they are assessing rather than consider the ways of allocating available funds.

If a block funding approach were to be adopted, then regions should have the opportunity to "bank" investment funds with a view to investment in subsequent years. This would assist in ensuring that sound projects were adequately scoped and planned and not "rushed through" to catch the funding allocation.

This proposed regional framework better serves the investment-based approach to natural resource management that is embodied in the *Natural Heritage Trust of Australia Act*. Such an approach requires information about *short and long term* investment returns (i.e. where the Natural Heritage Trust dollar can achieve the best outcomes in terms of program goals).

The Natural Heritage Trust objectives also require a *spread* of investment ranging from those involving immediately realisable benefits (eg fencing of remnant vegetation) to those that address longer-term repair and replenishment.

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[84] The MOU program managers advise project proponents that if they miss out on funding under a Partnership program, they can re-apply under Coasts and Clean Seas programs.

Recommendation

31.   **In the development of regional approaches to Natural Heritage Trust investment, the Natural Heritage Ministerial Board require a *spread* of investment ranging from those involving immediately realisable conservation benefits (eg fencing of remnant vegetation) to those that address longer-term repair and replenishment**

Finally an investment-based approach allows managers to look at *options.* Some projects may not be attractive because of uncertainties concerning the extent of the problem and/or information about the proposed solution. Appropriate funding of an unproven strategy or technology can provide valuable information about what does and does not work, and can allow for rapid uptake (via similar projects) if the results are positive.

The development of regional approaches to service delivery must also have regard to the institutional arrangements in each State. A number of States have existing, and are in the process of developing regional service delivery frameworks on an across the board basis. In New South Wales, for example, there is a strong regional economic development focus in devolution of responsibility for service delivery to regions.

Historically, States have been concerned about Commonwealth initiatives for regional service frameworks. They tend to see it as a way of circumventing State responsibilities and priorities. It is therefore important that approaches to regional planning and implementation of Natural Heritage Trust programs be undertaken with the full cooperation and collaboration of State governments – not only the natural resource management agencies.

Chapter 7: Natural Heritage Trust funded facilitators and coordinators

In this Chapter of the Report we address the items in the Terms of Reference that refer to Natural Heritage Trust facilitators and coordinators. These items are:

- Evaluate the role and performance of Natural Heritage Trust funded facilitators and coordinators

- Make recommendations for any improvements in . . . the facilitator and coordinator networks for future years

- The role and performance of Natural Heritage Trust funded coordinators and facilitators in relation to project development and on going proponent support

7.1 Terminology and definition of roles

The role of the Facilitator ranges from broad community networking and support for natural resource management activities to, in some cases, close involvement with project development, implementation and reporting. The latter role, which is usually justified on grounds of the complexity of Natural Heritage Trust processes, carries with it the risk of insulating community groups from the skills and knowledge required to manage Natural Heritage Trust projects in a complex multi-level government environment.

Because communities vary in terms of awareness and skills there is no single correct view of the role of facilitators. However the indications are they can better support Natural Heritage Trust program objectives through information networking and promotion than through acting as a technical interface for individual projects.

The terms facilitator and coordinator are used extensively and interchangeably in Natural Heritage Trust Programs with the result that their precise meaning cannot be discerned except in the context of the Programs themselves.

It is possible, however, to identify three broad facilitator/coordinator roles in Natural Heritage Trust Programs[85] –

1. Fostering and promoting community based, integrated, natural resource management planning, strategies and actions - to focus on strategic issues at the national, state and regional level and assist in the more integrated delivery of initiatives that involve action by the community and state agencies – drawing on multiple program sources

2. To build and sustain community based networks that aim to educate, change management practices that will lead to practical on ground solutions in

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[85] The first two categories draw on the distinction identified in the Sustainable Land and Water Resource Management Committee Report, *Future National Landcare Program Partnership Arrangements*

relation to natural resource management, sustainable agriculture and environmental protection issues.[86]

3. Technical advice and assistance on specific project initiatives within one or more Natural Heritage Trust programs.

For clarification in terminology, we would like to suggest that the first role be referred to as a *Natural Heritage Trust Facilitator*, the second as a *Program Coordinator* and the third as *a Project Adviser, or Project Officer*.

These roles are identified for the purposes of defining responsibilities and accountabilities. We do not wish to infer any change to the interaction and collaboration between "facilitators and coordinators" that takes place at the delivery level as they "get on with the job". In many parts of Australia, people funded from different programs are "all Landcare people".

Consistent with the focus of the programs, facilitators funded directly by the Natural Heritage Trust under Landcare are often considered to have the first role. Facilitators funded by capital programs tend to have the second and third focus. However, there are many facilitators engaged under Landcare who have a project specific focus while there are facilitators/coordinators in other programs that have a strategic as well as a project advisory role.

The role of the facilitator has also evolved with the development of the Landcare network and the implementation of the Natural Heritage Trust strategy. The introduction of facilitator/coordinator networks under Natural Heritage Trust Programs has made role definition even more complex.

7.2   The facilitator/coordinator network

The Natural Heritage Trust facilitator/coordinator network is quite extensive. This is indicated in Table 27.

Table 27: Natural Heritage Trust Facilitators and Coordinators

Program	NAT	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Tot.
Natural Heritage Trust	0	1	1	1	1	1	1	1	1	8
Landcare*	*1*	*157*	*110*	*71*	*40*	*83*	*20*	*15*	*4*	*500*
Bushcare	0	42	30	19	20	20	10	11	5	157
Coastcare Regional Facilitators	0	5	3	5	3	3	3	1	0	23
Coats & Clean Seas Project Officers	0	1	1	1	1	1	1	1	0	7
Waterwatch	0	13	28	15	7	10	13	8	4	98
Threatened Species	2	1	1	1	1	1	1	1	0	9
	3	220	174	113	73	119	49	38	14	802

*Includes facilitators and coordinators engaged under National Landcare, Murray Darling 2001, Farm Forestry and Fisheries Action. The estimates are for "full time equivalents" – as many are engaged on a part-time basis, the network is far more extensive.

Analysis of data from Program Administrator identifies the number of projects that involve payment for a facilitator or coordinator. The data indicate that in 1998-99 there were 293 projects with an approval of $15.5m compared to 328 projects with a value of $14.5m in 1997-98. This is indicated in table 28.

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[86] This is the basis of the *Landcare Movement* – which is relied upon for proposal and the delivery of Natural Heritage Trust projects

Table 28: Number and Value of Projects Engaging Facilitators, Coordinators and Project Officers

	1996/1997		1997/1998		1998/1999	
	No.	$'000	No.	$'000	No.	$'000
Bushcare			25	2,885	25	2,626
Farm Forestry Program			4	152	5	298
Fisheries Action Program	1	6	2	42	10	296
Joint Project (EA/AFFA)	1	36	12	1,057	10	1,171
Murray-Darling 2001			36	1,398	29	1243
National Feral Animals Strategy (AFFA)	1	60			1	60
National Landcare Program	18	630	267	11,444	226	12,754
National Reserve Systems Program	1	25			1	36
National Rivercare Program			7	291	13	640
National Wetlands Program	2	80	6	124		
Waterwatch Australia			41	1,288	43	1,390
	24	837	400	18,681	363	20,514

The conclusion may be drawn that there are more facilitators and coordinators engaged in larger projects. Review of the data indicates that facilitators and coordinators are being engaged in larger State government managed projects. There are, for example, 89 people engaged under the NSW Landcare facilitators project.

Facilitator/coordinator projects with approvals in excess of $200,000 are listed below. It is noted that all but one project is channelled through a State Government agency.

Table 29: Facilitator and Coordinator Projects in Excess of $200,000 1997-98 to 1998-99

	1997-98	1998-99
	$,000	$'000
New South Wales		
Department of Land and Water Conservation	1626	2095
NSW National Parks and Wildlife Service		550
NSW Department of Urban Affairs and Planning	267	312
Victoria		
Department of Natural Resources and Environment	914	517
Queensland		
Department of Environment	599	
Department of Natural Resources	594	644
Department of Primary Industries	292	430
QLD Murray-Darling Basin Coordinating Committee	220	230
State PMP Coordination Committee	215	254
South Australia		
Government of South Australia		417
Primary Industries and Resources South Australia	397	360
Aboriginal Lands Trust (SA)	276	392
Department of Environment and Natural Resources	244	
Western Australia		
Department of Conservation and Land Management	755	423
Agriculture Western Australia	497	457
Water and Rivers Commission	341	390
Northern Territory		
Department of Lands, Planning and Environment	230	
Swan Working Group		244
	7467	7714

The data indicate that approximately 38 percent of funding for Natural Heritage Trust facilitators and coordinators is administered by State Government agencies.

As Coasts and Clean Seas data is not included in Program Administrator, the table does not include people engaged under this program.

The attraction of the facilitator arrangement is that people engaged are not generally regarded as government employees and have flexibility in defining their responsibilities and working arrangements. It is important, however, that people who have independence in defining their working arrangements at the delivery level, do so within the framework of the policies and strategies they have been engaged to implement.

Program managers require policy and program objectives to be communicated effectively - but without being seen to take control. The facilitator network is essential in this regard. However, many facilitators would not be aware that the Natural Heritage Trust funds them. Nor would they be aware of the relationship between the program they work on and the Natural Heritage Trust. The position profiles of Bushcare facilitators and coordinators address this (see below).

We have developed a database of facilitators and coordinators as part of this review. Our intention had been to undertake a survey, but it has taken some time to identify names, locations and contact details.

The role of a Natural Heritage Trust Facilitator is emerging as the equivalent to that of the *first line supervisor* in management. It is one of the most difficult roles in any organization – having to manage a relationship that requires allegiance to both a work group and a management team. In this regard, it is important that program managers and Natural Heritage Trust team leaders have a means to communicate with them. Email provides an effective mechanism in this regard.

Recommendation

32.   **The roles of facilitators and coordinators engaged under Natural Heritage Trust programs be defined to mean:**

- ▪   ***Natural Heritage Trust Facilitators*: Fostering and promoting promote community based, integrated, natural resource management planning, strategies and actions**

- ▪   ***Program Coordinators*: To build and sustain community based networks that aim to educate, and change management practices that will lead to practical on ground solutions natural resource management, sustainable agriculture and environmental protection issues**

- ▪   ***Project Officers*: Technical advice and assistance on specific project initiatives within one or more Natural Heritage Trust programs**

Comments on the roles and responsibilities of facilitators and coordinators under Natural Heritage Trust programs is provided below.

7.3   Landcare

Landcare facilitators and coordinators come from a diversity of educational and professional backgrounds, often from outside agriculture. There are no defined terms and conditions of employment (contract) and competency standards, although these are being developed. Their main role is communication and awareness with an emphasis on process. They are generally engaged on short-term contracts, with no employment prospects after funding runs out.

7.3.1   Roles and responsibilities

The roles and responsibilities of Landcare facilitators and coordinators are reflected in the objectives of the Landcare Movement as well as the specific purposes and objectives of the Natural Heritage Trust and the National Landcare program.

▪   **The Landcare Movement**

The main responsibility of a Landcare coordinator in the context of *Landcare Movement is* to foster community synergy[87]. Essentially this involves a number of broad roles:

▪   Community development

▪   Knowledge management, including identifying problems and developing and implementing solutions

▪   Administrative support

The Landcare network is regarded as "dynamic, changing and different in each State and Territory, in each region and local area, and is still evolving".[88] It has been described as:

> . . . a network of people tackling land and water degradation and using and caring for our natural resources. But it is evolving into both an advisory network and an association of community groups, with influences beyond the local area where most groups focus their activity[89]

Community development responsibilities cover

▪   Helping Landcare groups make the best use of the human resources available

▪   Acting as a link person within the group and local community

▪   Providing a link between the group and the outside sources of information and assistance.

▪   Developing a shared sense of direction among relevant stakeholders

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[87] Campbell, A, *Landcare: Communities and the Land Shaping the Future*, Allen and Unwin: Sydney, 1994, p. 204

[88] Jenny Quealy, "Landcare Structure in Australia" *Landcare Australia: Ninth Annual Report and Yearbook, 1998*, p. 35.

[89] Ibid

Their main role is in the early stages of group establishment, although they are expected to perform a troubleshooting role with mature groups and be involved in rejuvenation of groups in decline. They should have sufficient technical skills in land management and be able to assist groups to set technically sound goals and access appropriate advice. They must be able to handle the "fine balance between intervention and strategic withdrawal in group activities"[90]

From a program viewpoint, facilitators have an important knowledge management function. They are expected to seek and interpret technical information on behalf of a group, clarify regulations and mediate "top down" science based approaches to natural resource and catchment management with "bottom up" community/land owner experience and practice.

Facilitators have established networks in most States to obtain professional advice and feedback. This has been supported by State Government natural resource management agencies. However, they are an important part of the change in approach to natural resource management based on a catchment/regional approach. The interface between the Landcare facilitator, Landcare groups and catchment planning is strengthening.

Facilitators also have an administrative function, including:

- Easing the administrative workload of a group

- Linking groups with schools

- Advising on project submissions

- Providing a pathway to government to enlist group support such as farm planning.

The combination of community development, knowledge management and administrative roles is a major challenge and requires a unique combination of skills, capability and experience. Facilitators are also under pressure to determine and allocate priorities between these roles.

Facilitators are also often presented with difficult situations, as is indicated by the following example

> Landcare facilitators work at the interface between community groups and government agencies, of which they are usually quasi-members. Facilitators are inexorably drawn into conflicts between and/or within agencies and groups. For example, a group may perceive its problems very differently from the regional salinity expert, who may have a reasonable grasp of technical issues and pet project for which he has been trying to get resources. He has a clear view of "what the group really needs", which happens to coincide with his project idea for which he wants the group to seek funds.

> On the other hand, the group is still working out its priorities and direction, a process which the facilitator understands is critical to its longer term autonomy and self-reliance, and which could be compromised by an injection of funds early in the life of the group for a project few group members understand or have any ownership of.

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[90] Ibid, p. 205

> In this case, the facilitator has to manage both the learning of the group and the interventions of the expert – a tricky situation potentially rife with tension and conflict.[91]

In their role as supporters of the Landcare Movement, there is a confused accountability structure for facilitators: they are funded by the Commonwealth, often employed under State Government awards (and work from State regional/district offices) but are expected to champion the interest of a group. The pressures that are created, and the high expectations of community groups, were matters raised in submissions to the Review.

▪ National Landcare Program

In the past Agriculture, Fisheries and Forestry Australia has left the definition of Landcare facilitator roles to the states and the Landcare network. While this has been excellent in terms of capacity to identify with the landowner and achieve network outcomes, it has not always focused attention on promoting integrated, natural resource management planning, strategies and actions from a regional, state and national perspective. In some States, Landcare facilitators are engaged by Government Departments and seen to be State Government employees.

Up until now Agriculture, Fisheries and Forestry Australia has not seen a need to know who is engaged as a National Landcare facilitator/coordinator. This has changed as the strategic role of the facilitator is being recognized and the National Landcare Program evolves. Agriculture, Fisheries and Forestry Australia are now collecting details for facilitators engaged under Agriculture, Fisheries and Forestry Australia programs.

The increasing expectation of Landcare facilitators and coordinators in strategy development will need to be accompanied by a capacity to enter into longer term employment arrangements. There has been a very high turnover of Landcare personnel - due to uncertainty of employment beyond one-year contracts that come through the One Stop Shop process. *Few organizations would contemplate retaining their front line managers on a one year contract basis.*

At the same time, there is sometimes a concern that Landcare facilitators do not have sufficient skills and knowledge to address specific technical issues associated with catchment management, particularly in areas of biodiversity, and more specifically remnant vegetation. To that end, program managers in Canberra have sought to fund program specific facilitators and coordinators.

High turnover of Landcare personnel results in dissipation of knowledge and expertise and a difficulty in communicating the purposes and objectives of the Natural Heritage Trust and its component programs (not only Landcare). The need for greater continuity, training and support for Landcare and other facilitators and coordinators

From a program management viewpoint, and given the change of Landcare to a capital program, it may be desirable to specify in more detail what the expectations are of Landcare facilitators and coordinators. This should be undertaken having regard to the responsibilities and accountabilities of other facilitators and coordinators engaged under the Natural Heritage Trust.

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[91] *Landcare: Communities Shaping the Land and the Future*, p. 205

7.3.2 The national Landcare facilitator project

The Landcare network is being supported by the National Landcare Facilitator (NLF) Project is a Commonwealth Government project, administered by the Department of Agriculture, Fisheries & Forestry - Australia. It is based in Geelong, Victoria, and is operated by the Rural Resources Group Pty Ltd.

The aims of the Project is to:

- Ensure community Landcare is heard by providing a conduit between community Landcare and Government

- Facilitate the development of solutions and the exchange of information

- Investigate issues at the request of the Commonwealth Government, and provide independent advice.

The tasks of the Landcare facilitator and support staff cover:

- Development of a thorough understanding of issues at community level – achieved through regional travel and attendance at community meetings

- Brokering communication with relevant stakeholders, providing liaison and advice with a view to developing solutions

- Attending meetings of the Australian Landcare Council and Landcare Australia Ltd, providing appropriate input into policy development and communication with Commonwealth Ministers

- Facilitating community forums and meetings to obtain feedback from the community on Landcare issues

- Organising seminars and workshops to address current and specific issues.

- Publishing an annual report, which provides an outline of current Landcare issues and relevant recommendations.

The National Landcare facilitator provided useful input into this Review.

7.4 Bushcare

Bushcare facilitators come under the framework of the Bushcare Network. The aim of the network is to work cooperatively with the community, government and industry, and other natural resource management facilitators, to ensure Bushcare is understood and adopted nationally.

The Network comprises:

- Eight State/Territory Bushcare Coordinators

- 50 Bushcare Regional Facilitators

- 120 Bushcare Support officers (both full and part timers)

- 12 Indigenous Land Management Facilitators

- National Local Government Bushcare Facilitator and Environmental Resource Officers within State Local Government Associations

- The Bushcare Link consultancy.

The current roles of the Bushcare facilitators, Regional Facilitators and Support Officers are outlined below. Reference has been made in earlier parts of the Report to Indigenous Land Management Facilitators and local government facilitators.

7.4.1   State Bushcare Coordinators

There is a State Bushcare Coordinator located in each State and Territory lead agency for Bushcare. These positions are pivotal to the delivery of Bushcare in each of the States/Territories. Their responsibilities include:

- Facilitating a strategic integrated approach to the implementation of Bushcare on a State-wide level

- Coordination of Training, support and supervision of Bushcare facilitators

- Effective communication with Bushcare facilitators the Bushcare Support network and other stakeholders to progress the objectives of Bushcare

- Work with State agencies and others in the development and implementation of Bushcare projects

- Liaise with Natural Heritage Trust Facilitators to ensure a coordinated approach to delivery of the Trust with in the State

- Assist with the One-Stop Shop assessment process

- Communicate best practice examples on native vegetation management

- Assist in policy formulation and direction of the Bushcare program.

7.4.2   Regional Facilitators

The role of the Regional Facilitators varies in each State. However, in general they are required to:

- Facilitate a strategic, integrated approach to the sustainable management of native vegetation by working with other Natural Heritage Trust facilitators and programs, regional staff of natural resource management agencies and communities in the development and implementation of the native vegetation components of regional initiatives.

- Facilitate the development of high quality projects for funding under Bushcare and other elements of the Natural Heritage Trust that improve vegetation management and maximise the opportunity for strategic revegetation and remnant vegetation protection and management

- Promote, in conjunction with existing State processes, community adoption of mechanisms that support sustainable native vegetation management including voluntary off reserve nature conservation

schemes and local government incentives for sustainable vegetation management (eg rate relief)

▪ Provide technical advice on sustainable vegetation management and sustainable agriculture point of contact for the community

▪ Assist in the administration and delivery of Bushcare, including providing support to Regional Assessment Panels

▪ Participate in the implementation of regional monitoring and evaluation strategy

▪ Assess training requirements at the community level and direct groups to appropriate courses

▪ Cooperate with other Natural Heritage Trust facilitators and programs, the community and other stakeholders to encourage collaborative efforts and improve information exchange on sustainable vegetation management

▪ Communicate best practice examples on native vegetation.

7.4.3   Bushcare Support

Bushcare Support is a three-year national contract awarded, following competitive tender, to Greening Australia for 1998-2001.   The three main objectives of Bushcare Support are to:

▪ Provide the community with practical assistance in implementing their Bushcare projects (from project development and planning, to on-ground activity and monitoring/evaluation);

▪ Provide the community with training in native vegetation management; and

▪ Conduct public education and awareness activities about sustainable vegetation management.

In South Australia, Trees for Life and the Nature Conservation Society of SA are partners with Greening Australia in delivery of Bushcare Support, and in Tasmania, the Tasmanian Conservation Trust is assisting.

Bushcare Support involves a national network of regionally based staff with a limited amount of regional infrastructure such as seed banks and direct seeding equipment. Some 120 people - including part-timers - are involved in Bushcare Support.

7.4.4   Bushcare Link

The Bushcare Program has established a national project similar to the national Landcare Facilitator Project. The role of the Bushcare Link Consultant is to consult with key stakeholder groups to help Environment Australia deliver Bushcare better. The consultant travels widely seeking constructive feedback from all stakeholders. Activities undertaken as part of this role include:

▪ Meeting people involved in native vegetation in their own localities and running workshops. Both activities allow stakeholders to give feedback

on the Bushcare program, explore issues and develop solutions to problems

- Providing a first point of contact through which the community may raise issues; and

- The development of a stakeholder database for use in disseminating information.

7.5 Coastcare Facilitators

There are 30 facilitators engaged under the Coasts and Clean Seas Initiative.

The Coasts and Clean Seas Memoranda of Understanding is more specific than Landcare about the roles of Coastcare facilitators. Their roles are defined to

- Assist in raising the awareness and profile of Coastcare in particular and Coasts and Clean Seas programs in general;

- Advise on and coordinate activities funded under Coastcare within their region;

- Assist, where appropriate, with the implementation of Coasts and Clean Seas programs and contribute to integrated approaches to coastal management;

- Work closely with and encourage community participation in coastal zone management and associated activities within their region;

- Provide advice to community groups and others on best practice coastal management;

- Facilitate communication and cooperation within and between community interest groups, industries, local government and government agencies;

- Assist in the promotion of indigenous interests in coastal management;

- Assist community groups and others prepare applications for Coastcare funding.

These functions are similar to the roles and responsibilities of Bushcare coordinators described above. It is of interest to note that Coast Care Facilitators are considered by the Landcare organizations to fall under the Landcare umbrella.

7.6 Education and training

With increasing resources for investment in community based natural resource management projects, it is important that people involved in delivery have the skills, capabilities and competencies to ensure that intended outcomes are achieved. The Natural Heritage Trust has supported a number of initiatives in this area.

7.6.1 The skills development project

A commitment is being made by Agriculture, Fisheries and Forestry Australia and Environment Australia to develop competency standards for facilitators and coordinators through a Skills Development Project undertaken by David J Foreman & Associates. The course has received accreditation by the South Australian Accreditation and Registration Council.

The intended outcomes of the courses and units of competency within the courses relate to the range of coordination, facilitation and group leader roles within the scope of the Natural Heritage Trust and other community based natural resource management programs.

The primary outcome is to provide coordinators, facilitators and group leaders with the management, coordination, project management, policy, liaison, facilitation, leadership, human development and administration skills necessary for them to perform their roles. These exact mix of skills required varies with the position/role being performed. The course units have been designed to provide those skills.

Intended certification is at a number of levels:

- Statements of Attainment

- Certificates – levels I to IV

- Diploma

- Advanced Diploma

It is intended that the group of qualifications from Certificate to Advanced Diploma will "provide an integrated career path in the community programs aspects of natural resource management". The course designer considers that many of the competencies are also applicable to community services and health, youth services, adult and community education centres and local government.

7.6.2 Short course for community volunteers

The Bushcare and the Landcare programs have recently sought tenders for the delivery of a national short course for community-based volunteers and the people who work with them. The purpose of the course is to assist all people with a leadership role in achieving the Trust's objectives. They include all coordinators and facilitators engaged under the Trust programs, volunteer community members, Regional and State Assessment Panel members, leaders of regional organizations and relevant local and State/Territory government officers.

When fully implemented it is intended that the short course will ensure that:

- All participants are effectively "networked" with others involved across all Natural Heritage Trust programs and natural resource management in the region, resulting in Trust programs being better integrated;

- Coordinators and facilitators working for the Trust on short-term contracts are effective contributors throughout the term of their contract;

- The role of voluntary community leaders is better understood, and succession planning and stress management is analysed;

- Members of assessment panels have better analytical tools for dealing with the wide range of issues they address as part of their duties, and with key messages and priorities of the Commonwealth;

- Better targeted projects are developed and delivered under the Trust; and

- Natural Heritage Trust monitoring, evaluation criteria and processes are better understood.

The Steering Committee expects that the course will develop and build on the following skill areas:

- Presentation, communication and negotiation;

- Facilitation and group dynamics;

- Conflict resolution;

- Working with the media;

- Working with sponsors;

- Strategic planning, including monitoring and evaluation;

- Project management and accountability;

- Managing employees (human resources and employer responsibilities);.

- Administration and data base management;

- Leadership; and

- A "systems" approach to natural resource management.

7.7   Conclusion

Coordinators and facilitators are playing a vital role in the delivery of the Natural Heritage Trust.   Without them the Trust would be largely random and disorganized.   They are "first line managers" as well as "system integrators". However too much of their time is involved in responding to the complexity of the process.

As policies and programs in natural resource management develop and mature, there will be a need for Agriculture, Fisheries and Forestry Australia and Environment Australia to ensure greater continuity in the employment of facilitators and coordinators, to clarify expectations of facilitator roles and develop a means of effectively communicating with them through the networks that have been established.

While the Commonwealth should not become involved in direction and employment issues, a mechanism needs to be created to ensure that competencies and capabilities are developed on a continuing basis and that people have access to them.

Access to training, professional development and career enhancement are all-important issues to be addressed in the facilitator/coordinator framework. It is

also important that there are appropriate standards, terms, and conditions of contract.

We understand that facilitators and coordinators are engaged under a variety of awards and workplace arrangements. As the network grows, and more reliance is placed on the strategic input, particularly of Natural Heritage Trust facilitators, it is vital that these human resource management issues are addressed.

We are of the view that there should be:

▪ Arrangements for continuity in employment – beyond one year contracts that come through the One Stop Shop annual funding process

▪ A clear distinction between responsibilities and accountabilities of Natural Heritage Trust facilitators (with a strategic, regional role), program coordinators and project officers

▪ An understanding that the Facilitator role

- Is a genuine "management" job – plans established, and projects "into production" – they should not be relied on to project manage or undertake projects (projects must be "owned" by the community

- Should have skills in have planning and decision making responsibility

- Requires policy and program support

Recommendation

33. A Human Resource Program be established under the Natural Heritage Trust to provide funding and a focus for facilitators engaged in fostering and promoting community based, integrated, natural resource management planning, strategies and actions.

34. The Natural Heritage Trust Human Resources Program Manager be responsible and accountable for developing and implementing a strategy for competency standards, training, knowledge management and professional development

35. The Human Resources Program be funded on a three year rolling basis through the One-Stop-Shop framework.

Chapter 8: Communications, marketing and awareness

The criticality of communications in the Natural Heritage Trust framework has been addressed several times in this Report. Communication is essential to create an awareness and understanding of the purpose of the Trust, which is "to conserve, repair and replenish Australia's natural infrastructure". Communication of this message is critical for ongoing public support for the Natural Heritage Trust.

It will be community and stakeholder awareness and commitment that will provide the basis for possible future Government investment in an integrated approach to natural resource management, environment protection and sustainable agriculture.

8.1   Background and issues

It is important to recognise, and distinguish between two "target audiences" for communications and awareness strategies:

- The *Internal Public* – the people involved in making it work: they require specific communication and education strategies that meet their needs in being able to carry out their work with the Trust.

- The *External Public* - all Australians, covering different socio-economic groups, age groups, educational and cultural backgrounds who may or may not be familiar with the Natural Heritage Trust. These people constitute the "external public".

The two broad groups, internal and external 'publics' or audiences, each have many different audience segments within them. These segments have specific information needs and characteristics that require tailored communication strategies. It is also to be expected that members of the two groups will interact.

For this reason alone, it is extremely important that the internal audience fully understands what the Natural Heritage Trust is, how it works and how they fit in. It is this group of people who have the potential to not only increase awareness of the Trust, but also to shape the perceptions that are formed in the minds of those with whom they communicate.

It is essential therefore that an integrated communication strategy for the Natural Heritage Trust be continually updated and maintained.

The Natural Heritage Trust communications has been divided into two streams:

- Public awareness, education and marketing of the Trust which is carried out by the public relations manager for the Natural Heritage Trust and the Corporate Relations and Information Branch of Environment Australia in conjunction with Agriculture, Fisheries and Forestry Australia

- Stakeholder communication that is carried out by the individual programs funded under the Natural Heritage Trust.

A communications budget was not allocated when the Trust was established. The Natural Heritage Ministerial Board decided to levy each program area to

enable an effective communication strategy to be implemented. The budget information is provided in Chapter 5 above.

Information concerning the origins and purpose of the communications strategy is provided below.

8.2 The Natural Heritage Trust Communications Strategy

8.2.1 Getting Started – May 1997

The Trust has commissioned several research studies since its inception. The first, undertaken in May 1997 by AMR:Quantum Harris, aimed to "establish a sound basis for the development of a communications strategy for the Natural Heritage Trust".

The study gathered information on three groups (the Australian community in general, farmers, and special interest groups) that would help develop an effective and efficient communications campaign. The study specifically aimed to gather information about the -

- Knowledge of the Natural Heritage Trust

- Potential confusion between the Natural Heritage Trust and Landcare

- Information requirements of the target groups

- Methods for generating awareness

- Optimal sources for communicating awareness of the Natural Heritage Trust

- Understanding the role of a Natural Heritage Trust brand and logo.

The AMR:Quantum Harris study provided a base on which to build a communications strategy that would increase awareness and understanding of the Natural Heritage Trust. The research report made a number of recommendations and suggestions concerning specific information needs and message delivery.

The study identified different levels of awareness within three audience groups. It concluded that while special interest groups had a high level of awareness, the general community had very little awareness of the Trust. Farmers, on the other hand, had little awareness unless they were involved in Landcare or other community programs.

Interestingly, the researchers recommended against investing in a mainstream media campaign to increase awareness of the Trust as they believed the results would be minimal. Rather, they recommended segmenting the different key target audiences and regions of Australia and communicating to the particular needs of each group.

8.2.2 The draft communications strategy – July 1997

The research findings, together with a wide range of information obtained from departmental officers, educationalists and community group facilitators formed

the basis for a draft national communications strategy for the Natural Heritage Trust (July 1997).

It was acknowledged at the time that the breadth of activities falling under the Trust had resulted in the development of a 'general' communications strategy, yet one that would evolve as experience and feedback dictated. The strategy document was devised with a particular focus on those target audiences that could affect the outcomes of the Natural Heritage Trust ("stakeholders").

The target groups included:

- Environment/natural resource-related community groups

- Field workers, land-farmers and graziers

- Non-land-users such as rural/regional and metropolitan residents

- Message deliverers and Trust administrators (such as Federal MPs, departmental officers, etc.) and

- The media.

The objectives of the communications strategy were to:

- Achieve a sense of ownership and responsibility by the broader community of environmental issues and action

- Create high public awareness of the Natural Heritage Trust, the programs it supports and the benefits it will generate

- Build brand equity in the Natural Heritage Trust as a Coalition Government initiative achieving positive outcomes for the environment, and

- Explain the Natural Heritage Trust and how to access Trust funding.

Although the strategy was relatively broad in its focus, it provided an overview that deliberately aimed to identify and communicate with key stakeholders (many of them comprising the internal audience) in the first instance. The stakeholders were the people considered more likely to pay attention to influential information, and in turn, act as opinion leaders to personally influence others.

This approach is to be commended as it displays a sound understanding of how awareness is created and long-term public opinion is formed.

8.2.3 Developing the 1998 communications strategy

In February 1998 a scoping study of perceptions of the Natural Heritage Trust among city residents was undertaken. The results of that research indicated that the environment was not a top-of-mind issue, that awareness of the Natural Heritage Trust was low and confused with "buildings", and that some of the communications were too technical and abstract. A certain degree of cynicism of government programs was also apparent.

In April 1998, a revised draft strategy for communicating the Natural Heritage Trust was released. It was to be considered in conjunction with the Draft Communications Strategic Plan presented in July 1997 – in relation to the

background and strategic analysis. However the revised plan specifically superseded the communications activities outlined therein.

▪ New Focus

In contrast with the earlier Communication Strategic Plan, which had a strong focus on the internal audience and other stakeholders, the revised April 1998 draft strategy proposed that the focus be shifted to the external audience.

The revised draft strategy set out to communicate with the 'wider community' as market research had indicated that the vast majority of Australians, particularly those living in cities, had little awareness of the Trust. The draft also noted that the environment was not a top-of-mind issue with this audience, although when prompted, people did empathise strongly with the goals of the Trust.

The draft was entitled, *Educating The Public About Australia's Environmental Problems And How The Natural Heritage Trust Is Helping To Develop Sustainable Rural Industries And Conserve Biodiversity*. It proposed a public education campaign using a combination of paid and earned media that would have the dual communications and environmental goals of:

▪ Raising public awareness of Australia's environmental problems and how the programs of the Natural Heritage Trust are addressing those problems to achieve sustainable agriculture and conservation of biodiversity

▪ Educating and motivating the community to understand the magnitude of our environmental problems, the strategies to address them and how the community can contribute.

The draft strategy identified two broad target audiences: stakeholder groups and the general public. It also identified an additional group of schoolchildren.

The strategy noted that thousands of Australians were aware of the Trust through their involvement with community groups that had either received and/or applied for grant funding under the Trust.

It was at this stage in the planning, that the communications for the Trust appeared to form into the two streams mentioned earlier, that of stakeholder communication on the one hand, and public awareness, education and marketing of the Trust on the other. This draft strategy proposed that the departments undertake the communication with the stakeholders as it was felt that they were better placed to do so. They would:

▪ Continue to communicate with stakeholder groups utilising the departmental resources where possible while reviewing the efficiency and effectiveness of the way this is done - for example, increasing the use of electronic mail and the Internet

▪ Undertake specific projects such as the Natural Heritage Trust Journal, the Landcare Australia Magazine, and the Natural Heritage Trust website.

▪ Provide a specific allocation for printed and electronic materials to cover the costs associated with enhanced stakeholder group communications.

The strategy targeted schoolchildren and the need to "get them involved with their schools and to get them thinking about the principal focus of the Natural Heritage Trust – on ground action."

The strategy also targeted the general public referred to as "ordinary" Australians, most of whom live in metropolitan areas and have some level of environmental awareness. The strategy did not appear to further segment the 'general public' into audience groups with similar demographic or psychographic characteristics.

- ### The proposed communications activities to reach the 'general public'

The proposed communication activities centred on television as it was believed to be "the most effective medium for delivering a serious message to large numbers of people". The strategy referred to research by Eddinghouse in 1996 that indicated

> ...that if people see an advertisement less than three times in a period of active advertising they have no recognition of it and more than 10 times results in them getting sick of it. Therefore, to achieve a successful result and make the expenditure worthwhile, we must aim to achieve at least three and up to 10 hits.

Qualitative research pointed to people wanting to see "a bit more information than the average ad and that the concept of an "infomercial" along the lines of *Ford Today* is a winner." The strategy proposed:

- **Television advertising**

It was proposed that a public education campaign highlighting each of the five "strategic environmental packages" of the Trust be developed using a one-minute infomercial format. Five ads would be produced to explain the Natural Heritage Trust and the vision for the Australian environment, as well as how each project fits into the overall picture.

It was envisaged that the ads would run for three months. A radio and cinema version would also be produced. This period of advertising was intended to educate the public, reinforce the 1998-99 project announcements around July and lead up to the call for applications for 1999-2000 projects. It was also intended to raise public awareness of Trust programs and provide the basis for motivation to become involved or support a project in some way.

- **Infotainment**

The strategy also raised other options such as having topics featured on popular television programs, such as *Burke's Backyard* and others. Also a documentary identifying ecological problems facing Australia, as well as a short series made for metropolitan audiences.

- **Earned media**

It was proposed that earned media such as television news, the production of video media releases, media launches, kits and other promotional materials would be generated. The document pointed out, however, that earned media was not as reliable or effective as paid media due to the difficulty in guaranteeing coverage.

8.2.4   The June 1998 public information campaign

In June 1998, a final version of the Communications Strategy was produced that was centred around a television advertising campaign. In the background to the Public Information Campaign, it was pointed out that

> ... communications activities in the first year centred around stakeholder groups involved in the process of delivering the on-ground projects which would contribute to achieving the environmental objectives of the Trust.
>
> While our communication efforts in this area are continually being refined and improved, the initial campaign could be regarded as highly successful with almost 7,000 applications for Trust funding being received from community groups around Australia.
>
> In preparation for moving into the second year of the Trust, the communications focus has shifted to the broader Australian community, particularly those who live in metropolitan areas who are unlikely to have had wide exposure to the agricultural and environmental issues addressed by the Trust.

▪   **Communication Objectives**

In shifting the target audience from stakeholder groups to the broader Australian community, the objectives were to:

> Educate Australians about our environmental problems, what can be/is being done to address them, and how they can participate
>
> Motivate individuals to become involved and boost the number and base of Australians participating in environmental projects.

A strategy involving television advertising was chosen

> Because we are trying to reach a large component of the population (25 percent) in a specified time frame with a "call to arms" we propose to spearhead the campaign with television advertising. This will be supported by strategic press and radio advertising as well as earned media (public relations).

The Ministerial Committee on Government Communications had recommended additional quantitative market research be undertaken to refine the target audience and key messages for the proposed public information campaign.

Market research was undertaken in June 1998 and identified a target group known as the 'light greens'. The strategy document described the 'light greens' as –

▪   Accounting for 25 percent of the total adult population, of which

▪   69 percent were in paid employment, with

▪   40 percent in upper white collar, and 35 percent in lower white collar employment, and a total of 25 percent in upper and lower blue collar employment

▪   Light greens were located commensurate with the broad population, their male/female ratio is 47 percent/53 percent, with

- 61 percent having no children, 14 percent having one child, 16 percent having two children.

Their age breakdown was:

- 18-24 (21 percent)

- 25-34 (22 percent)

- 35-49 (33 percent)

- 50-64 (16 percent)

- 65+ (8 percent).

According to the research, however, only 24 percent said that they sourced most of their information about the environment from television.

It would also have been of benefit to establish how and where the remaining 76 percent of 'light greens' sourced their information – for example, newspapers, magazines, radio, television news, documentaries, work colleagues, business groups or social and sporting clubs, etc.

The strategy document did target Special Audiences, and in particular, non-English speaking markets. The strategy aimed to further increase understanding of how to enhance the effective dissemination of the key messages to these communities through advertising in non-English media and community networking. It appears, however, that these aspects of the strategy have not been as vigorously pursued.

The time line for the campaign revolved around the announcements of successful community projects commencing in August, with the applications for the next round of funding opening in September. The campaign aimed to maximise the benefits flowing to both the advertising campaign and to the project announcements and call for applications.

The advertisements were aired in August 1998. Tracking research undertaken in September 1998 showed that the advertisements scored highly in terms of:

- Unprompted awareness of the Trust increased from 15 percent to 24 percent

- Prompted awareness more than doubled from 17 percent in June 1998 to 36 percent in September 1998 following the ads

- 87 percent of Australians were in favour of the messages contained in the ads

- 82 percent of Australians believed the messages contained in the ads.

The advertisements were well produced and extremely credible, and showed how environmental problems were being tackled at the local level. Feedback from program areas, such as Bushcare, reported that the advertisements had generated calls to the 1800 number, although exact numbers were not available.

While the tracking research in the period directly following the campaign showed an increase in awareness, the results of research undertaken in June of the following year, ten months after the advertising campaign are of concern. That research found that:

> . . . unfortunately there is almost no knowledge of who the Natural Heritage Trust is and almost no long term recall of the advertising campaign aired last year. There has been no "residual effect". Environment Australia should assume that it is starting from scratch with this campaign.

8.2.5 The 1999 Communications Strategy

The 1999 communications activities focused "... on building on the success of that [the 1998] campaign to increase awareness of the government's environmental achievements through the Trust and outline its plans for the future." In addition to the 1998 communication objectives, the 1999 strategy also aimed to

> . . . demonstrate the Federal Government's record of environmental achievement through the Natural Heritage Trust and the ongoing commitment for action in the future.

Research indicated that the target audience was again identified as the 'light greens' who accounted for 25 percent of the total adult population. The messages would contain elements of local relevance in a mix of rural and metropolitan projects.

A new banner was also adopted for the Natural Heritage Trust – *Helping Communities Helping Australia* A Federal Government Initiative.

As with the 1998 campaign, television advertising would be the medium used, supported with strategic advertising in women's magazines to reflect the high receptiveness of women in the target group.

Tracking research undertaken in September 1999 indicated that unprompted awareness of the Trust rose to 22 percent, with prompted responses rising to 39 percent following the August 1999 campaign. Of the 28 percent of people who recalled actually seeing the TV advertisements during August, 94 percent were in favour of the messages they contained, and 87 percent said they were believable.

In addition, the advertisements would be shown to key stakeholder groups in rural and regional Australia through the 24-hour live Weather 21 channel on the Austar regional cable television network. The needs of special audiences, including people from non English Speaking Backgrounds and Indigenous groups, were to be met through a number of specific communications activities.

8.2.6 Comment on the role of television advertising in Natural Heritage Trust communication campaigns

Television advertising is a medium that can be effective in creating awareness and influencing behaviour, given the right context and provided that the advertising is strongly supported with an integrated communications strategy that utilises other forms of mass communication together with many forms of group and interpersonal communication.

While television has the potential to reach many people at the same time, it, along with other forms of mass communication (radio, press, the news media) is most effective when it reaches the opinion leaders within society. It is usually these people who will *consume* the messages and, who in turn, will interpret them and influence others who belong to the same segment within the community.

The 1998 Public Information Campaign focused almost exclusively on television advertising to primarily reach a target audience of 'light greens' that comprised 25 percent of the adult population. While the September 1998 tracking research carried out in the month following the campaign showed a 66 percent increase in unprompted awareness from 15 percent to 24 percent, the long-term impact of the campaign was very disappointing.

Relying primarily on television advertising to create awareness in a mass market has limitations. For example, by its very nature, paid advertising tends to have less credibility than the same information presented as a news item. There is no guarantee that the target audience will see the commercials at the exact time they are aired.

In addition, as it was well known that the environment was not a top-of-mind issue with the target audience, it was likely that the advertisement found it hard to compete for attention with many thousands of messages people are exposed to each day, let alone be remembered in the long term.

8.3   Public relations activities

Conventional public relations activities did not appear to form a major component in the Natural Heritage Trust's communication strategies. References were made in the April 1998 draft strategy to 'earned media' such as television news, production of video media releases, media launches, kits and other promotional materials. However, the strategy documents also noted that these activities were not as reliable or effective as the paid media due to the difficulty in guaranteeing coverage.

While it is true that such media coverage can never be guaranteed, when it does occur it usually carries with it a very high degree of credibility. Media coverage in news items, feature stories and the like, can be more 'effective' than paid media in presenting both the intent of the message and in providing context so that people can gain a better understanding of the issue. But, the story has to be 'news', ie new information, new slant, etc.

Usually, however, before journalists can report 'news stories' in this way they too need to feel that they have a clear understanding of the issues. It is important therefore to provide journalists with regular in depth briefings to ensure they fully understand all of the issues involved and they can make their own decisions about the form of coverage. It appears that this activity has only occurred to a limited extent with the Natural Heritage Trust.

The Corporate Relations and Information Branch of Environment Australia did hold a very successful 'educational' briefing for the media with a number of specialist journalists attending a one and a half day retreat. The feedback from attendees was reported to be excellent.

The Branch also prepares media releases, kits for Members of Parliament, promotional materials as well as organising the media launches for the Trust. While coverage has been very extensive in the rural and regional media, it does not appear to have gained the same extent of coverage in the national media. According to the research undertaken on behalf of the Trust, public awareness of the Natural Heritage Trust, particularly in metropolitan areas, appears to be minimal.

It is essential that awareness and understanding of the Trust and its objectives is significantly increased nationally. The need to conserve, repair and replenish Australia's natural capital infrastructure needs to become a public issue with public opinion firmly on side.

8.4 Communications within the Programs funded by the Natural Heritage Trust

As mentioned earlier, the various Trust programs are responsible for their own internal and stakeholder communications.

In the case of Bushcare, most of the communication was channelled through the coordinators to the others in the network. A draft Bushcare Communication Plan for 1999-2000 acknowledges the importance of 'the Bushcare Network' as the mechanism for the delivery of many of the products to target audiences. The strategy identifies the Network as a key component of Bushcare communications and recommends that a network list server be included on the Bushcare website to be used extensively to communicate with coordinators and facilitators.

In the case of the Landcare and Coastcare programs, responsibility for the promotion and sponsorship marketing with the 4,500 Landcare groups lies with Landcare Australia Limited, a public not for profit corporation set up in New South Wales. Landcare Australia Limited also has responsibility for raising awareness in the broader Australian community (particularly with the urban audience) and gaining corporate sponsorship.

The company focuses on creating awareness of Landcare and Coastcare. The activities are numerous, highly targeted, proactive and opportunistic in that they take advantage of changing circumstances and opportunities to achieve their objectives in a cost effective manner. According to Landcare Australia Limited, all Landcare communications refer to Landcare as a program of the Natural Heritage Trust.

It is interesting to note that according to recent research undertaken by Roy Morgan, awareness of the name *Landcare* has increased from 22 percent to 81 percent over the eight years that Landcare Australia Limited has been conducting surveys while awareness of the Landcare caring hands logo is also very high at 74 percent.[92]

8.5 Development and communication of "funding" guidelines

The development and communication of the funding guidelines was an area of administrative activity specifically identified in the Terms of Reference. The guidelines are an important vehicle for informing community organizations about the purposes and objectives of the Trust.

The *Guidelines for New Applications 1999-2000* for applications submitted through the One-Stop Shop assessment process amount to 46 pages of closely written text. The Coastcare Guidelines amount to 14 pages. This gives a total of 60 pages of material that new applicants are expected to absorb in submitting new applications.

For 1999-2000 the guidelines relating to all programs (One-Stop Shop and Coasts) amounted to 20,000 words. By any standard this must be seen as excessive. Whilst not disregarding the need for program guidelines, there is an important issue about communication and awareness. It is often preferable to

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[92] The stated long-term goal of Landcare Australia Limited back in 1991 was to reach a level of 80 percent awareness of *Landcare* by the year 2000.

have clear statements of intent with an ability to make decisions about a proposal on the basis of its attractiveness as an investment proposition

In fact, the Natural Heritage Trust Guidelines are referred to as *funding guidelines*, although the purpose of the Trust is for investment.[93] We have a concern that the guidelines can be, and are, regarded as guidance in applying for financial assistance rather than assisting in developing an investment proposal. This gives an overwhelming input focus to the Natural Heritage Trust profile – notwithstanding the investment orientation set out in the legislation and objectives.

We were advised during our consultations with community organizations that many groups tailor applications to suit, or fit, the guidelines – rather than advance a proposition on the basis of expected return and net benefit. This also works against the potential for innovation.

In addition to the Commonwealth Guidelines, each state issues supplementary Guidelines and information that addresses statewide issues and considerations. These guidelines are often more voluminous that the Natural Heritage Trust Guidelines. In New South Wales a Region also provides information and advice relating to regional issues – and to advise applicants how to interpret the Commonwealth and State Guidelines.[94] The result is:

> . . . reams of bureaucratic information that creates the potential to confuse rather than clarify and is not necessarily assisting in any meaningful way the development of improved applications[95].

It is important for guidelines to be prepared, documented and registered in a place that people can readily access to ensure that accountability purposes are met. This applies to all government programs, as well as products provided in the financial services sector.[96] It is also important that program managers, Natural Heritage Trust Unit Staff and Natural Heritage Trust Facilitators know what is in the Guidelines and are able to communicate their content.

Ministerial directives about the Natural Heritage Trust "program" supplement the guidelines. These are provided for use in the assessment process – but often after project proposals have been submitted.

Specific criticisms of the Guidelines include:

▪ They do not provide a base for project planning and management.

▪ They are written from the point of view of a program manager rather than the project proponent[97]

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[93] The Natural Heritage Trust Financial Agreements refer to "financial assistance". The Terms of Reference for this Review refer to "grant applicants". The Natural Heritage Trust website has a heading "Natural Heritage Trust – Applying for Funds".

[94] Hawkesbury-Nepean Catchment Management Trust, *Submission*

[95] Ibid

[96] In government for example, recipients of government services do not know, or need to know the content of the Finance Directions or Regulations – or the technical details of accrual accounting. They need to know they exist and which aspects are relevant to them.

[97] Program managers, with advice and input from State Natural Heritage Trust Units – but little input from project proponents in fact develop the Guidelines. They are also a major subject of discussion an Stakeholders' meetings. During consultations, Natural Heritage Trust Unit staff and community organizations expressed concern that had insufficient time to comment of the content of the guidelines and application form.

- Use of a public service style of language and expression that is largely foreign to people outside government

- They require a standard of comprehension that is often beyond the level of the target groups

- The overall message about the Natural Heritage Trust being concerned with *investment* is lost in the detail.

It is not, in our view, necessary for all the program detail to be provided as a matter of course to project proponents. Proponents need to be aware of the information necessary to prepare an investment proposal that will *meet* the Guidelines. In this respect, the Guidelines may require reinterpretation and re-presentation from the point of view of the project proponent. They also may require a separate re-presentation for Assessment Panels (see next section).

Our understanding from discussions and consultations with project proponents and facilitators is that project proponents do not use the guidelines extensively in the preparation of applications. We were advised during the Review that Natural Heritage Trust Facilitators and staff in community organizations provide assistance and support in preparing the applications – inferring that proponents have little need to read the Guidelines. There is also a tendency for proponents to start filling out an application form and "refer back" to the text of the Guidelines.

It would appear that the reason for the current length of the Guidelines is that they attempt to do a number of things:

- Provide information about the programs

- Communicate the purposes of the Trust

- Explain what will and will not be funded

- Set out and up date the strategic directions of the Natural Heritage Trust and its programs

- Provide assistance in preparing a project proposal.

The effectiveness of the guidelines has therefore to be judged in terms of what the guidelines are trying to do. In our view, they attempt to do too much. They also reflect a "committee" approach – in that the style and language attempts to "cover off" all angles. They also reflect a recommendation by the ANAO that every effort be made "to ensure that program priorities are properly determined and incorporated within the program guidelines before application forms are guidelines are sent out to client groups"[98]

Some of the purposes identified above could be met through other means, including the communication strategy about the Natural Heritage Trust program and the "products" (programs) that it provides.

There was a view put to the Review Team that project submissions were getting better because people had followed the guidelines. There is an alternative view that the projects have not improved, but people are getting better at writing submissions that fit the guidelines. Submission based funding has been a major concern in the human services area and has been addressed by the

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[98] ANAO report 39, *Commonwealth Natural Resource and Environment Programs*, recommendation 6, para 3.123.

implementation of needs based planning frameworks. In our view, there should be less emphasis on the project submission and more on the way in which a project relates to a catchment/regional natural resources investment strategy.

The main purpose of the Natural Heritage Trust Guidelines to applicants should be to convey a message about what the Natural Heritage Trust is endeavouring to achieve and encourage organizations to put forward sound *investment* proposals.

Unfortunately, the present guidelines focus too much on the process for establishing eligibility for the "grant of financial assistance" from identified funding programs, as distinct from the development of investment strategies that reflect the intention of the Natural Heritage Trust – that is, proposals that are based on:

- Targeted, geographically based priorities where there is significant market failure *and one that warrants government intervention*[99]

- Local initiatives that increase community awareness, education and involvement in natural resource management.

Our view is that the guidelines focus too heavily on the concerns over funding and financial assistance (inputs and process) rather than meeting investment criteria. The application form should encourage good investment proposals, not applications for funds that meet program guidelines.

Recommendation

36. **The existing Guidelines for the Natural Heritage Trust Programs be consolidated and incorporated into a Register that can be accessed and referenced by people involved in providing advice and assistance in the application process and in the assessment process**

37. **A simplified Information Booklet be provided to prospective applicants, advising where more detailed information can be obtained and how to obtain assistance**

38. **The Information Booklet not be used to convey detailed information and material about individual program purpose – such material to be included in other communication material**

8.6   Publications

The Natural Heritage supports the publication of a large number of documents in two broad categories - those relating to the operation of the Trust as an entity, and those relating to the operation of the Programs funded through the Trust.

Many of these are available on the Natural Heritage Trust and individual program web sites as well as in hard copy form. While there are standardized web pages for most of the Natural Heritage Trust programs, the individual program home pages vary in style and layout which makes identifying specific types of information more difficult than is necessary. Some program web pages do not refer to the Natural Heritage Trust.

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[99] Governments do not respond to all situations of market failure. Collective action for mutual private benefit does not necessarily require government intervention. Governments tend to become involved when there is an important public policy objective at stake.

8.6.1   Natural Heritage Publications

The principle Natural Heritage Trust publications are:

- *Natural Heritage Journal* (4 volumes of this are available on line)
- Annual Report 1997-98
- *Investing in our Natural Heritage 1996* - Budget Statement 1996
- *Investing in our Natural Heritage 1997* - Budget Statement 1997
- Natural Heritage Trust Fact Sheets - June 1996
- *Guide to New Applications 1999-2000*
- *Partnership Agreements* - between the Commonwealth and each State and Territory.
- Support for Regional Activities
- Draft Competency Standards for Regional Facilitators, Coordinators and Leaders

Natural Heritage: the Journal of the Natural Heritage Trust provides information on Natural Heritage Trust funded projects.   The Journal has the following distribution:

Agriculture/Primary Industries departments -- States and Territories	MPs and Senators electoral offices— Countrylink.
Air Quality clients	All public libraries – two copies
ANZECC Ministers	National Threatened Species Network
ATSIC clients	Natural Heritage Trust Advisory Committee
Biological Diversity Advisory Committee	Natural Heritage Trust 1998-99 applicants
Bush magazine mailing list	Landcare Groups
Bushcare coordinators	Peak NGOs
Bushcare facilitators	Primary Schools -- 2 copies -- to librarian and science/environment teacher
Clean Seas clients	Service Clubs
Council for Sustainable Vegetation Management	Shorelines Coasts Network
Endangered Species Advisory Committee	Trust hotline (for inquiries following TV commercials)
Environment Departments -- States and Territories	Waterwatch Network
High Schools -- 2 copies -- to librarian and science/environment teacher	World Environment Day clients
Local councils -- 2 copies. One to CEO and one to environment officer	

The journal is also available on the Natural Heritage Trust web site.

8.6.2   Programs funded through the Natural Heritage Trust

Publications relating to specific Natural Heritage Trust programs are listed below. These cover information booklets, guides, plans, policy papers and research reports. The list may not be complete, as information about publications had to be obtained from a number of sources.

Bushcare	**Endangered species (cont)**
Carbon Sequestration in Low Rainfall Areas: the Measurement of Plantations of Trees in Victoria - 1998	Biodiversity at the species level - flora
	Threatened Australian Plants (Australian National Botanic Gardens information)
The Measurement of Plantations of Trees in South Australia to Improve the Estimates of Carbon Sequestration in Low Rainfall Areas - 1999	Australian Biological Resources Study
	Feral Animals in Australia
	Environmental Weeds in Australia
The Measurement of Plantations of Trees in Western Australia to Improve the Estimates of	Climate Change
	Fisheries Action program

Carbon Sequestration in Low Rainfall Areas - 1999

Motivating People: Using Management Agreements to Conserve Remnant Vegetation (paper)

Conservation Hindered: the Impact of Local Government (research report)

Rates and State Land Taxes on the Conservation of Native Vegetation (research report)

Opportunity Denied: Review of the Legislative Ability of Local Governments to Conserve Native Vegetation (research report)

Beyond Roads, Rates & Rubbish: Opportunities for Local Government to Conserve Native Vegetation (research report)

Native Vegetation on Farms Survey 1996 : a Survey of Farmers Attitudes to Native Vegetation and Landcare in the Wheatbelt of Western Australia (research report)

Remnant Native Vegetation - Perceptions and Policies: a Review of Legislation and Incentive Programs (research report)

More Than Just the Odd Tree: Report on Incentives and Barriers to Rural Woodland Conservation, Using Grassy White Box (research report)

Cape York

Cape York Natural Heritage Trust Plan

Cape York Peninsula Land Use Strategy

Coasts and Clean Seas

Guide to Coastcare Applications 1999-2000

Guide to Coasts and Clean Seas Applications 1999-2000

Shorelines: Coastal and Marine Information Series No 1

Communities in Action - Caring for the Coast, June 1996

Commonwealth Coastal Policy (May 1995)

State of the Marine Environment Report for Australia (1995)

Resource Assessment Commission Coastal Zone Inquiry (Final Report, November 1993)

Plan of Management for Mermaid Reef Marine National Nature Reserve, September 1999

Strategic Plan of Action for the National Representative System of Marine Protected Areas - A Guide for Action by Australian Governments

ANZECC Task Force on Marine Protected Areas, July 1999

Great Australian Bight Marine Park (Commonwealth Waters) Plan of Management, July 1999

Macquarie Island Marine Park Proposal, June 1999

Tasmanian Seamounts Marine Reserve, May 1999

Guidelines for Establishing the National Representative System of Marine Protected Areas

ANZECC Task Force on Marine Protected Areas, December 1998

Interim Marine and Coastal Regionalisation for Australia: An Ecosystem-based Classification for Marine and Coastal Environments (Version 3.3), IMCRA Technical Group, June 1998

Endangered Species

On The Brink Newsletter (Nos 1-11)

About Threatened Species & Ecological

We Fish for the Future: The national code of practice for recreational and sport fishing

National Recreational Fishing Survey: Feasibility study

Protected Species Handling Manual (1998)

Regulating & Restoring Fish Habitat in Australia (1995)

Incentives for Restoring & Keeping Vegetation: A Guide for Australian Landholders and Governments (1998)

Mangroves in New South Wales and Victoria (1997)

Controlling Carp - exploring the options for Australia

Needs of an Endangered Fish - the Mary River Cod

National Reserve System

Towards a representative system of ecologically based reserves; Approaches Taken in Identifying and Selecting Terrestrial Protected Areas in Australia

National Strategy for the Conservation of Australia's Biological Diversity

National Weeds Strategy

A strategic approach to weed problems of national significance in Australia

Environmental Weeds in Australia

National Wetlands Strategy

The Ramsar Convention Manual - A Guide to the Convention on Wetlands of International Importance.

Wetlands Australia Newsletter - The National Wetlands Newsletter, if you wish to receive the Newsletter please contact the address below.

Wetlands in a Dry Land

Wetlands Policy of the Commonwealth Government of Australia

Implementation Plan For the Wetlands Policy of The Commonwealth Government of Australia

Action Plan For The Conservation of Migratory Shorebirds in Asia Pacific 1998-2000

National Landcare Program

Setting Up For Success - A guide for designing, managing, and evaluating projects

Landcare Languages - A communication Manual for Landcare

A Guide to Innovations in Landcare Technologies and Practices

Compendium of NLP community group projects - 1995-1996

Speeches related to Landcare

Rural Book 1998

A Guide to Tax Incentives for Landcare

National Landcare Program Annual Report 1994/95 and 1995/96

More than a Question of Numbers

Evaluation Report on the Decade of Landcare Plan - National Overview

Decade of Landcare Update newsletter

Decade of Landcare Plan - National Overview

NLP Project Information Sheets - Examples of NLP projects

Waterwatch

The National Community-Based Water Quality Monitoring Program

Sponsorship Guidelines

Preparing a Waterwatch Action Plan

Communities	Waterwatch Code of Practice
Discussion Paper - Marine Conservation	Starting a Waterwatch Group
Where threatened species occur	Waterwatch Safety Guidelines
Threatened fauna in Australia bibliography	
Threatened flora in Australia bibliography	

The information contained in these publications, especially the research material is of high quality. Most publications are available free of charge on request or through the Environment Australia distribution point in the John Gorton Building. The Environment Australia Community Information Unit arranges distribution of Environment Australia publications. The Unit also refers request for Agriculture Fisheries and Forestry Australia publications to the Country link Unit. Few publications are available through the Australian Government Information Shop (AGPS Bookshop).

The Bushcare Program is developing its website to provide for downloadable copies of publications. It also actively publicises the content and availability of publications through the Bushcare network. There is not, however, a central location or document that contains references to all Natural Heritage Trust and associated publications.

There are in addition, publications produced as an output of specific Natural Heritage Trust projects – such as strategic plans and regional strategies. We have endeavoured to identify publications produced through the Natural Heritage Trust during the course of the Review. These are listed in Appendix 5: Reference material.

Information on the distribution of Natural Heritage Trust Program publications, including target audience reach, is not available. This information is important for effective targeting and monitoring of impact.

State natural resource management, environmental protection and agriculture agencies also distribute an extensive range of high quality publications. These are available through State Government.

Recommendation

39.   The Natural Heritage Trust support the preparation and regular updating of a compendium of natural resource management, environmental protection and sustainable agriculture publications

40.   A Natural Heritage Trust Publications Strategy be developed with a view to ensuring that all Natural Heritage Trust publications can be effectively targeted and accessed and impact monitored.

8.7   Conclusion

The communications effort for the Natural Heritage Trust involves many individuals and groups across the country, all with varying degrees of awareness and understanding of the Trust. It is therefore a complex activity, and one that would benefit from a well-integrated strategy covering all aspects of communication.

The communication campaigns have virtually been divided into two distinct areas: campaigns to raise awareness of the Natural Heritage Trust in the broad Australian community, and the communication activities directed at the stakeholders of the individual programs supported by the Trust. Unfortunately, there appears to have been little integration between them.

People source information in many different ways. Creating sustained awareness and understanding within a market as broad as 'the general community', should utilise segmentation strategies that, in turn, work through interpersonal and group communication. Even though television does have the potential to reach a large number of people, the viewing audience cannot usually be considered as one large 'mass audience'. Segmenting the audience, and fully understanding the issues that are 'top-of-mind' to the different segments can assist in planning the overall communication strategy.

Audiences that already have an interest in a given issue will always respond to a message more readily than those who have 'other things on their minds'. It is therefore possible to define audiences around specific issues. In the case of the Natural Heritage Trust, this was apparent in the early communication strategy that segmented a number of different audiences, according to the extent that they could affect the outcomes of the Trust. These audiences were referred to as 'stakeholders'.

When the focus of the public awareness campaign shifted to the wider Australian community, the Trust also commissioned research to identify a group who would be the most likely to respond to television advertising. This group was identified as the 'light greens'.

According to the research, the 'light greens' comprised 25 percent of the total adult population, although it also indicated that only 24 percent of 'light greens' actually sourced most of their information about the environment from television. While some additional information concerning the 'light greens' was available, it did not appear to provide sufficient data to enable an integrated communication strategy to be devised.

Had additional information been available about this segment of the community, it is possible that a strategic public relations campaign could have been planned to reinforce the messages contained in the advertising campaign. The public relations activities, in parallel with the work of the individual programs and the facilitators, could then have formed an integrated communication strategy.

The individual programs under the Trust such as Landcare, Bushcare, Coasts and Clean Seas, and Waterwatch are actively engaged in a multitude of communication activities designed to promote programs, increase awareness and understanding with specific target groups and stakeholders and in some cases, attract sponsorship.

Facilitators are a major audience segment for the Natural Heritage Trust. They are the people who are key opinion leaders within the community. They have the credibility to create awareness and understanding and to ultimately affect behaviour of the people in the community. Integrating the facilitators into the overall communications is essential.

Fundamental to the success of the Trust is that awareness and understanding of its objectives is increased nationally, that is, "to conserve, repair and replenish Australia's natural capital infrastructure[100]".

Recommendation

41.   **The Natural Heritage Trust formulate an integrated communications strategy that targets particular segments of the Australian community based on an understanding of their needs. The strategy should involve a comprehensive public relations program that**

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[100] *Natural Heritage Trust of Australia Act*, Section 2.

builds on the already high levels of awareness of individual programs. Natural Heritage Trust facilitators, team leaders and liaison staff should play a key role in the strategy. Regular briefing sessions should be provided to journalists to ensure they have a thorough understanding of the issues, objectives and role of the Trust. Advertising should be well targeted and strongly supported by events and activities.

Chapter 9: The assessment and approval process

The Terms of Reference for the Review sought specific views on the assessment and approval process. Our observations, conclusions and recommendations based on submissions, consultations, site visits and our own interpretations provide the basis of the analysis on this Chapter.

Specific matters identified in the Terms of Reference that are addressed in this Chapter are:

▪ Assessment and approval of project applications

▪ Project Assessment mechanisms for the Natural Heritage Trust, including the One-Stop Shop, Regional Assessment Panels, State Assessment Panels and other arrangements

9.1   Partnership obligations

The provisions of the Partnership Agreements in relation to Assessment panels are set out below.

10.1	Projects will be managed according to the principles established for meeting overall program outcomes, and will be selected on merit. Proposals will be assessed according to the arrangements established in the relevant Attachments and program guidelines.
10.2	Individual program arrangements for the participation of Regional and/or State assessment panels will be detailed in Attachment A to this Agreement. In general, the parties agree that project applications are to be examined by Regional and/or State assessment panels established by the States.
10.3	Regional and State assessment panels will be chaired by a community representative and have a majority of community membership. Assessment panels will encompass a broad membership with skills or experience covering environmental protection, (including biodiversity conservation), sustainable agriculture, natural resources management and, where appropriate, land, water, marine, vegetation, conservation, farming, indigenous land management, and state and local government.
10.4	Following consultation and agreement between the New South Wales and Commonwealth Governments, the New South Wales Government will appoint members of the State and Regional Assessment panels.
10.5	The Commonwealth and the States will provide panels with information on activities under programs not dealt with by the panel process.
10.6	The Commonwealth will attend State Assessment Panel meetings in an advisory capacity, and may provide observers at Regional Assessment Panels upon reasonable request.
10.7	Regional Assessment Panels should provide advice on local and regional project priorities and the implementation of regional plans to the State Assessment Panel. The State Assessment Panel should provide advice on State project priorities for regional and community projects and for relevant State and national projects to State Ministers, who will forward State Assessment Panel advice and recommend proposals for funding to the Natural Heritage Ministerial Board.
10.8	The parties agree to develop consistent guidelines, and implement consistent timelines and processes for seeking applications and assessing projects to ensure that community and regional groups receive funding in an efficient and timely manner, and that they are advised of funding in a coordinated way.

The Partnership Agreements also provide, in relation to specific programs, that:

- Guidelines will be published by November 30 each year calling for proposals for funding in the following financial year.

- Proposals for funding from the Community, Regional and State components of a Program will be assessed by the Regional/State assessment process, as specified in each State, and in accordance with the Regional/State assessment panel guidelines, subject to appropriate technical advice.

- All proposals will be assessed and forwarded to the Commonwealth by June 30 each year.

- The Commonwealth component proposals will be assessed on the basis of specialist/technical advice.

State proposals come forward to the Commonwealth Minister in the form of a "State Bid".

Opinions of Natural Heritage Trust participants about the extent of implementation of the assessment process set out in the Partnership Agreements
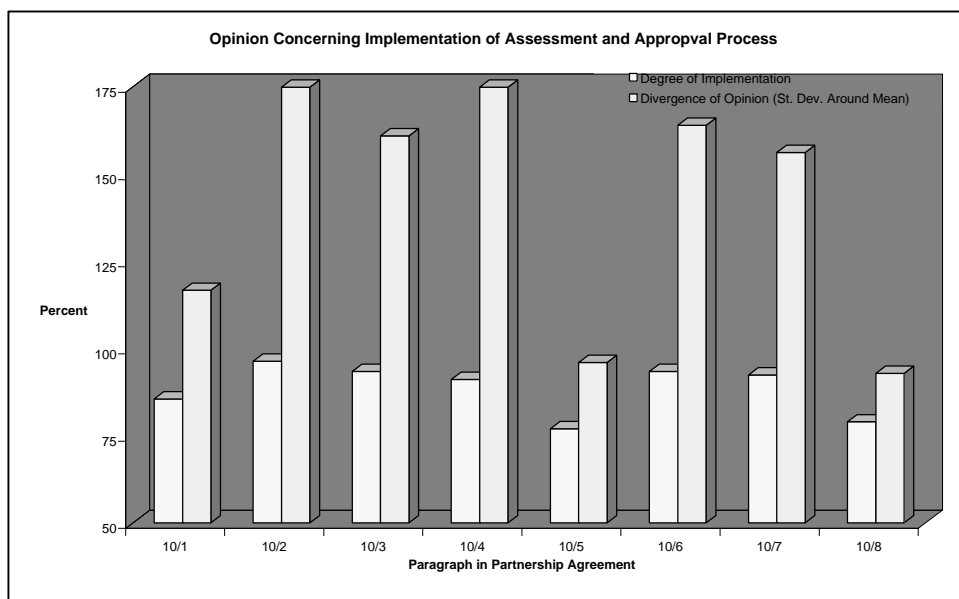
are indicated below.

Basis for interpretation: degree of implementation 100 percent - all respondents regard the principle as fully implemented; degree of implementation 75 percent – respondents on average regard the principle as partially implemented; degree of implementation 50 percent – respondents on average regard the principle as not implemented.

The participants view 10.5 and 10.8 as only partially implemented. This suggests a need for more consistent guidelines and greater consistency between programs outside the State Assessment Panel process. This reinforces our argument, developed in Chapter 4, that all programs should come within the One-Stop Shop process.

9.2   The One-Stop-Shop application

9.2.1   Preliminary briefings

State Natural heritage Trust Coordinators arrange public forums in most regions to advise prospective applicants about how to apply for funding. Environment Australia may participate insome of these briefings.

9.2.2   Preliminary project proposals

Since 1998Queensland has adopted a preliminary project proposal for the purpose of developing between quality submissions. The process involves a two page project outline to clarify scope, objectives and methods, technical support and anticipate budgetary requirements.

Regional Assessment Panels assess all regional preliminary proposals.

9.2.3   The application form

▪   New applications

The Natural Heritage Trust One-Stop Shop Application form is complex and detailed. It requires a great deal of information on project purpose, objectives and strategic value. Part of the reason for the complexity is that it requires detailed information on project outputs that can be used for monitoring and reporting. The specific questions in Section 12a ("on-ground outputs") are set out below.

Table 30: Natural Heritage Trust Application Form – Required information Regarding On-ground Outputs

Management of existing native vegetation/habitat (includes grasslands, woodland, forests, wetlands, aquatic, riparian zone etc)	
1	What is the total area of existing vegetation/habitat that will be protected and/or enhanced by your project?
2	What agreements, if any, will be put in place to protect the vegetation/habitat at (1) for the long term? (indicate what area will be under each agreement type)
3	How much, if any, of the area protected or enhanced at (1) is habitat for threatened species or communities? Is this area covered by any agreements listed in (2)?
4	If you are protecting and/or enhancing the habitat of threatened species or communities, what methods will be used to increase population numbers or extent of occurrence of the species or community in the wild?
5	If your project is aimed at restocking native fish, how many fingerlings are to be used; how old are they; and will you be using fish species native to the area?
Re-establishment of native vegetation/habitat (includes grasslands, woodland, forests, wetlands, aquatic, riparian zone etc)	
6	What area of native vegetation/habitat will you be re-establishing?
7	What area of this native vegetation/habitat will link existing areas of native habitat?
8	What is the main method you will use for re-establishing habitat? (tick one or more boxes) If using tube stock or seedling planting, how many plants will you use?
9	Will you mostly be using species that occur naturally in the local area?
Fencing	
10	If you are using fencing to protect existing and/or new native vegetation/habitat, what length do you intend to establish?
11	If you are fencing to protect a watercourse (usually along both sides to exclude stock access) what is the length of watercourse you will be protecting?
12	If you are establishing native vegetation within the fenced area referred to in question 11, what is the length of the fenced watercourse that will be revegetated?
Land and water management	

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13	If your project will improve water quality (e.g. from general farm operations or point sources) indicate main pollutants (e.g. nitrogen, phosphorous, salinity, sedimentation) and their source. Also indicate the estimated extent of expected benefits of each pollutant by referring to current and target pollution levels.
14	If your project will lead to other improvements in river/stream values, indicate the main benefits (tick one or more boxes) and the length of river/stream or area of wetlands to benefit.
15	If your project aims to control rising watertables and salinity, indicate by ticking the boxes which major activities you are undertaking and the relevant areas.
16	If you are planting for watertable control, what types of species will you use, and what area will you establish? (tick one or more boxes)
17	If your project will improve water use efficiency, indicate by ticking boxes whether on or off-farm, the type of activity involved and the benefits to be expected. How much water do you expect to save/recycle (ML), and what proportion (%) of the overall problem will be addressed?
18	If your project will contribute to improved stabilisation against wind or water erosion, or to improved soil condition, please indicate how by specifying the activity and area under improved management. What proportion (%) of the affected area will be addressed by your project?
19	If your project will contribute to improved utilisation of land according to its capability, please indicate the area of land to be assessed and managed according to its capability.
20	Will activities forming part of your project contribute to improved weed and pest management? Estimate area of effective pest control by type of pest.
21	**Farm Forestry Management**
22	If you are establishing demonstration plantings and trials comprising exotic and/or native species, specify main species groupings to be used; area to be planted or managed; and number of landholders participating in the project.

South Australia has developed a project monitoring system built around the application form. When applications are received, output data are loaded and recorded in the "Applications" section of the data base. When approved, data are copied into "Projects" and validated against the application. It is understood that output indicators are revised in the light of assessment panel views of what can be achieved and in agreement with the proponent.

The validation of output data at the approval stage is critical. Adjustments to budgets made during the approval process must be carried through to changes to outputs. Unless this is done thoroughly and systematically, output data will reflect good intentions, or justifications for funding, rather than realistic assessments of what can be achieved with the resources available. Moreover, unless output statements are realistic and achievable, the database will lack integrity and the information will not be useful for monitoring and evaluation.

A number of other States are adopting the South Australian system. The system does not link with the Commonwealth *Program Administrator* database. As far as we are aware, Environment Australia and Agriculture Fisheries and Forestry - Australia have not sought output information from the South Australian or similar systems.

The present application form has a number of significant shortcomings:

- It doesn't require information that can be used in subsequent project planning and management

- The fields are not well suited to electronic data collection – for example, sometimes "check a box" and "yes/no"

- The form changes from year to year, making it difficult to establish a history

- It doesn't foreshadow information that may be required later on

- Sections of the form aren't linked – for example Section 12a is not linked to Section 16 (Budget)

- It doesn't suit devolved or cross program strategic projects - a problem with the program structure requiring more than the form

While the form serves interests in a funding arrangement and for project tracking, it does little to assist project planning, management and performance reporting (against milestones, for example) in an investment context.

To the extent that the programs are used by project proponents as an "application for funds" (or how to get some money from the government), as distinct from developing an "investment proposal", people will endeavour to make their application "fit" with whatever is required. This makes the task of "reality checking" the envisaged outputs with the resources available all the more critical.

The current application form also reflects considerations concerning monitoring and reporting raised by the ANAO.

The Natural Heritage Trust form contrasts with the Canadian *EcoAction 2000* form that collects data by input category (people, materials, supplies and equipment, costs and funding source). The primary emphasis appears to be on benchmarking and reality checking. Output data is not collected from the application form, but would be reflected in the material that would be provided in the evaluation section.

Our view is that the Natural Heritage Trust application form should aid planning and project management – not add to administration on the part of project proponents, assessment panels and program officers. The former application used by the NLP is said by some applicants to have doubled as a work plan for Landcare projects. Now after completing a Natural Heritage Trust Application they find they have to start planning.

Some regional agencies such as Catchment authorities have separate short five page application form for 'small scale projects'.

Recommendation

42.   The One Stop Shop application form be developed in a way that clearly links resource inputs (budget) to project outputs and a project plan to a defined outcome.

- Ongoing applications

The application form for ongoing project applications is simpler and more straightforward than the form for new applications. It provides for updating the material already submitted and provides a formal opportunity for proponents to revise their project plan in the light of changing situations and circumstances.

The ongoing application process also focuses the need for accountability and allows proponents to incorporate Natural Heritage Trust Ministerial Board directives.

9.3   Assessment and approval processes

An overview of the assessment and approval process is provided in the following charts.

The following chart illustrates the One-Stop Shop application process through to the Regional Assessment Panel and State Assessment Panel assessment. It also denotes the start of the National Projects process.

One-Stop-Shop Application

Complete NHT Application Form and submit to lead agency.

National projects and projects outside of the SAP and RAP assessment process
- Endangered Species
- National Reserves
- Wetlands
- Farm Forestry

Lead Agency

Copy and distribute application forms

RAP

Assess against regional priorities and NHT Guidelines
* List of Priority Projects

Recommendations provided to SAP

SAP

Assess against State priorities and NHT Guidelines
* List of Priority Projects

Recommendations to lead agency

AFFA

Matter of record only

EA

Sort forms to determine relevant Program (Program Managers)

Applications distributed to Branch Staff for preliminary assessment (Ministerial priorities/applicability/ cost shifting etc.)

Provisional advice provided (written or oral) to lead agency

Prepare briefing papers for RAP & SAP attendance

Attend RAPS/ SAPS (Bushcare - advisory capacity only)

Lead Agency

B

A

At the beginning of the process, both Environment Australia and Agriculture, Fisheries and Forestry Australia get copies of all project applications when they go to Regional Assessment Panels. However, since the start of the 1999-2000 round, there are some important differences between the Environment Australia and Agriculture, Fisheries and Forestry Australia approaches:

▪ Environment Australia do a provisional review and comment on the applications (looking for key issues such as ministerial priorities, applicability, cost shifting etc), which is fed back to Lead Agencies

▪ Agriculture, Fisheries and Forestry Australia receive the forms and undertake a check for eligibility.

Environment Australia Team Leaders attend Regional Assessment Panels and State Assessment Panels. Program liaison officers prepare briefing papers that are put together in a file for the representative to take to the meetings.

The following chart shows the process covering the submission of the State bid through to submission to the Minister. It also indicates the progress of national projects.
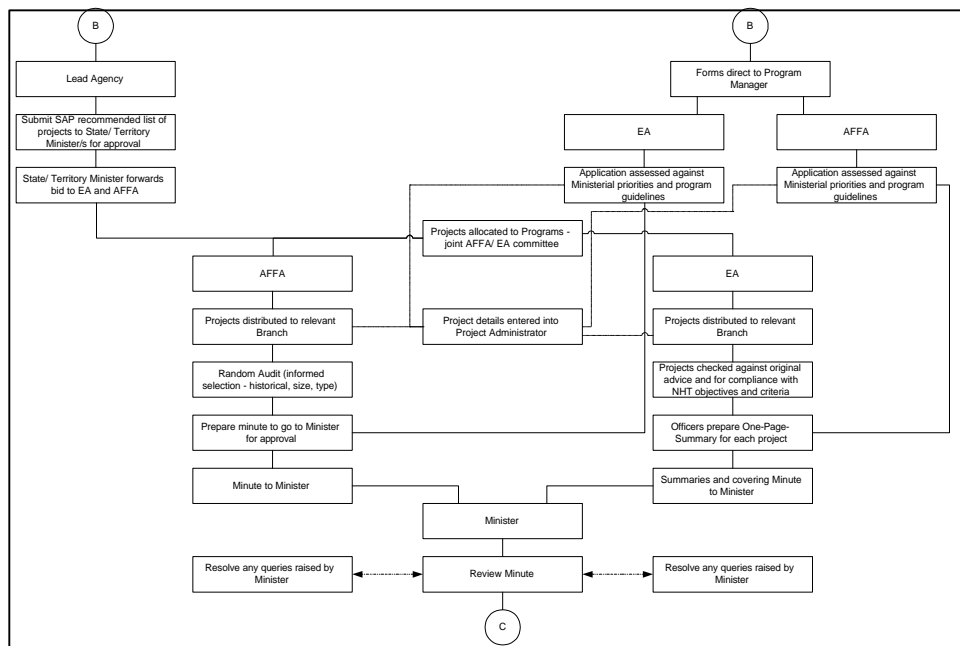
There are further differences between the Environment Australia and Agriculture, Fisheries and Forestry Australia approaches:

- Environment Australia distribute all projects to relevant program managers (after a joint Environment Australia and Agriculture, Fisheries and Forestry Australia committee has allocated projects between programs) who then read each project and prepare a one page summary in a standard format. These summaries are then put to the Minister with a covering minute

- Agriculture, Fisheries and Forestry Australia conduct a random audit of projects (historical precedence, size, type) - where a project is found not to be consistent with Natural Heritage Trust guidelines, the State will lose funding. Otherwise Agriculture, Fisheries and Forestry Australia use the summary (one paragraph per project) prepared by the States and attaches a covering minute for approval by the minister

The final stages of the process are indicated in the next chart where following Ministerial approval the database is updated and financial agreements negotiated and contracts prepared.
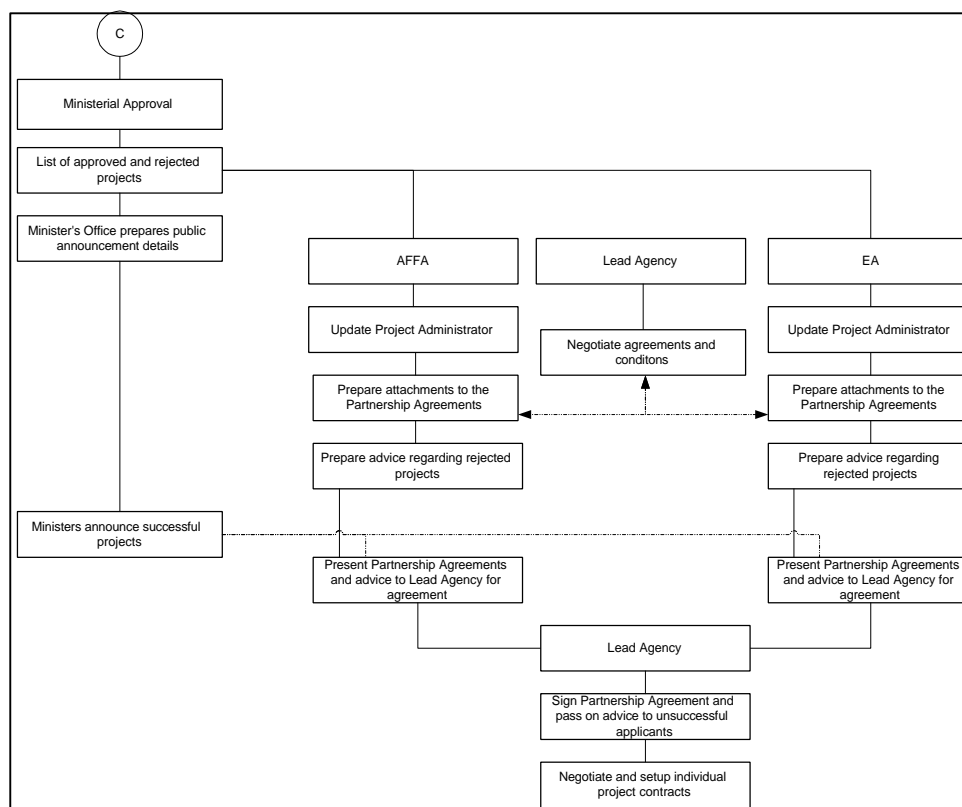
Clearly the Environment Australia approach is administratively more complex, each project application gets read in full at least twice. A preliminary review and comment is made on each application. Staff attend Regional Assessment Panels and State Assessment Panels. All project information is summarised and reformatted into a predefined format for submission to the Minister.

Questions were raised during the Review about the value added by Environment Australia of all the reviewing and summarising. The Review Team was told many times that people on Regional Assessment Panels were questioning why they should bother if Environment Australia was going to do its own assessment in parallel to that of the State Assessment Panels and Regional Assessment Panels.

The ANAO had recommended in Report 39, *Commonwealth Natural Resource management* that the Commonwealth establish risk management processes for reducing the time for project approvals. This is being addressed in both Environment Australia and Agriculture Fisheries and Forestry - Australia in the context of regional planning and delivery. We have recommended that the number of programs be reduced and that all community capital projects be brought within the One Stop Shop umbrella.

There is a perception that Environment Australia is totally reactive and that all of the "review" is post the event. Inevitably it is seen as "critical", not informative or constructive. Our analysis and investigation does not bear this out. We have been advised that Environment Australia endeavours to take a proactive approach. The purpose of attending the Regional Assessment Panel meetings is to ensure that Assessment panels are aware of the content and intent of the Guidelines and Minister's directives. (The Environment Australia approach in Western Australia is detailed in Attachment D.)

On the other hand, program staff in Agriculture, Fisheries and Forestry Australia have become concerned that, in the longer term, not attending State Assessment Panels and Regional Assessment Panels means that they will become distanced from the on ground component of the Natural Heritage Trust. This is not so much of an issue while Agriculture, Fisheries and Forestry Australia have senior people with extensive networks and experience – but they do think that there will come a time when they will need to return to attending State Assessment Panels and Regional Assessment Panels in order to maintain information and awreness.

The criticisms being made point to the need for the Natural Heritage Ministerial Board to stress that the Natural Heritage Trust is *an investment program* and that the Trust is seeking sound investment propositions. The error, in our view, is that there is a constant reference in the promotional material for the Natural Heritage Trust to "financial assistance" and "funding guidelines" rather than investment criteria. This leads into what we see as a fundamental problem, which we will address below, that the Natural Heritage Trust as it is presently promoted invites people to try and adjust their projects to fall within the guidelines.

9.4   National Projects

There are two broad categories of national projects:

▪   Those submitted through the One Stop Shop process and "taken out" to be assessed, resourced and managed at a national level

▪   Projects commissioned directly by program managers – (irrespective of whether or not the program is within the One Stop Shop arrangements).

Consistent with the approach in many of the Rural Research and Development Corporations, there is an increasing preference for commissioned projects (select tender or open tender) and less submitted type projects. Many see this as a positive development and something to be promoted.

Many national projects involve a significant policy and research component, the outcomes of which are expected to inform on-ground community activity. Research providers include:

▪   CSIRO Entomology

▪   CSIRO Division of Wildlife and Ecology

▪   CRC for Freshwater Ecology

▪   Northern Territory University

▪   University of New England

▪   University of New South Wales

▪   Wetlands International

▪   Australian Network for Plant Conservation

▪   Birds Australia

▪   Bush Tracks Pty Ltd

▪   Ecology Australia Ltd

- World Wide Fund for Nature

A number of policy development projects are managed by the Biodiversity Group in Environment Australia using consultants and contractors. The output of this research are publications and papers generally available to stakeholders in the Natural Heritage Trust.

There is no great need to modify the process other than to identify more opportunities to create a register of people able to track and monitor areas of specialisation and performance. Although given the specialised nature of many of the national projects there would be very little crossing over of consultants.

For both Environment Australia and Agriculture, Fisheries and Forestry Australia, the process for National Projects is basically the same - where they do not come through the One-Stop Shop.

Projects are submitted direct to the Branch/Division where they are evaluated and a covering minute is prepared and the project is submitted to the Minister for consideration.

A listing of National Projects funded through the Natural Heritage Trust is provided in Appendix 1. We have some concern over whether all of the projects listed should be funded from the Natural Heritage Trust (having regard to the purpose of the Trust) or resourced from the Consolidated Revenue Fund.

9.5 Regional Assessment

The Regional Assessment Panels originated under the National Landcare Program and is also used for assessment of some State Programs.

Apart from the Partnership Agreements and the requirements for Ministerial approval of membership, there are no uniform guidelines about how panels are to operate. There are, however, Commonwealth criteria for objectivity and transparency concerning how conflict of interest issues should be assessed.

The arrangements in place reflect current approaches to devolution of decision making. As we have noted elsewhere in the Report, however, devolution does not mean independence. Autonomy in decision-making must be undertaken within an agreed framework and be fully accountable and transparent.

9.5.1 Scope of assessment

Regional assessment involves the commitment of over 600 people in 47 regions. The commitment is summarised below.

Table 31: Membership of Regional Assessment Panels

State	Number of Regional Panels	Number of Members
New South Wales	14	223
Victoria	10	91
Queensland	5	86
Western Australia	6	55
South Australia	9	105
Tasmania	0	34
Northern Territory	3	28
Australian Capital Territory	0	0
	47	622

Membership of Panels is proposed by State Governments and agreed by Commonwealth Ministers. In addition to community representation, there are strong affiliations with

- Catchment Management Committees and Authorities

- Landcare – sustainable agriculture

- Conservation and environment

- State Government

- Local Government

For the purposes of the review we wished to obtain a profile of Regional Assessment Panel membership, indicating affiliation with the interest areas listed above. The Commonwealth does not maintain a register of Regional Assessment Panel members – with information concerning interests, affiliations and contact details. The requested information was difficult to obtain and involved a great deal of work for some State Natural Heritage Trust Units.

The information that was provided is summarised below.

Table 32: Regional Assessment Panel Members - Affiliation

Organization	Affiliation									
	CMC/ CMA	Landcare	Conservation	State Gov't	Local Gov''t	Community	Science	Indigenous	Other/ Not Stated	Total
NSW	42	10	11	43	23	20	1	11	62	223
Victoria	27	20	1	5	0	0	0	0	38	91
Queensland	7	10	1	9	11	2	0	10	36	86
South Australia	0	18	0	14	3	0	0	0	20	55
South Australia	6	2	7	40	8	0	0	7	35	105
Tasmania*	0	3	6	16	1	0	0	0	8	34
Northern Territory	0	3	5	9	3	1	0	5	2	28
Number	82	66	31	136	49	23	1	33	201	622
Percent	13.2	10.6	5.0	21.9	7.9	3.7	0.2	5.3	32.3	100.0

* Tasmania does not have a Regional Assessment Panel. Data are included for Five Technical Assessment Panels

Reflecting the origins of the Regional Assessment Panels, the data indicates a significant involvement (24 percent) of Catchment Management Authority and Landcare interests. State Government accounts for 22 percent of membership – with the proportion being very high in New South Wales and South Australia.

9.5.2   Skills and experience

Regional Assessment Panels are essentially made up from community representatives sometimes with little experience in project appraisal and assessment.

The Sustainable Land and Water Resource Management Committee in its Report on Partnership Agreements acknowledged that:

> Regional Assessment Panel and State Assessment Panel members should have the skills necessary to make judgements over the full range of strategy issues, including biodiversity and water quality issues. Proper resourcing and skills training for members will be required.[101]

The Commonwealth is involved in the selection of panel members, who are identified through requests for applications. Responsibility for the provision of training rests with State Natural Heritage Trust Units. Training programs are undertaken, but it is not clear whether all Regional Assessment Panel members fully appreciate the full range of strategy issues and the application of techniques for investment appraisal.

The July 1997 *Draft Communications Strategic Plan* noted a concern that "the Regional Assessment Panels are often seen to be creatures of the States (which are responsible for their appointment)" and that "they be running agendas different to those of the Natural Heritage Trust".[102] There is also a view that many Regional Assessment Panels are not working well as a team and that natural resource management, sustainable agriculture and environmental interests are not well integrated. The Draft Strategy noted that:

> The interesting point is that there is technically no need for direct contact between the Natural Heritage Trust and the Regional Assessment Panels because the Regional Assessment Panels feed into the State Assessment Panels who then liaise with the Natural Heritage Trust (DPIE/EA). In practice, what this means potentially is there is a body of individuals appointed by the States without reference to the Commonwealth who have had little or no contact with the Natural Heritage Trust prior to the time they meet to assess projects . . ..

We received some comment to re-affirm these observations during the course of this Review.

A submission from a grants administrator in a State Agriculture Department pointed out that the Natural Heritage Trust funding process is difficult to understand, with the results that projects that could make a significant difference to the environment do not get funded. Such projects may not get put up to a Regional Assessment Panel because of a lack of clarity about the assessment process and Regional Assessment Panel members are not seen to have broad enough knowledge to consider scientifically based proposals.

Another submission also pointed out that Regional Panels do not see the state-wide and national projects with the result that they are not able to put regional projects in the context of linkages. The impression is also one of "behind closed doors". However, the submission pointed out that the assessment process was now quite effective and has taken two years and the experience of many people.

We also received a great deal of comment to the effect that Regional Assessment Panel members are hard working, committed and take their roles and responsibilities very seriously. We note also that appointments to the Regional Assessment Panels currently require endorsement by the Natural Heritage Ministerial Board – but there is little information available about members' background, skills, qualifications or experience. There is no contact information: for most States the Commonwealth does not have a complete record of who the current Regional Assessment Panel members are.

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[101] Sustainable Land and Water Resource Management Committee, Report of Workshops on Future National Landcare Program Partnership Arrangements.

[102] Natural Heritage Trust, *Draft Communications Strategic Plan*, Canberra, July 1997

It is nonetheless important, as the *Draft Communications Strategy* pointed out, that the projects which meet Natural Heritage Trust guidelines are not culled at the Regional Assessment Panel stage because of a lack of understanding of Trust objectives on the part of the Panels or because of other factors influencing the Panel decision making process.[103] It has been for these reasons that Ministers have looked at State and regional bids on a project-by-project basis to ensure that the purposes of the Trust are being addressed.

Given that community members form the majority on assessment panels, it may be desirable to implement a more formalised process of providing guidance and assistance on how to go about undertaking the assessment task. Knowing what is expected may go some way to overcoming some of the problems that have emerged in the regional assessment process.

Some Panels have made their own commitment and contribution to developing assessment guidelines for use in the process. It is important that these guides be consistent and reflect the overall purpose and goals of the Natural Heritage Trust.

Commonwealth Environment Australia staff attending Regional Assessment Panel meetings provide advice on some of these management and operational issues. Environment Australia and Agriculture, Fisheries and Forestry Australia staff attend State Assessment Panel meetings in all States.

In our view, the Commonwealth should provide guidance and material for training of Regional Assessment Panel members. This approach would remove the need to distribute the guidelines in the present form.

Recommendation:

43.   Environment Australia and Agriculture, Forestry and Fisheries Australia, in conjunction with the States, commit to an ongoing program of education and training for Regional Assessment Panel members to ensure that they are conversant with Natural Heritage Trust objectives, components and what constitutes an eligible investment project.

This program could be run in conjunction with the proposed Human Resources Program outlined in Chapter 7.

The development and capacity to apply these skills will become increasingly important as Regional Assessment Panels become more involved in the review and endorsement of regional strategies.

9.5.3   Workload

State Natural Heritage Trust Units commented about an increasing load on assessment panels, due in large part to the scaling up of the Natural Heritage Trust activity, however the workload varies considerably between regions due to the uneven distribution of applications. A number of States pay sitting fees for non-government members of panels.

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[103] Ibid

9.5.4 Assessment guidelines

The assessment process is large scale and administratively intensive. It involves a great deal of time and effort on the part of members of the community and Commonwealth and State Officers. This is not surprising given the number of applications processed. There have been over 7,000 approvals since the inception of the Trust.

The Partnership Agreements drive the assessment process. The Natural Heritage Trust application guidelines are intended to form the basis of assessment. Directives from the Natural Heritage Trust of Australia Ministerial Board supplement the guidelines.

The members of the Natural Heritage Ministerial Board wrote to State Ministers in March 1999 advising them of a high priority to be given to community projects:

> All projects will need to demonstrate strong community support and involvement.

> "We cannot express too strongly that the Natural Heritage Trust is a program to repair and replenish Australia's natural capital infrastructure. This means that projects that make an observable difference on the ground will get priority. Within projects that make an observable difference on the ground, those that ensure that the changes are sustained over time will get special priority.

> In keeping with the Commonwealth's vision for the Natural Heritage Trust, in 1999 we will continue to seek proposals for significant, larger scale, coordinated initiatives targeted at issues of major regional concern, such as salinity and remnant vegetation management

> . . . in relation to some projects administered by Environment Australia, some projects will require assessment from a national perspective because they cross State boundaries, or are national in scale. Such projects include those for the recovery of nationally threatened species or ecological communities, and those that will be contributing to the National Reserve System. We are requesting State assessment Panels to provide comments on these applications. The projects will then be assessed from a national perspective by a technical panel and ranked according to national priorities, taking into account the comments of State Assessment panels.

These directives were issued in March – after the Applications closed. They were not therefore available to proponents in preparing their applications at the time applications were sought.

The Commonwealth does not provide the Guidelines in a form that could be used by Assessment panels in terms of *how to go about* the assessment process and what is involved. States' Natural Heritage Trust units advised the Review Team that they are looking for the Commonwealth to provide greater "strategic input" to the process, particularly in relation to setting priorities and interpreting assessment criteria.

There is, however, no real mechanism for the Commonwealth to provide input into priority setting apart from the written guidelines and ministerial directives – the Partnership Agreement envisages Commonwealth attendance at State Assessment Panel meetings and Regional Assessment Panel meetings. Each State Natural Heritage Trust Unit has provided guides and materials for Assessment Panels. Some training is also provided. The approach is not, however, consistent across states or regions.

The Tasmanian *Guidelines for Natural Heritage Trust Assessment Panels in Tasmania* and the Queensland *SAP/RAP Training Handbook,* which were provided to the Review Team, are of particularly good quality. These documents cross-reference Natural Heritage Trust Guidelines into a listing of assessment criteria.

The Queensland Handbook identifies seven criteria and provides a weighting for each. The Tasmanian Guide identifies eight criteria, but does not suggest a weighting. The Queensland criteria and cross reference to the Natural Heritage Trust Guidelines are as follows:

Table 33: Project Assessment Criteria - Queensland: Assessment Weighting

Criterion	Natural Heritage Trust Guide Reference	Weighting
Project objectives and Outcomes	Q9	5
Linkages to strategies of plans	Q10	20
On ground change	Q12	20
Commitment, support and linkages with stakeholders	Q21	15
Communicating Results	Q14	10
Project monitoring and evaluation	Q15	10
Budget	Q16	20

This provides a score which is used to rank proposals.

The Criteria identified in the Tasmanian *Guidelines* for assessing applications and the cross references are as follows:

Table 34: Tasmanian Natural Heritage Trust Project Assessment Guidelines - Cross Reference to NHT Guidelines

Criterion	Natural Heritage Trust Guide Reference
Consistency with the State's framework for the Natural Heritage Trust	Q9
Its benefits outweigh the costs	Q9, 12, 16
Will result in effective on ground actions that address the key issues causing the problem	Q9, 10, 11, 12
Matches Natural Heritage Trust program priorities for Tasmania, as reflected in the Partnership Agreement	Q9, 10, 11
Demonstrates Linkages to regional/catchment planning activities	Q10
Result in on ground improvements in the condition or management of natural resources and proof that these will be maintained beyond the life of the project funding	Q12, 14, 17
Demonstrates support of stakeholders and supporting organizations	Q21
Demonstrates evidence of sound financial management	Overview. Q 11, 14, 15, 19

The Guidelines contain detailed advice on how to "score" proposals on a ranking of one to five.

It was intended that the assessment be driven by regional strategies – but these are not yet adequately developed and do not necessarily reflect all national or state priorities. Also, in a number of programs, project approval is affected by specific program strategies. The Bushcare Strategic Plan, for example, provides a "top down" framework for identification of innovative and "smart" projects.

We are of a view that much can be gained by States collaborating to develop a set of "best practice" project assessment criteria that assists in identifying and supporting the Natural Heritage Trust investment proposals. Moreover, the more robust the assessment process, the more straight forward it will be to assess subsequent performance.

Recommendation

44. **The State Natural Heritage Trust Coordinators and State Coastcare Coordinators and the proposed Commonwealth Natural Heritage Trust Unit work collaboratively to develop a nationally consistent framework for the evaluation of Natural Heritage Trust investment proposals.**

9.5.5   Cross program assessment

The mechanisms for cross-program assessment are being developed between program areas and between Environment Australia and Agriculture, Fisheries and Forestry Australia.

Data indicate that organizations receive funding under a number of separate programs. An analysis of Program Administrator data indicates that, in 1998-99, 147 Landcare organizations received funding for 370 projects in eight program categories. This finding is summarized in the table below.

Table 35: Multiple Program Funding for Landcare Organizations

Program	Number of projects
Bushcare	141
Farm Forestry	3
EA/AFFA Joint Projects	17
Murray Darling 2001	47
National Landcare	129
National Rivercare	26
National Wetlands	2
Waterwatch	5
	370

The extent to which the projects supported from individual programs were for the same project is not known.

There is, however, a problem with further development of cross program-funded projects: one program may agree to the project, while the other may not, leading to an unworkable situation. This can be avoided by assessment and approval at the regional level – as well as by reducing the number of separate programs

9.5.6   Linkage to regional plans

All people involved in the process agree that there should be a greater linkage to regional/catchment plans. This is made difficult for a number of reasons, not least of which is the concentration of attention on individual funding programs. Without a realignment of funding arrangements, regional assessment will be seen only in terms of assessment of "program priorities" rather than regional natural resource management priorities".

It would be desirable for regional strategic plans to become more closely linked to the Natural Heritage Trust investment strategy. This would provide the basis for

more rigorous application of regional priorities. It would also increase the role and responsibility of Regional Assessment Panels. As indicated earlier, some investment in awareness raising and training might be required.

Suggestions that have been made in this context during the Review include:

- Allocation of indicative funding to Regional Assessment Panels based on comparison of priorities across regional strategies and against a National Strategy

    - The State Assessment Panels would contribute to these comparisons between regions

- Base the regions on biogeography, for example catchments, and encourage liaison across State borders.

- Increase the quality of scientific and socio-economic advice on Regional Assessment Panels

- Apply the same conflict of interest provisions to assessment panels that apply to other groups allocating public money

    - Members of Regional Assessment Panels and State Assessment Panels should have no association with implementation agencies or be beneficiaries of funds.

    - Will require payment of sitting fees

We are reluctant to support the allocation of global amounts to Regional Assessment Panels, as this would perpetuate the problem that projects are supported up to the funding available – rather than on the basis of their merits as investments.

We acknowledge, however, the desirability of flexibility in allocating funding to small, innovative projects at the regional level and the importance of encouraging community effort. Small amounts of funding have been shown to be quite catalytic in bringing forward additional resources for investment. It follows that there should be capacity for discretionary "seed" funding at the regional level.

9.5.7   Differentiating small and large applications

- Large projects

During the consultation process it was noted that Regional Assessment Panels are reluctant to support large projects due to higher risk and perceptions about cross program funding. Regional bids and priorities sometimes reflect tradeoffs and compromise between various competing interests. Program differentiation and demarcation has tended to create a perception that it is not worthwhile to submit large project proposals that cross several programs

With the development of regional planning strategies there is an expectation that larger projects will be sought. These should be consistent with regional planning strategies and should present a "business case" arguing why a particular proposal is a good investment.

The business case should provide the basis for assessment on a "due diligence" basis by Natural Heritage Trust facilitators and members of Regional Assessment Panels. We do not believe it is possible, or desirable, for such a project to be

assessed only on the basis of written documentation. Site inspections and interviews with proponents should be mandatory.

An investment appraisal should accompany the Business Plan through the Regional Assessment Panel and State Assessment Panel process.

Recommendation

45.   For large, regional projects, the application should be accompanied by a "business plan" that sets out the case for investment that is assessed on a proactive basis by members of the Regional Assessment Panel

▪   Small projects

We consider that it is important for the Natural Heritage Trust to continue to support small projects that:

▪   Are Innovative, or "smart"

▪   "Add value" to natural capital – by replenishing or redressing decline in the quality of the natural environment (natural capital)

▪   Can provide demonstration for implementation elsewhere

▪   Involve a partnership between landowners and the community.

There is also substantial scope for innovation in the application process for small applications.[104] This would include developing a "process vision" that involved:

▪   Electronic lodgement of proposals

▪   On line assessment and review by Assessment Panels, Project Staff and the Minister

▪   A seamless process from application through to contract signing – the application form would become contract following project approval

This outcome can be achieved by addressing the question of what we want to *achieve* through the application process. It is our understanding that the outcome sought is high quality *investment* proposals that contribute to the "conservation, repair and replenishment of Australians natural infrastructure".

Such a process would substantially reduce the number of steps in the process and reduce the time between lodgement and advice about success and receipt of funds.

Recommendation

46.   The application process for small projects be fundamentally changed to provide for a "seamless" electronic process from application through to contract signing

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[104] The application form could be substantially improved if there were to be a reduction if the number of programs (referred to by State Natural Heritage Trust Units as "buckets") We would expect that a reduction in the number of programs would lead to a reduction in the number of outcomes (currently in the region of 170) and make the process easier to follow.

> **47.   There should be one Natural Heritage Trust application form regardless of the "funding program"**

9.5.8   Project and proposal development

We acknowledge that regional and community organizations may require support for the development of regional projects.

We have argued in the following Chapter about the need for Natural Heritage Trust Facilitators to take a strategic role in the development of regional strategies, building capacity and capability and providing linkages between program objectives and community initiative.

To these ends we see it as desirable for Natural Heritage Trust Facilitators to be involved in providing advice and input into the development of regional projects as part of a regional strategy.

For smaller projects Landcare and other Groups should be encouraged to develop capacity and capability.

9.5.9   Conclusion

Notwithstanding the criticisms made to the Review Team, discussions with State Natural Heritage Trust Coordinators indicated a preference for the application and assessment process to remain broadly the same. That is, the best approach is to tweak the existing process. People have become used to the system and are reluctant to change.

Our view is that change needs to be more fundamental. The Natural Heritage Trust should move to a more strategically driven basis this would require both Environment Australia and Agriculture, Fisheries and Forestry Australia being partners (in the proper sense of the word) in the planning of the submission (business case or strategic plan).

The change is one of attitude as well as process, whereby Environment Australia and Agriculture, Fisheries and Forestry Australia become active participants in the planning/ building of the case, not a reactive body post of the event. This is already occurring within Bushcare. At the same time, Canberra based project officers would need to ensure that they do not become advocates of the projects but rather "investors" – looking for a good business case.

We have noted elsewhere in the Report that the multiplicity of programs also encourages small applications rather than regional and more strategically focussed ventures.

9.6   State assessment

The role of the State Assessment Panel varies from State to State. The main role is to ensure that regional funding proposals are consistent with the Partnership Agreements. The Panel provides initial and final advice on a regional allocation of State funds[105].

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[105] The Hawkesbury-Nepean Catchment Management Trust notes that the development of a process, or system, for determining regional allocations that is acceptable to regional organizations is a major challenge for the State Assessment Panel.

The State Assessment Panel also has the responsibility for advising on the content of the "State Bid" that goes forward from State Ministers to the Natural Heritage Ministerial Board.

In our view, the State Bid should represent a "business case" for investment funding from the "Natural Heritage Trust Investment Bank". In this respect the bids should be put forward as an *investment* proposal. There was support in the States for this approach, but there is a fair way to go – particularly when the culture is one of lodging submissions for funding.

A "business case" is the foundation for moving forward. It reflects a view that something is worth doing from a "business" viewpoint.

For natural resource management investments, it is essential to convince the investor (ultimately the Natural Heritage Ministerial Board) that the proponent has not only the interest, but can acquire the necessary skills and expertise necessary for delivery. The foundation of a good "business case" is that a proposition being put forward is:

- Desirable – that there is a need for the project and that it will deliver value and identifiable benefits

- Practical – it will be possible to deliver it, having regard to resource and institutional constraints

- Feasible – that it will possible to actually undertake it having regard to available resources.

The *essence* of a business case is the argument that it is worth doing and taking the time, effort and commitment to bring it to fruition. Some prospects and propositions may take many years to bring into reality - but there has to be a shared understanding and agreement that it is worth going ahead with – at least to a full feasibility study stage.

Regional organizations and local Councils have a role in addressing business case issues from a community point of view and from the perspective of their statutory and regulatory responsibilities. Councils should consider that if the case is strong enough they will commit resources to ensure that outcomes are delivered.

9.7   Reconsidering the assessment and approval cycle

For community organizations, the application, assessment and approval process for community projects funded by the Natural Heritage Trust is long, drawn out and complex.

In New South Wales, for a project proponent, the process involves 14 steps:

- Applications lodged with State Natural Heritage Trust Unit

- Initial review/processing of all applications by States (also some State funding programs assess projects

- Applications distributed to regional organizations – administrative assessment

- Technical assessment

- ▪ Regional Assessment Panel assessment

- ▪ Regional funding proposal to State Assessment Panel

- ▪ State Assessment Panel reviews all funding proposals

- ▪ Regional presentation to State Assessment Panel

- ▪ State bid to Commonwealth

- ▪ Advice to State/Regions of successful applicants

- ▪ Funds distributed to the State

- ▪ Letter of offer to successful applicants

- ▪ Offer accepted or rejected

- ▪ Funds distributed

The process is similar in other States. The Queensland Natural Heritage Trust Unit works on a process map that involves 70 steps.

The observation is made that a successful application will be looked at by at least six groups of people. The Hawkesbury-Nepean Catchment Management Trust indicated that:

> . . . there should be only four occasions of application assessment, directly reflecting the technical eligibility, recommendation and final decisions that must be made at the regional/State/Commonwealth tiers. Sorting out the poor applications from the good must be achievable with 4 assessments. Currently with the proliferation of assessments, by the time the regional assessment and recommendations have passed from the region through the State and are finally considered by the Commonwealth there is historically about a six month delay in finding out which applications have been successful. This is also not good enough.[106]

The assessment process has been strongly criticised by a number of State Natural Heritage Trust Unit and Assessment Panel Members. The main criticism is an overly centralist approach – with proposals being considered to be over assessed, with duplication of State effort at Commonwealth level throughout the whole process.

There is a strong view that most assessment should be undertaken at the Regional Level through the Regional Assessment Panel. The State Assessment Panel should review priorities between Regional Assessment Panels and not attempt to assess individual projects. There is also a strong view that the Commonwealth should not be assessing individual projects.

9.8 Towards "investment appraisal"

The main strength of the current annual cycle of application, assessment and advice is that it provides for one cycle of application and assessment and a ranking of projects in order of "relative merit". The order of rankings is the basis

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[106] Hawkesbury-Nepean Catchment Management Trust, *Submission to the Review*

for approval in terms of the funding available: higher ranked projects get funding until funds are exhausted.

Unfortunately, the process encourages and reinforces the view that the Natural Heritage Trust is a funding pool - rather than an investment program. For example:

▪ There is a notional allocation of funds for each State and an agreed allocation to each program within the Natural Heritage Trust – conveying the perception of "buckets of money"

▪ There are in most States indicative allocations to regions

▪ Applications are submitted and applications made having regard to the likely level of funding available[107].

More importantly, however, the assessment process is inconsistent with an *investment appraisal* approach. In particular:

▪ The current process encourages projects to be ranked against each other rather than the strength with which they meet the investment criteria, as it allows low ranking projects to be funded in one region despite the existence of a large number of high ranking projects in another

▪ Rating against investment criteria allows assessments to be made of cost and risk – taking into account the extent of innovation and uniqueness (important for demonstration purposes)

▪ Projects that rate low against investment criteria might be funded if they perform well against other, low rating projects

▪ An investment appraisal approach would reject projects that did not adequately meet investment criteria – funds would be with held over for allocation to projects that did meet the criteria, either in other States or regions or at another time

▪ There is a presumption that all available funds should be allocated in a funding round.

The present annual process also discourages proponents who may have good projects but are unable to meet a January cut-off. They may be unwilling, or uninterested to wait another 12 months. It also encourages proponents to submit projects that are not adequately scoped or prepared.

Moreover, with an expectation by Ministers of larger, more integrated projects, an investment appraisal approach is more compelling. There is also an expectation that larger projects will be linked to regional plans and strategies.

In our view, the application and assessment process should be ongoing, with four, quarterly, submission dates.

As well as assessing projects in terms of the Natural Heritage Trust criteria, Regional Assessment Panels should see their role as preparing a business case for investment in natural capital as an essential element in the regional planning process. Investment proposals should be presented on a "portfolio basis".

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[107] This view was obtained from discussions with State Natural Heritage Trust Units and confirmed by Program Managers.

The Investment Portfolio would include a balance between innovative and safer investments. To this end it is important that proposals be assessed on an integrated basis.

It is clear that some regions have made substantial progress in this area, whilst others have a long way to go.

We have indicated in Chapter 8 a preference for a simplified application process. Consistent with that approach, and with approval based on investment appraisal, proponents should not be required to re-apply for funding. Continued funding should be on the basis of milestones being achieved and the terms and conditions of the finance being maintained. If milestones are not met, projects should be terminated.

Recommendation

48. **The Natural Heritage Trust application and assessment process should follow the principles of *investment* appraisal**

   ▪ **Projects should only be ranked in accordance with the extent to which they meet *investment* criteria**

   ▪ **The application and assessment process should be on going, with four, quarterly, cut-off dates**

   ▪ **Projects should be submitted as a proposed investment portfolio that balances innovation, risk and assurance of outcome**

   ▪ **The assessment for large projects should be based on a "due diligence" appraisal of investment proposals by the Regional Assessment Panels.**

   ▪ **Once approved, projects should be funded on the condition that they meet milestones**

   ▪ **Projects should be terminated if milestones are not achieved.**

Implementation of this recommendation will require a major commitment to informing project proponents about the investment nature of the Trust through communication and awareness strategies. It will also require some education and training for panel members in investment appraisal tools and techniques.

49. **Members of State and Regional Assessment Panels be provided with training in appraisal methods and techniques relevant to appraisal of "investments in natural capital."**

Chapter 10: Monitoring, Evaluation and Reporting

This Chapter addresses issues raised in the terms of reference concerned with evaluation, monitoring and reporting

In the context of the review of the Administration of the Natural Heritage Trust, and the terms of reference, it is important to make a distinction between:

- Program evaluation – the extent to which a program is achieving its objectives having regard to efficiency in the use of resources and effectiveness in achieving purpose and objectives

- Project monitoring – the extent to which projects are delivering the results and outcomes that are set out in the project proposal and project plan

- Policy analysis and review - concerned with the extent to which government intervention is necessary to address economic and environmental problems, and that programs (strategies) are relevant and appropriate to the agreed action.

The first two tasks are ongoing while the latter involves a more substantive, targeted approach to the identification of problems and resolution of issues. The tools, techniques, methodologies and approaches in each area also differ substantially.

Evaluation, monitoring and reporting is not only important for government: participants need to be able to contribute to and be involved in the process. It must also be ongoing and systematic. While this was clearly an intention of the Partnership Agreements, has not happened to any significant extent.

Matters concerned with evaluation and project monitoring are addressed in the Partnership Agreements and other Natural Heritage Trust documentation. However, ensuring that the policy objectives that led to the creation of the Trust continue to be reflected in the planning, organization and delivery of Trust programs is of fundamental importance in the review of administration. These matters are addressed in this Chapter.

10.1   Partnership obligations

Obligations concerning monitoring and evaluation are set out in Parts 8 and 11 of the Partnership Agreements.

11.1 The parties agree to undertake monitoring and evaluation in accordance with the respective roles set out in clause 6.

11.2 All activities funded under this Agreement shall include an evaluation of progress and outcomes using agreed measurable performance indicators.

11.3 The Commonwealth will accredit, through exchange of correspondence, monitoring, evaluation and reporting arrangements undertaken by the States for activities covered by this Agreement. The Commonwealth may also be required to undertake additional monitoring, evaluation and reporting, subject to circumstances existing that warrant this course of action, and only after consultation with a State.

11.4 The Commonwealth can visit any project or projects, upon reasonable notification to the lead agency, and will provide a report back to the States.

The monitoring and evaluation arrangements were the source of extensive comment during the consultations process of the Review. States were concerned that the Commonwealth had not honoured previous undertakings to fund a monitoring and evaluation commitment in Natural Heritage Trust Units.

Information collected from the opinion survey is reproduced below. It shows that most people think that the principles have only been partially implemented – and that there is a high level of consensus about this.
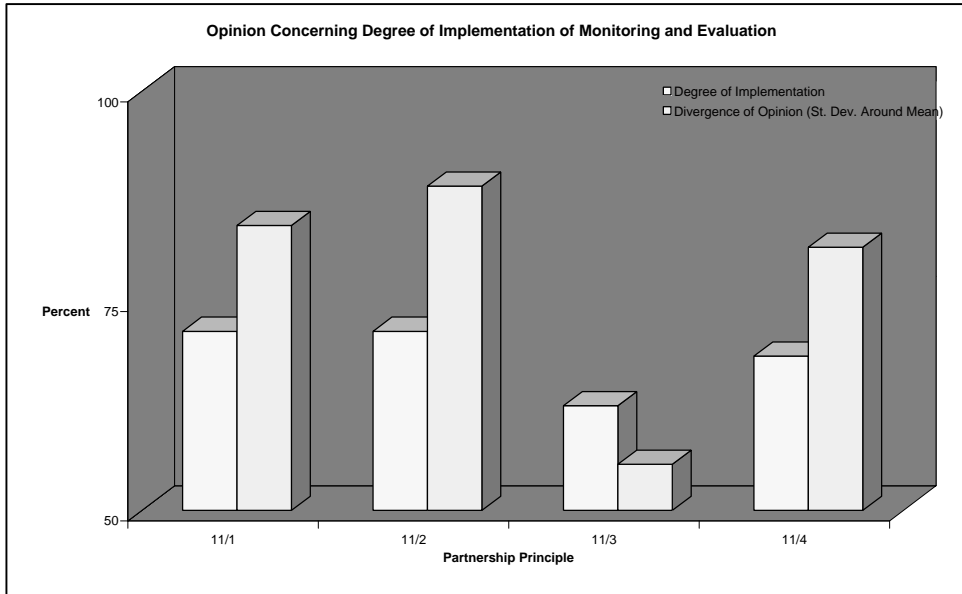
Basis for interpretation: degree of implementation 100 percent - all respondents regard the principle as fully implemented; degree of implementation 75 percent – respondents on average regard the principle as partially implemented; degree of implementation 50 percent – respondents on average regard the principle as not implemented.

The stakeholder opinion indicates that the monitoring and evaluation aspects of the Partnership Agreements have been the subject of very little implementation activity. The lowest level of implementation, and for which there is a high level of agreement, concerns the accreditation of State monitoring and evaluation frameworks.

10.2   Roles and responsibilities

10.2.1   Overview

The negotiations leading up to the finalization of the Partnership Agreements did not, however, finalize the evaluation arrangements. There was agreement that evaluation would be undertaken with reference outcomes and performance indicators in four Key Results Areas –

- **Integration and institutions**: Integrated, cooperative and strategic approaches to investment in ecologically sustainable development of land, water and marine resources and environment
- **Environment**: Biodiversity conservation and improved long term protection and management of environmental resources, including native vegetation, representative ecosystems and World Heritage values
- **Sustainable production**: Maintenance and improvement to the sustainable productive capacity of Australia's environmental and natural resource base
- **People**: A community empowered to invest in, and take responsibility for, ecologically sustainable management.

The Partnership Agreements currently include over 300 outcome statements and performance indicators.

In 1998 the Commonwealth developed a *Draft Monitoring and Evaluation Framework* as a basis for measuring the performance of the Trust. At a meeting of Commonwealth and State officers in Adelaide in September 1998, the States were asked to prepare Monitoring and Evaluation Strategies consistent with the Commonwealth Framework.

The Commonwealth framework was presented to the Natural Heritage Ministerial Board in December 1998. It was considered, but not endorsed. Since then, there has been no substantive communication between the Commonwealth and the States on the Framework, or the State Strategies.

The Draft Framework outlines roles and responsibilities in the following terms:

Project proponents, whether community groups, other organizations or State agencies, have responsibilities for preparing annual project reports on progress against milestones and a final report (including an audited financial statement) on the project outputs with an evaluation of the extent to which the outcomes have been achieved.

States and Territories have the responsibility to prepare an annual report by the end of September or October (varies according to State), on progress in implementing the Partnership Agreement, reporting against the objectives, outcomes and milestones described in the attachments to the Agreement, and also report data consistent with performance indicators agreed by the parties. States also report on the overall level of resourcing to complementary State programs.

States and Territories will also have a major role in the conduct of case studies, thematic and regional/catchment evaluations, investigations and surveys jointly with the Commonwealth. These will be an important component of program and cross program evaluations.

They have the responsibility to validate final and progress project reports. They will also need to enter the data from applications, progress and final reports into electronic form, and provide the Commonwealth with both the raw data and an aggregated report on performance across the Trust and its programs at State level.

There are two basic elements of monitoring and evaluation coordination that will be undertaken by the States and Territories:

- Establishing a State Monitoring and Evaluation Strategy.

- Establishing a State/Territory Evaluation 'Unit' - This would function as a central point of expertise/advice on monitoring and evaluation of the Natural Heritage Trust and provide expert assistance and advice to all stakeholders of the Natural Heritage Trust particularly community groups and other project proponents.

In addition, States/Territories may each have their own evaluation and reporting requirements, as provided for in their legislation and policies, for State/Territory funding contributions to NHT programs and projects.

The Commonwealth is responsible for collecting data for the long-term contextual performance indicators that will come from State of the Environment Reporting and NLWRA processes. Some long-term contextual indicators will rely on commissioned surveys outside of State of the Environment and NLWRA, which will also be the responsibility of the Commonwealth. The Commonwealth will be responsible for collating and reporting input and process information; undertaking or commissioning specific investigations; and, working with the States in undertaking case/theme studies and program evaluations. The Commonwealth will also be responsible for the major mid-term evaluation of the Trust proposed for 1999.

The Commonwealth will coordinate the preparation of Annual Reports on the Natural Heritage Trust by the Minister for the Environment and Heritage to the Parliament, as required under the *Natural Heritage Trust of Australia Act 1997.* These reports, to be completed as soon as practicable after 30 June each year, are to include financial statements and are to report on the effectiveness of the administration of the Act in achieving the outcomes sought in Agreements with the States.

In addition to information on programs delivered under the Partnership Agreements, the Natural Heritage Trust Annual Report will include performance information collected by other Natural Heritage

Trust programs through their own processes. These programs include Coasts and Clean Seas, Property Management Planning, National Land and Water Resources Audit, Waste Management Awareness Program, Air Pollution in Major Cities and World Heritage Area Management.

Our discussions and review of the Draft *Monitoring and Evaluation Strategy* point to a tortuous process of melding the objectives and outcomes of the pre-existing programs to the purpose and objectives of the Trust. The result is a set of five key results areas that cannot, in our view, be used to assess the performance of the Trust. It is of interest that the Draft *Monitoring and Evaluation Strategy* does not refer to the investment packages!

The evaluation framework that is reflected in the draft Monitoring and Evaluation Framework is of limited use in practical application. It is too complex and convoluted in establishing relationships between purposes on the one hand (what the Natural Heritage Trust was set up to do) and output and outcome measures on the other.

The fundamental problem is that the output and outcome measures that are developed around four Key Result Areas do not relate clearly to the purpose and objectives of the Trust. Moreover, a number of the individual programs will never be able to deliver outcomes in terms of the identified Key Results Areas.

A number of States have made a strong commitment to monitoring and evaluation. Comments on some of the State approaches are provided below.

10.2.2   New South Wales

In New South Wales the Natural Heritage Trust monitoring and evaluation strategy defines the key elements and resources and funding required for monitoring, evaluation and reporting of the Natural Heritage Trust and other natural resource and environmental management programs in the State. The strategy is one component of the *State of the Catchment Report* - the overall State effort in monitoring and evaluation.

New South Wales is also moving to strengthen the scope of monitoring and reporting at the regional level. State of the Rivers and Estuaries Reporting (SoRE) provides baseline data on catchment attributes that are based on the waterways (stream flow, water quality, river channel structure, riparian vegetation and aquatic biota). There is an intention to expand SoRE reporting to include other catchment attributes such as soil, vegetation and other socio-economic information.

SoRE reporting will gradually be replaced by a State of the Catchments (SoC) reporting program that will provide:

- Emphasis on causes of problems (rather than symptoms) capable of providing direct input for regional natural resource and environmental management strategy formulation and identifying and keeping track of funding issues

- Integration of local level or specific resource information

- Input for aggregation to State and national level reporting (such as the Natural Heritage Trust)

- Strategic focus for integrated natural resource and environmental management by catchment and regional natural resource and environmental management groups

- Wider community awareness of problem issues

- Greater consensus on funding priorities, particularly at a regional level

- Direct feedback for adaptive management of water and vegetation reforms.

10.2.3   Victoria

The monitoring of natural resources and conservation, together with specific Natural Heritage Trust projects, is primarily managed by the relevant Catchment Management Authority, together with the Catchment Implementation Committees and the Regional Assessment Panels. Monitoring can include social and economic, as well as environmental outcomes.

Monitoring is conducted within a three level framework involving:

- Progress towards specific project targets

- Progress towards priority actions (these actions are broader targets related to a number of coordinated works programs

- Progress towards Regional Catchment Strategies (measurement of outcomes at this level is complex and procedures are still being developed).

10.2.4   Queensland

Until recently Queensland has not had a formal Natural Heritage Trust Monitoring and Evaluation Strategy. A draft strategy now under consideration is based on the requirements of the Partnership Agreement and the Commonwealth Monitoring and Evaluation Framework. The focus of the strategy is on "the most commonly occurring failures or where the consequences of failure are significant". These include:

- Applications submitted to various funding sources resulting in "double dipping"

- Private benefit out-weighing the public benefit from activities

- Organisational capacity to deliver outcomes effectively

- Changes to organisational capacity adversely affecting the ability to complete projects

- Unauthorised variations to projects following approval

- Use of funds contrary to terms and conditions.

The draft strategy[108] acknowledges the role of the Landcare and Catchment Management Council which, through its Implementation Committee, has responsibility for overseeing the development of monitoring and evaluation

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[108] *Draft Queensland Natural Heritage Trust Monitoring and Evaluation Strategy*.   Queensland Department of Natural Resources

strategies for the Natural Heritage Trust and more broadly for the implementation of community natural resource management and biodiversity programs.

The draft strategy also reflects a concern to:

- Avoid duplicating monitoring networks which have to operate over long distances

- Develop stakeholder skills and knowledge

- Reduce the reporting burden.

- Improve the monitoring and evaluation components of continuing projects

- Develop a database accessible to regional stakeholders

10.2.5   Tasmania

All Natural Heritage Trust project proponents are required to build monitoring and evaluation into their projects. This self-assessment is required to be reported upon in continuing applications and in project final reports.

Other information on project progress is collected annually through field assessments which are conducted directly on site or, where this is not practical, via a panel presentation. Field assessments are done in conjunction with the Commonwealth.

Evaluation and monitoring is undertaken at all levels with a focus on appropriateness, efficiency and effectiveness. Annual reviews are undertaken of the operations of the State Assessment Panels and the process used to assess applications for funding.

10.3   Reviewing the approach to evaluation of the Natural Heritage Trust

10.3.1   Issues

The presentation of information in the Budget Statement, and in the *Natural Heritage Trust Annual Report,* simply uses the terms "Land, Vegetation, Biodiversity, Rivers, Coasts and Oceans" as a basis for classification of programs. No effort is made to report goals, objectives and outcomes and performance indicators of what were intended to be the "strategically developed environmental packages".

There is a fundamental difficulty in approaching the issue of evaluation for the Natural Heritage Trust: there is by no means a universally accepted understanding by those participating and those responsible for its administration about what the Natural Heritage Trust actually is.

The message from Ministers is clear –

> We cannot express too strongly that the Natural Heritage Trust is a program to repair and replenish Australia's natural capital infrastructure. This means that projects which make an observable difference on the ground will get priority. Within projects that make an observable

difference on the ground, those that ensure that the changes are sustained over time will get special priority.[109]

The Ministers' perception is consistent with the Budget Statement, *Investing in Our Natural and Cultural Heritage*, which states:

> The *[Natural Heritage of Australia] Act establishes* the Natural Heritage Trust of Australia Reserve to conserve, repair and replenish Australia's natural capital infrastructure.

By contrast, the Draft *Monitoring and Evaluation Framework* states quite categorically -

> The Natural Heritage Trust is not a program in itself - it provides the umbrella under which a series of seventeen (sic) programs are implemented; providing a framework for an integrated and strategic approach to managing our natural resources. Most of the programs are delivered through on-ground projects. Thus the success of the Natural Heritage Trust as a whole, depends on the success of the component programs, which in turn depend on the success of the on-ground projects.[110]

From the Ministers' perspective, it should be possible, and important, to evaluate the success of the Natural Heritage Trust against its objectives, while the *Monitoring and Evaluation Framework* suggests that the Trust can only be evaluated from the point of view of the individual programs. The *Monitoring and Evaluation Framework* also implies that programs can be evaluated by looking at the success of individual projects.

To the extent that the *Monitoring and Evaluation Framework* perspective is correct, then the task of evaluating the Natural Heritage Trust is virtually impossible. This is because, as we have indicated in Chapter 4, there is only an incidental relationship between the management and operation of most of the Natural Heritage Trust programs and what the Trust was set up to achieve. Our discussions and consultations suggest that many program managers in Commonwealth and State agencies regard the Natural Heritage Trust as a secure source of ongoing funds for pre-existing programs – and little else.

On the other hand, if the Natural Heritage Trust *was* simply a funding mechanism, evaluation would only be concerned with process and procedure – such as the application, assessment and approval process, processing payments, and chasing up acquittals. Evaluation of program performance would be a matter for each program manager. However, this approach would be inconsistent with the Legislation and the content of the Partnership Agreements. But the Terms of Reference for this Review quite clearly had greater expectations – for example the Review is required to:

▪ Examine the function of the Partnership Agreements and Memoranda of Understanding

▪ Undertake an assessment of the role and contribution of Natural Heritage Trust Advisory Committees

▪ Look at access by different sectors of the Community to the *Trust.*

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[109] Letter from the members of the Natural Heritage Ministerial Board to State Ministers advising of criteria for assessing project proposals for 1999-2000.

[110] Environment Australia and Agriculture Fisheries and Forestry Australia, *Draft Monitoring and Evaluation Framework*

▪ Focus on Natural Heritage Trust funded facilitators and coordinators - who are expected to have a role in the achievement of *Trust objectives - *not only program objectives

In addition, a focus on the One-Stop Shop process inevitably raised questions about the way in which the purpose and objectives of individual programs within the Natural Heritage Trust were being translated into consistent and coherent action.

Finally, key stakeholders in the Natural Heritage Trust consistently asked the Review Team about whether the Trust is achieving its goals and objectives. Although the terms of reference did not specifically raise this question, the general tenor of this Report is that the present strategic, management and administrative arrangements would not enable a credible evaluation to be carried out.

As we have argued in Chapter 4, the overarching purpose of the Trust is insufficiently integrated with the Natural Heritage Trust programs to allow an assessment to be made of *the extent to which the Natural Heritage Trust has achieved the objective of repairing and replenishing Australia's natural capital through investment in natural capital*.

10.3.2   The importance of program redesign

The large number of programs that constitute the Natural Heritage Trust makes monitoring and evaluation a difficult and complex task. As indicated in Chapter 2, there are over 170 outcome measures and performance indicators for Natural Heritage Trust programs. No effort has been made in this Review to quantify the outcome measures and performance indicators identified by individual programs.

Similar considerations apply to the output, outcome and performance indicator statements contained in many of the Natural Heritage Trust Program plans and Strategies. It has been for this reason that we have argued for a CEO to review strategic plans and ensure consistency and reality concerning the claims made and the resources available.

We have indicated earlier in the Report our concern that the programs that were brought together to constitute the Natural Heritage Trust were not redesigned in the spirit of the Minister's undertaking to the Parliament when the legislation was introduced. We also have noted that the Minister advised that programs would be redesigned on the basis of five strategically developed environmental packages (Land, Vegetation, Biodiversity, Rivers, Coasts and Oceans) and would be reflected in the Budget Statement *Investing in Our Natural Heritage*.

We have made recommendations for the consolidation of programs and their redesign around the strategic objectives of the Trust earlier in the Report. However, the failure to implement the purpose and objectives of the Trust through well-designed strategies has meant that the approaches to on going evaluation of performance have been accommodating rather than strategic.

10.3.3   Linkage to Strategic Plans

It is our view that the Key Result Areas should be developed around the "five strategically developed environmental packages" foreshadowed at the time the Trust was established. The Key Result Areas should relate specifically to the objectives that were indicated for those packages. These are:

- ▪ **Land:** To address serious land and water degradation through support for sustainable land and water management activities with an emphasis on community participation
- ▪ **Vegetation:** To reverse the long term decline in the extent and quality of Australia's vegetation cover through funding projects such as community involvement in large scale and small scale tree planting
- ▪ **Rivers**: To address the decline in the health of the river systems by supporting community activities and large scale projects that address the cause of poor water quality in rivers and wetlands
- ▪ **Biodiversity:** To protect Australia's biodiversity through the implementation of a comprehensive approach
- ▪ **Coast and Oceans**: To address environmental problems of coasts and oceans through support fort strategic planning and management activities

We have recommended in Chapter 4 that Environment Australia and Agriculture, Forestry and Fisheries Australia should develop strategic plans, on a collaborative basis, for each of these areas of Natural Heritage Trust investment.

A fundamental requirement of a strategic plan is that it identifies areas where effort (resources and commitment) is to be focussed to achieve particular results and the measures that will be used to assess performance. In our view, the Key Result Areas should be specific to each particular investment package. Attempts to force consistency in measurement between packages can sub-optimise the development of well-targeted and workable strategies - as well as limiting the capacity for innovation.

It is also important that outcome statements and performance indicators be kept manageable. To the extent that performance indicators guide and direct management priorities, as distinct from being statements about what managers would like to achieve, too many indicators will deflect attention and result in performance not being adequately measured or assessed.

Our experience in consulting in management strategy indicates that when outcome statements and performance indicators are used for assessment and appraisal, program managers very quickly learn to set indicators in terms of what is achievable and measurable. In the context of the Natural Heritage Trust it would be a matter for the Natural Heritage Ministerial Board to review outcome statements and performance indicators and ensure that the hurdle was not being set too low or that targets were not unrealistic.

The purpose of performance assessment is to assess performance against what is planned and intended. It follows that strategic plans should be the basis for program evaluation and reporting. The outcome statements and performance indicators contained in a Strategic Plan should constitute the basis on which program success is ascertained.

Recommendation

50.   The Strategic Plans developed in the five key investment areas should each identify Key Results Areas and form the basis for the identification and definition of outcome statements and performance indicators relating to progress in achieving Natural Heritage Trust purposes and objectives.

10.3.4   Defining outcomes

The use of outcome measures presents difficult, but not unsolvable, problems for assessing effectiveness of the Natural Heritage Trust.

One of the most significant difficulties is relating outputs (on ground works) to Natural Heritage Trust outcomes – particularly when they may not be apparent for many years. It is now recognised that improving knowledge of cause and effect relationships, that is process, can not only improve decision-making but also assist in evaluation. In this respect, process measures can be valid measures of program performance. Rather than requiring inferences to be drawn from outcomes (that may not be known) to performance characteristics, process measures directly assess performance values.[111]

It is important to acknowledge that process measures evaluate efforts, not achievements. Process measures are based on the assumption that it is known what activities are required to assess effectiveness. It is this thinking that lies behind the advice given to the Prime Minister's Science, Engineering and Innovation Council in the Report *Moving Forward in Natural Resource Management – The Contribution that Science, Engineering and Innovation Can Make.* The Report points out that:

> With a better appreciation of the underlying causes of degradation and of natural systems' response to perturbations, science is in a position to help decision makers by providing the tools and understanding to assess the trade-offs involved in changing land use and land management practices. This can be at different levels: at the farm level by identifying the financial returns offered by particular farming practices and their impact on the natural resource base; and at the catchment and regional levels by communities determining the optimal level of investment to achieve specific outcomes for natural resource management.

There is a growing recognition that regional approaches to natural resource management need to be informed by ongoing scientific research, analysis and advice in a strategic framework. Science alone cannot achieve the outcomes sought by the Natural Heritage Trust, but science can assist in informing strategies, decisions and actions and providing the benchmarks against which performance can be assessed.[112]

Recommendation

51.   Where possible, evaluation of program performance be based on science based benchmarks established through investigation, measurement, and research

The Rural Research and Development Corporations have developed evaluation techniques in this area.

10.4   Project monitoring

One interpretation of project monitoring that was put during the Review was that the Natural Heritage Trust can go no further than to receive an assurance that the funds have been expended on the stated and identified purposes. We are not comfortable with this view. The Natural Heritage Ministerial Board needs to be assured, for example, that investments are being made to "conserve, repair and replenish Australia's natural capital infrastructure" through the mechanism of "on-ground" projects.

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[111] Scott, W Richard (1998), *Organizations: Rational, Natural and Open Systems,* Prentice Hall: New Jersey, p. 357

[112] "Benchmark portfolios" are used to assess performance in the securities sector.

Project monitoring presents a major challenge for the Natural Heritage Trust. While projects are intended to be of a capital works nature and give effect to the purposes and objectives of the Trust (through its many programs), efforts to achieve too much uniformity and consistency in approach to project definition, description and design, as a basis for collecting data for monitoring, run the risk of limiting community involvement and reducing the capacity for innovation[113].

The project application forms require proponents to specify, in some detail, outputs and outcomes. This information is required for project monitoring – and intended for program evaluation. The difficulty of evaluating against outputs and outcomes for projects is that statements are made about what proponents would *like* to do – not what they can realistically *achieve and deliver* with the resources available.

We have noted in Chapter 9 that the output data required in Section 12a of the application form can provide a basis for project monitoring *if it is entered accurately, validated and updated.* A project tracking system is being developed in South Australia and will be implemented in Queensland. Other States have expressed interest.

We have suggested that arrangements be put in place to make the data available to the Commonwealth as part of the monitoring and evaluation effort. It should be borne in mind, however, that the data will provide useful material in evaluation exercises, but will not be able to inform, of itself, on the extent to which program and trust objectives are being achieved. The data are *indicators*: assessment of project and program success (or failure). Assessment of success must be made by reference to project purpose and objectives.

Proponents, like small businesses wishing to obtain investment funds through venture capital, invariably overstate the benefits and understate the costs. Claims about outcomes are used to embellish a claim for financial support and often an *intention* that performance at the standard defined will be achieved. Venture capital investors, for example, spend a great deal of time assessing the veracity and efficacy of the claims made about projected benefits (sales) and costs[114].

Our proposals for due diligence processes in proposal assessment are intended to address these issues. Once agreed project outcomes and milestones are agreed, they should be entered into Program Administrator as a permanent record and commitment. Project monitoring should be built around reporting against milestones and achievement of the outcomes defined.

10.5   Reporting

Reports should address specific information needs of target audiences. It may be necessary to produce different reports to meet the needs of different users. By way of parallel, financial reports and statements are presented in a variety of formats, using different systems of classification and measurement eg current cost, replacement cost, deprival value, historical cost or discounted future cash flow – *depending on information needs of users*.

The Natural Heritage Ministerial Board should decide on which reports should be produced, according to the needs of key users. It should then be possible to

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[113] Innovation is taken to mean, quite simply, the application and implementation of new ideas, processes and technology.

[114] Invariably, sales estimates are overstated and costs are understated. The obvious exceptions are technology (internet) investments.

define the information requirements and for users to understand the differences between reports and classification systems.

10.5.1   The Natural Heritage Trust *Annual Report*

Reports have to meet several target audiences. It is difficult for one report to meet all requirements. For example, a report for Parliamentary Accountability will inevitably look different to a Report to the community.

The current *Natural Heritage Trust Annual Report* contains 21 individual program reports, with each providing information in relation to the four Key Result Areas – giving a total of over 80 separate reporting statements. Many of these statements simply identify how much money has been spent – not what has been achieved with the funds provided.

The document is difficult to read and is not generally available to key stakeholders. It is not, for example, held in the Government Information Shop.

In our view The Natural Heritage Trust Annual Report, as it is presently written and presented, cannot be used as basis for reporting on the extent to which the Natural Heritage Trust has been successful in achieving its purpose and objectives.

The Annual Report should be one of the Natural Heritage Trust's major marketing and promotional tools. It is the official publication of the Trust and therefore should carries with it a high degree of credibility, status and responsibility.

The Annual Report presents the Natural Heritage Trust with an excellent opportunity to communicate at least once a year with many target audiences including politicians, the media and taxpayers across Australia who are interested in how the government is allocating the Telstra resources.

Importantly, many of the people who read the annual report will also be the opinion leaders within our community. In other words, often they are the ones likely to position issues high on the public agenda.

The report also has a function to discuss how the Natural Heritage Trust works, the full range of programs that it funds, and the projects in which it invests.   In other words, it is the chance to boast about the Natural Heritage Trust, promote the achievements and showcase particular success stories.

There are many ways that the Report can be presented. Usually, they are a better read when they are short, well illustrated, colourful, with adequate white space and a font size that is easily read.

The Report could be presented by theme using success stories and a map to indicate areas and projects that have received finance. Photographs of members of the community sprinkled throughout the pages of the report would reinforce the partnership aspects of the Trust with Australians working together to achieve common goals.

We envisage that the Annual Report would contain more detailed content and analysis than the Quarterly Journal and the current program specific publications that are aimed at potential applicants.

Recommendation

52.   The Annual Report be prepared and presented as *an Annual Review* and constitute one of the Natural Heritage Trust's major marketing

and promotional vehicles. A separate report be prepared to meet specific accountability requirements.

10.6   State reporting

10.6.1   Partnership obligations

The Partnership Agreements require that

> 12.1 The State shall provide the Natural Heritage Ministerial Board, by 31 October following each financial year covered by this Agreement, or by a date agreed by the parties, an annual report on progress in implementing this Agreement and its Attachments. The Report will be at the program level against, but not necessarily limited to, the objectives, outcomes, and milestones as described in the Attachments.

It is important to appreciate the difference between the reporting information that is for internal accountability purposes, meets a stewardship objective, and information required for reporting to external stakeholders.

The State Natural Heritage Trust Reports vary in presentation, style and content. For example, the South Australian Report is clearly intended for a public audience, while the Western Australian Report, which contains many specific administrative and procedural criticisms is directed at an internal audience.

We see little need for the Reports to contain information on project approvals, as this information is readily available elsewhere. However, some of the more exemplary projects should be discussed.

10.6.2   Periodic and *ad-hoc* reporting

Concern was raised during the Review of frequent requests for information on Natural Heritage Trust activities and projects. These requests often emanate from Ministers and externally imposed deadlines. The development of improved program administration systems, and suitable interfaces with State systems should alleviate this situation.

The public service has a current interest in setting up information systems that contain information that *might at some time* be requested by Ministers or Members of Parliament and Parliamentary Committees   However, it is impossible to design a database that will anticipate every possible request from Ministers and Members of Parliament.

10.7   Management information systems

Information for program evaluation should be developed around robust management information systems. It is clearly undesirable to develop separate systems for evaluation and performance and for management planning and control. Such systems should not only be built around the collection of finance data, they should also contain information that informs management decision-making.

A performance information system provides the basis for the identification of problems and resolution and implementation of solutions to problems in management, organization and service delivery.   Specifically, performance related information is required in relation to:

- The operational environment - the economic, social, cultural and inter-governmental framework in which an organization operates

- Resources (inputs) - availability, management and utilisation of funds, property, staff, assets

- Processes – for example, finance, applications and assessment, marketing

- Outputs - the goods and services produced and provided

- Impacts/outcomes - the effect of services provided in achieving objectives.

While some of this information will come from within the Natural Heritage Trust administrative framework and through financial transactions and administrative processing systems, a great deal of information that is relevant to assessment of performance in relation to output and outcome will need to come from outside the agency.

Chapter 11: Future organization arrangements: A Natural Resource Conservation Service

The purpose of this Chapter is to bring together a number of the recommendations that impact on organisational structures and management responsibilities.

During the course of the review there were many suggestions and recommendations for improvements based on achieving efficiency and economy and streamlining program administration and service delivery. These have included:

- A need to communicate the *investment banking* features of the Natural Heritage Trust – as a strategy for investment in natural capital

- A greater integration of "programs" into natural resource management strategies

- Commitment to improved strategic planning for Natural Heritage Trust investment strategies

- Creation of a Natural Heritage Trust Chief Executive Officer position to ensure a high level of integration of natural resource management, environmental protection and sustainable agriculture aspects of Trust program strategies

- Integrating administrative support functions into a single processing and management unit

- Establishing a Human Resources Program to provide a framework for the engagement of Natural Heritage Trust facilitators/coordinators/project officers

- Clarification of guidelines and rules that apply to private benefit from public funds

- Ensuring that applications are based on a clear *business case*.

Taken together, these implementation of these initiatives will require change in existing structural arrangements.

11.1 Is structural change needed?

The arrangements for the administration of the Natural Heritage Trust work at the policy and senior management levels where there is strong cooperation and collaboration, based on long held professional relationships and close physical proximity.

Our main observation is that the Natural Heritage Trust does not have the organisational framework to allow for the development of a strong strategic focus as a program for "urgent action to address the decline and prevent further

decline, in the quality of Australia's natural environment". The Trust operates as 18 separate and in many ways independent programs[115].

Although it is possible to identify an organization structure for the administration of the Trust, it is "virtual", in nature and not readily identifiable. We have argued that even virtual organizations need clear executive and strategic leadership. In terms of accepted principles of corporate governance, the Natural Heritage Ministerial Board cannot perform the role of both Board and Chief Executive. *There is no formal management or organization arrangement that can be used to ensure that the intended results of the Natural Heritage Trust, as set out in the Act, are achieved.*

The absence of a clear management structure also makes it difficult to develop and implement management planning and control systems for the Natural Heritage Trust as a whole. We acknowledge that the management infrastructure for planning and control of resources is still being developed – but added on to, or embedded, in existing systems

In our view, the Natural Heritage Trust suffers from a number of problems at the interface between policy development and program management on the one hand, and program delivery on the other. In particular

- There is an over-reliance on coordination and cooperation between Environment Australia and Agriculture, Fisheries and Forestry Australia at the administration level and at the State interface

- Separate, and independent programs within and between the two Departments serve the same "customer"

- There are too many problems that derive from inconsistencies in financial management and administrative systems between the two Departments.

In our view, these problems establish a case for making changes to the management and organisational arrangements for the administration of the Natural Heritage Trust.

11.2   Separating policy from delivery

The separation of policy from delivery is an important aspect of new approaches to public management being developed in Australia and overseas. It has been implemented in a number of agencies within the Agriculture, Fisheries and Forestry Australia portfolio – for example, fisheries management and the National Registration Authority for Agricultural and Veterinary Chemicals.

The argument for separation of policy and administration does not hinge on ideological grounds or economic efficiency considerations, such as purchaser provider, but on the fact that different management arrangements are appropriate for policy development and service delivery.

Management arrangements for policy development have traditionally involved tall organization structures, with an emphasis on organizational learning. Delivery arrangements require flatter structures where there is a close relationship between the senior managers, field officers and "customers and clients".

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[115] We acknowledge that the National Vegetation Initiative (Bushcare) Strategic Plan does endeavour to provide a logic for program integration.

The most compelling reason for the separation of policy and delivery is that the two functions serve different customers with entirely different needs and expectations:

- Policy work has a focus on a Minister as the customer – resulting in the observed practice of "upwards management" in Public Service Departments

- Delivery work has a focus on a person, group, or organization that government is endeavouring to assist, influence or change.

The complicating factor for the Natural Heritage Trust is that there are two Ministers, who at times work collaboratively as the Natural Heritage Ministerial Board and at other times independently looking after their own portfolio interests. As indicated earlier in the Report, we are of the view that there has been effective collaboration at the policy and management levels of the two Departments to handle this situation.

That is, the integration of policy responsibilities for natural resource management, environment protection and sustainable agriculture between the two Departments has, by and large, worked. Further work does need to be done in producing a Strategic Plan for the Natural Heritage Trust and integrating that with the Strategic (Business) Plans of individual Natural Heritage Trust investment programs.

In our view mixing of *policy and delivery* responsibilities for the Natural Heritage Trust, between and within the two Departments, *has not* worked. This is clearly evidenced by a failure to make any progress in achieving the objective for the administration of the Natural Heritage Trust of "one set of guidelines, one application, one assessment process, one cheque, and one report". The Natural Heritage Trust is, in a number of respects, further away from that objective now than when it was established.

We do not believe the objective "one set of guidelines, one application, one assessment process, one cheque, and one report" can be achieved in the present organisational framework of Environment Australia and Agriculture, Fisheries and Forestry Australia. The management, administrative and operating systems of the two agencies are too different - and they are going in different directions.

Given that the Trust has been in operation for two years, we are not convinced that the lack of progress to date in these areas could be reversed quickly and expeditiously through the existing organisational arrangements. Moreover, notwithstanding a $1.5 billion investment, and the Government's view that the Natural Heritage Trust "represents the biggest financial commitment to environmental action by any federal government in Australia's history", the Trust is not seen as "the main game".[116]

There are two ways to address this situation:

- Establishing a separate delivery agency that integrates the delivery, program support and administrative and financial processing responsibilities of Environment Australia and Agriculture, Fisheries and Forestry Australia

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[116] Officer comment on the Report Draft

- Outsourcing the functions to a third party provider through market testing, as suggested by the ANAO, under performance based service contracts

- A combination of the first two.

The first approach emphasises integration and customer focus, while the second gives emphasis to cost reduction. In our view, both Environment Australia and Agriculture, Fisheries and Forestry Australia need to "own" (but not necessarily control) the delivery agency. Current experience with outsourcing of administrative functions under service-based contracts suggests that customer focus diminishes and costs actually increase as a result of the need for flexibility and handling contingencies not covered by an agreement.

The Government's recent decision to establish a Debt Management Office in the Treasury followed an initial negative response to a Review that recommended separation on the grounds that it needed to keep debt management integrated with other Treasury functions. However, the policy and operational aspects of debt management serve two different sets of customers: the Minister and Treasury Secretary on the one side and the securities markets on the other. The separate Debt Management Office now has a focus on operations and working with the securities market. It still maintains a close (and perhaps closer) relationship with Treasury Divisions.

Arguments against organisational separation of policy and delivery come from a traditional public administration view that suggests that the two functions are the opposite sides of the same coin and must go hand in hand: policy needs to be informed by delivery, and vice versa. Proposals for separation are also heavily critiqued in Australian academic public administration literature as being "managerialist" (a term that is used pejoratively). Unfortunately, this literature is not helpful in approaching issues such as how to manage large and complex public organizations with extensive service delivery responsibilities.

There is no reason, however, that the functions of policy and delivery cannot still inform each other while being located in separate organisational frameworks. Knowledge and experience in policy should count as relevant experience in delivery - and vice versa. The difficulty is, however, doing both tasks at the same time and meeting the needs of two entirely different sets of customers.

In our view, there is nothing wrong with, and everything to be gained by, adopting sound management principles and approaches to the delivery of government services. Separation of roles and responsibilities enhances accountability rather than diluting it.

We are also of the view that the creation of a separate Natural Heritage Trust delivery agency will assist in establishing and maintaining collaborative relationships with industry achieving those aspects of the Trust objectives that address the need for "catalytic action" with industry. The experience of Landcare Australia Limited and Greening Australia indicate how much can be done through collaborative partnerships with business. These relationships are difficult to develop and maintain in a public service environment.

It is therefore our strong view that responsibility for *the delivery* of Natural Heritage Trust programs within the Commonwealth should be separated from the organisational structures and management arrangements of Environment Australia and Agriculture, Fisheries and Forestry Australia. The Natural Heritage Trust delivery agency should take responsibility for:

- Developing and maintaining administrative and financial relationships with State Natural Heritage Trust Units and lead agencies – covering the

organization and management of the application and assessment process, payments, acquittals and reporting

- Staff development, training and knowledge management in natural resource management, sustainable agriculture and environment protection

- The Human Resources Program for facilitators and coordinators recommended in Chapter 10

- Communications and awareness strategies for the Natural Heritage Trust – in collaboration with communications and awareness officers in individual program areas.

- Natural Heritage Trust monitoring, evaluation and reporting

- The existing arrangements for administrative coordination between Environment Australia and Agriculture, Fisheries and Forestry Australia

- The role and function of the Team 16 leader positions in Agriculture, Fisheries and Forestry Australia and Environment Australia insofar as they involve working collaboratively with State officers in the application and regional and state assessment process – although we envisage only eight would be required (project assessment within programs would remain with Environment Australia and Agriculture, Fisheries and Forestry Australia).

The Natural Heritage Trust delivery agency should have as a key focus the development of an integrated financial management and project management system – so that the objectives "one set of guidelines, one application, one assessment process, one cheque, and one report" can be realised.

Given the delivery focus of the proposed agency, we suggest that it be called the Australian Natural Resource Conservation Service. The relationships between the Service and the two departments are depicted below.

NHT Administration: Policy-Delivery Relationship
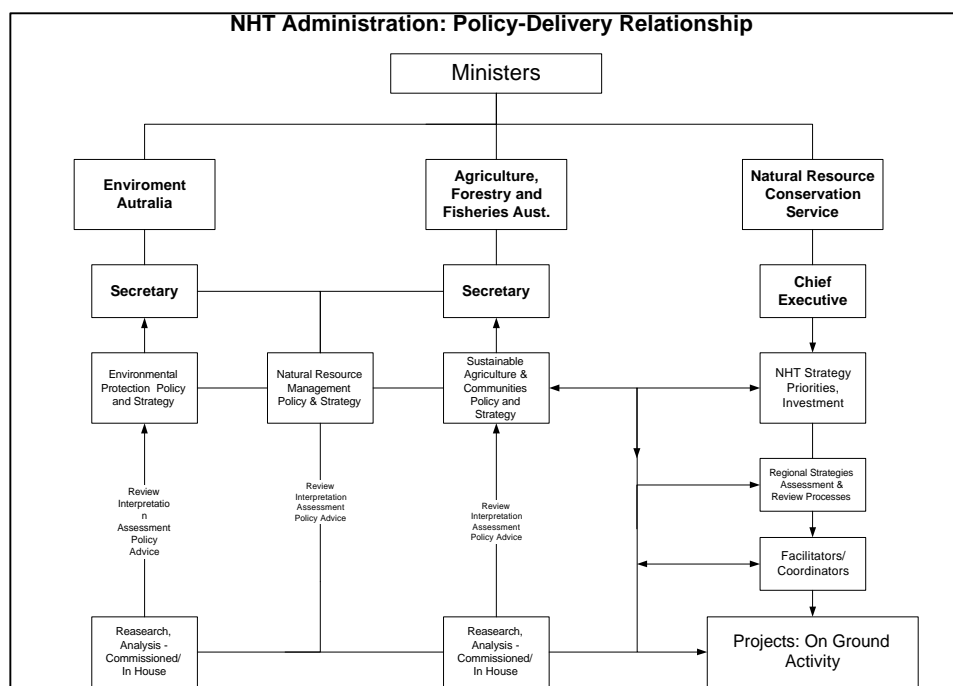
We consider that the Chief Executive for the Natural Heritage Trust – as recommended in Chapter 5, would head the Delivery Unit.

As the role of the proposed CEO position is not to develop policy or strategy, but to ensure that the strategies of the Natural Heritage Trust programs are mutually consistent and supportive of Natural Heritage Trust objectives, we do not see a potential for conflict with the policy advising and program development responsibilities of Environment Australia – and Agriculture, Fisheries and Forestry Australia senior managers.

11.3   Governance

There are a number of options for governance arrangements, including:

▪   An "office" within either Environment Australia or Agriculture, Fisheries and Forestry Australia with the Chief Executive having certain delegated powers in relation to finance, staffing, etc

▪   A statutory authority established by separate legislation or an amendment to the Natural Heritage Trust of Australia Act

▪   A company owned jointly by the Ministers for Environment and Heritage and the Agriculture, Fisheries and Forestry

▪   Establishment as a "prescribed agency" under the *Financial Management and Accountability Act 1997*.

Our observations from a recent review of the Supermarket to Asia initiative suggests that a company structure is the simplest and possibly the most effective way to go about establishing semi-autonomous operating arrangements. There are sometimes problems, however, in defining relationships between the Company and the Department.

In our view, the Agriculture, Fisheries and Forestry Australia experience with the National Registration Authority for Agricultural and Veterinary Chemicals is an appropriate model to consider. It is a statutory Authority with clear delivery responsibilities. There is flexibility in engaging staff and in position profiling and management levels. The NRA also "manages" relationships between four Commonwealth agencies and the States in eight separate regulatory regimes. Policy responsibility rests with the Department with clear Ministerial responsibilities.

The National Registration Authority for Agricultural and Veterinary Chemicals was established and operational over a very short time frame and continues to operate in a complex environment.

11.4   Resourcing

The delivery agency would be assigned the 34 staff currently involved in coordination, communication, administrative support and financial systems for the Natural Heritage Trust. We are of the view that there is scope for efficiency gains through economies in only having to maintain one system for financial management, reporting, approvals and acquittals.

State Team leaders and liaison staff in Agriculture, Fisheries and Forestry Australia and Environment Australia who have ongoing contact with State agencies, Regional Assessment Panels, State Assessment Panels and community organizations should also be brought into the delivery agency to provide the "link" between the program managers in the Departments and the delivery network. It should be clear however, that their responsibilities are across programs rather than program specific.

11.5   Market testing

The ANAO considered that there is scope for introducing competitive tendering for the delivery of Natural Heritage Trust programs. It argued that such competition would enable the Department of Primary Industries and Energy and Environment Australia to demonstrate that the administration costs of the programs were minimised.

> A transparent and contestable process for delivering program inputs is important to demonstrate value-for-money, probity and accountability within an administrative system. The ANAO considers that there is scope for introducing competitive tendering for the delivery of NHT programs. Competitive tendering offers the potential to reduce administrative costs for the delivery of NHT programs. However, a balance needs to be struck between the costs which may reasonably be incurred in promoting competition and the benefits to be obtained. The administrative arrangements for the new NHT are yet to be finalised. Therefore, the ANAO considers that this situation provides agencies with the opportunity to make program delivery more open and contestable in the pursuit of value-for-money for the Commonwealth.

Consistent with current approaches and policies towards private and external provision of support services, the proposed Natural Heritage Trust Delivery agency would be suitable for market testing after it had been established and was operating at a level where it would not be disadvantaged by an "in-house bid".

11.6   Conclusion

In commencing this Review we did not have a pre-conception that organizational realignment would be an outcome of the Review process. During the review we had actively discouraged discussion about structural change being a solution to the problems that were being identified.

Our analysis and the review process, however, points towards the establishment of a separate agency as a logical development in the evolution of the administration of the Natural Heritage Trust

Recommendation

53.   **A "Natural Resource Conservation Service" be established, headed by the CEO position recommended in Chapter 5, to take responsibility for the delivery and support responsibilities of Natural Heritage Trust. These responsibilities should include:**

- **Development and maintaining administrative relationships with State Natural Heritage Trust Units and lead agencies – covering the organization of the application and assessment process, payments, acquittals and reporting**

- **The Human Resources Program for facilitators and coordinators as recommended in Chapter 10**

- **Communications and awareness strategies for the Natural Heritage Trust – in collaboration with communications and awareness officers in individual program areas**

- **Natural Heritage Trust monitoring, evaluation and reporting**

- **Arrangements for administrative coordination between Environment Australia and Agriculture, Fisheries and Forestry Australia**

- **The roles and function of the Team Leader and Liaison positions insofar as they involve working collaboratively with State officers in the application and regional and state assessment process.**

Chapter 12: Progress in Implementing Australian National Audit Office Report 39 Recommendations

Set out below are the recommendations of the Australian National Audit Office (ANAO) Audit Report 39, *Commonwealth Natural Resource Management and Environment Programs,* together with paragraph reference and Agriculture, Forestry and Fisheries Australia's and Environment Australia's abbreviated responses. The ANAO considered that Department of Primary Industries and Energy (DPIE) (now Agriculture, Fisheries and Forestry Australia) and Environment Australia should give priority to Recommendations Nos. 1, 3, 4, 5, 6, 7, 9 and 12.

We have provided our views on the progress in implementation in Table 36 and included a reference to the Chapters and sections where the matters are covered in this Report.

Table 36: ANAO recommendations and Progress in Implementation

No.	Recommendation	Response	Progress in Implementation	Reference in this Report
1 Para. 3.10	The ANAO *recommends* that DPIE and Environment Australia, in consultation with States, Territories and other service delivery agencies, develop operational objectives for programs under the Natural Heritage Trust that are concise, realistic and measurable outcomes-oriented statements of what the program aims to achieve.	DPIE and Environment Australia agree with this recommendation.	Substantial work has been done to address this issue through the Partnership Agreements and the revised Guide to New Applications. Considerable work has been done to capture operational details and include these within the contractual arrangements under which funding is provided. However, the operational reality of a "funding bucket" and 18 disparate programs across two organisations means that there is still scope for considerable improvement in coordinating operational details into meaningful data that provides an integrated picture of the achievements of the NHT as a whole. Specific areas to be addressed include: Reduced number of programs - focused as investment packages Improved strategic planning Flatter decision making structures for program management and delivery	Chapter 4 contains an extensive discussion of the relationship between Natural Heritage Trust purpose, program objective and outcomes
No.2 Para. 3.26	The ANAO *recommends* that DPIE and Environment Australia seek to ensure that the final Natural Heritage Trust Partnership Agreements: (a) explicitly state the respective roles and responsibilities of all parties to the agreement; (b) define consultation arrangements for any shared roles and responsibilities; and (c) focus the primary role of the Commonwealth on strategic planning and performance assessment commensurate with appropriate risk assessment.	DPIE and Environment Australia agree with this recommendation.	Roles and responsibilities are clearly described in the Partnership Agreements and Memoranda of Understanding. While considerable progress has been made since this issue was first raised by the ANAO, the lack of an integrated strategic planning framework and direction has limited progress in the areas of performance assessment and risk management.	These issues are canvassed in some detail in Chapters 5 and 6

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No.	Recommendation	Response	Progress in Implementation	Reference in this Report
No.3 Para. 3.40	The ANAO *recommends* that DPIE and Environment Australia: (a) develop more appropriate performance indicators, targets and milestones to assist in measuring the performance of Natural Heritage Trust programs consistent with the ANAO and Department of Finance *Performance Information Principles Better Practice Guide* (1996); and (b) seek from State/Territory and other service delivery agencies, consistent and relevant information on demand patterns for the Natural Heritage Trust programs.	DPIE and Environment Australia agree with this recommendation.	To date work in this area has focused on data gathering rather than defined user needs and an integrated communications strategy. The processes and mechanisms are in place as is the commitment to provide data. Future work will therefore need to focus on the types of data collected, and the need to address specific needs of users of the data: Accountability Stewardship Marketing Education Opinion making This should enable the 150 or so existing key performance indicators to be reduced to a more manageable level and for data collection to become a valued activity rather than an imposition.	We have made the strong point that performance indicators must relate to statements made in the context of strategic intent – as reflected plans signed off by the Natural Heritage Ministerial Board. See Chapter s4 and 10.

No.	Recommendation	Response	Progress in Implementation	Reference in this Report
No.4 Para. 3.70	The ANAO *recommends* that DPIE and Environment Australia: (a) in conjunction with the States, Territories and other parties to the agreements, determine cost effective options to strengthen the quality and consistency of the needs assessment process for assistance under the Natural Heritage Trust (for example, through accelerating efforts to complete the National Land and Water Audit, benchmarking techniques and facilitating better practice in regional assessment); (b) review Commonwealth guidelines and policies relating to the representational balance and resourcing requirements for assessment panels; (c) explore options for further involving local government bodies in the administration and delivery of Natural Heritage Trust programs to maximise the compatibility and the efficient integration of public sector investment; (d) consider options for further developing and applying strategic research from bodies such as the Land & Water Resources Research & Development Corporation to the needs assessment process of the Natural Heritage Trust; (e) ensure that there is, as far as practicable, a transparent, consistent and objective determination and treatment of public and private benefits in project assessments under the Natural Heritage Trust; (f) ensure that when determining projects to be funded under the Natural Heritage Trust, full consideration is given to the compatibility of State/Territory and local government natural resource management and environmental programs policies and practices; and (g) ensure proposed expenditure on each project is disaggregated sufficiently to allow DPIE and Environment Australia to compare projects of similar nature to help determine whether the Commonwealth is receiving value-for-money.	Environment Australia agrees with this recommendation. DPIE also agrees but notes that element (g) is primarily directed towards Environment Australia.	Both agencies and Environment Australia in particular have put considerable effort into strengthening the assessment process. **Strengthening the assessment process** Environment Australia officers attend as many RAP and SAP meetings as possible and provide both written guidelines and face to face support and advice in the operation and functioning of the assessment process. The issue of needs based assessment is proving difficult with SAPs and RAPs being the principal means for assessing against regional and state, territory needs. Differing State and Territory Institutional arrangements and regional planning capability mean that an integrated needs based assessment process is still some way off. From a Commonwealth perspective, a move away from a rigid program structure should encourage States and Territories to adopt broader regionally based needs assessment away from a program compliance based approach to applications. **Resourcing of assessment panels** The resourcing of assessment panels is an ongoing issue, and during the course of the Review it came to our notice that most States now pay sitting fees and travel costs for those attending RAPs and SAPs. **Involvement of local government, rural research and development corporations and private industry** With the exception of Coasts and Clean Seas, local government remains largely uninvolved and unrecognised within the overall Natural Heritage Trust program. The same applies to industry involvement and that of the Rural Research and Development Corporations. **Public vs private benefit** The issue of public vs private benefit has been recognised, and is addressed against criteria contained in the Application Guidelines and the operational guidelines provided to SAPs and RAPs. However, it is not directly measured in an empirical framework. **Linkages with State/Territory and local government programs and planning** There is little to no linkage. The Natural Heritage Trust has actively discouraged such linkages through concerns with "cost shifting" and the need to explicitly identify with specific programs. Even recent efforts to put together regional packages see the packages broken down to program elements, and individual projects approved or rejected against program criteria not as a package. **Value for money in project delivery** Program Administrator holds insufficient data to enable this to take place. However, Environment Australia undertakes a full review of each project prior to making a recommendation to the Minister. Similarly, DPIE conduct a risk assessed random audit of projects as part of the project assessment process.	Refer Chapter 4 (strategic planning), Chapter 6 (regional planning) and Chapter 9 (Assessment)

No.	Recommendation	Response	Progress in Implementation	Reference in this Report
No.5 Para. 3.91	The ANAO *recommends* that DPIE and Environment Australia: (a) include clear specifications of program outcomes and deliverables within service delivery contracts (including Partnership Agreements) under the Natural Heritage Trust; and (b) develop appropriate performance information to link Natural Heritage Trust programs with key State and Territory natural resource management and environment policies and programs (such as land clearing and the use of water and land resources).	DPIE and Environment Australia agree with this recommendation.	While substantive efforts have been made in this area, the links between the processes and the outcomes remains somewhat disjointed.	See Chapters 4 and 10.

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No.	Recommendation	Response	Progress in Implementation	Reference in this Report
No.6 Para. 3.123	The ANAO *recommends* that DPIE and Environment Australia develop a stronger client focus for Natural Heritage Trust programs in conjunction with the States and Territories and other service delivery agencies by: (a) facilitating planning and budgeting by introducing for example, two- to three-year service delivery contracts as appropriate; (b) establishing risk management processes for reducing the time for project approvals under the Natural Heritage Trust using methods such as: (i) joint Commonwealth-State assessment rather than sequential consideration of projects, (ii) progressively allocating discretionary block grants to regional catchment committees where appropriate accountability and performance measurement mechanisms have been put in place; and (iii) broad-banding funding for regional initiatives where it complements other programs such as the Rural Adjustment Scheme; (c) making every effort to ensure that program priorities are properly determined and incorporated within the program guidelines before application forms and guidelines are sent to client groups; (d) evaluating whether the One-Stop-Shop concept should be expanded, to facilitate the joint promotion and administration of related Commonwealth and State/Territory programs and reduce client confusion; and (e) considering the merits of funding larger, high priority, catchment level projects over for example, two- to three-year periods rather the larger numbers of smaller grants made under former programs.	Environment Australia agrees with this recommendation. DPIE agrees but has reservations in relation to element (d) in terms of the demands it may place on assessment panels.	**Multi year service delivery contracts** Implemented to the extent that contracts are for the life of the projects. However, in reality, this is in name only. Ongoing projects are still subject to annual review (as part of the RAP, SAP annual application process) and funding is withheld until the project is re-approved by the Minister. This has caused a lot of angst among project proponents who may have to go without funding for up to 5 months awaiting approval. In the case of DPIE, this process was simplified this year by separating ongoing projects from new projects and putting them up to the Minister separately for approval. This prevented ongoing project approvals and funding being held up due to issues associated with new project approvals. This resulted in a two week turnaround in getting funding out for ongoing projects. **Joint State-Commonwealth assessment rather than sequential consideration of projects** This is not a point of considerable delay, confusion or issue between Commonwealth and the States. DPIE and Environment Australia also need to be sure that they are not seen to be avoiding or undermining the role of the State-Territory Ministers in reviewing and approving the State bid. **Block grants and broad banding of regional initiatives** The principles by which this can happen have been established. However, for the majority of such applications, the approach of DPIE and Environment Australia is to disaggregate the block into program related projects and assess against program criteria, not against regional priorities. This is principally the result of the need to relate projects to programs for funding purposes and in the case of some States or Territories a lack of rigour in the underlying regional plan upon which the regional priorities have been determined. **Incorporation of program priorities into program guidelines** Done. **Integration of one stop shop concept to include related Commonwealth and State-Territory programs** Not addressed. Not practical given the specific objectives of the NHT relative to the priorities and resource commitments of the States-Territories. May also lead to further confusion in relation to transparency in cost shifting. **Consideration of larger high priority projects** As already mentioned both DPIE and Environment Australia have put suitable processes are in place. However, implementation is being frustrated by the rigid program/ resource allocation structure and the substantive differences in the capability of the States-Territories to undertake the strategic planning and delivery to support such an approach.	**See Chapter 8 (Communications), Chapter 6 (planning) and Chapter 10.**

No.	Recommendation	Response	Progress in Implementation	Reference in this Report
No.7 Para. 3.177	The ANAO *recommends* that DPIE and Environment Australia ensure that: (a) Natural Heritage Trust programs' performance disclosures adequately meet Commonwealth annual reporting requirements by focussing more on program outcomes rather than just program activities; (b) States, Territories and non-government service delivery agencies be required to provide to the Commonwealth an annual report on progress in achieving the objectives, targets and milestones of the relevant programs under the Natural Heritage Trust; (c) progress against all objectives, major targets and milestones is reported to the Parliament as part of the Commonwealth's annual reporting requirements under the *Natural Heritage Trust of Australia Bill 1996*; (d) management information systems are sufficiently accurate and reliable so that information such as project status and the achievement of milestones is recorded and used as part of the program management and reporting system; (e) there is consistency and compatibility between the two agencies in the design and structure of a suitable management information system so that reporting requirements can be readily cross referenced; (f) the feasibility of extending the Commonwealth's management information system to the States and Territories, or facilitating compatibility of systems, are examined (so as to reduce duplication of effort and costs and assist with the efficient sharing of information as part of the partnership approach); (g) outstanding project performance reports are followed-up more diligently; and (h) a consistent process for independently monitoring project performance reporting by all service delivery agencies is developed and implemented.	DPIE and Environment Australia agree with this recommendation.	**Program performance disclosure** Both DPIE and Environment Australia are meeting their obligations in regard to the reporting of the Natural Heritage Trust. Annual reports have been produced at both a Commonwealth and State-Territory level. As discussed previously, while outcomes exist they are program specific and not strategically related to the overall Ministerial objectives of the Natural Heritage Trust. Their value as data upon which the Trust can be evaluated is therefore questionable. **Management information** Management information is kept in both Program Administrator and within Excel spreadsheet within sections. Not all programs are on Program Administrator, in which case all data is in Excel spreadsheets. Management information tends to be used to monitor within programs and there is no standardised format or basis for collection and reporting of this information across programs. Information collected is essentially contract based and high level. In accordance with the Partnership Agreement roles and responsibilities, detailed project performance data is held and managed by lead agencies at a State-Territory level. **Extending the Commonwealth's management information system** Neither practical nor desirable given the complexity and variety of State-Territory systems and agencies. There was no evidence of substantive duplication or replication and insufficient interchange of information that would warrant the cost of building interfaces or networks. All parties already make substantive use of electronic data transfer to minimise manual data entry and transpositional errors. **Follow up of outstanding project performance reports** Under the Partnership Agreement this is a State-Territory responsibility.	**Chapter 10, Monitoring, Evaluation and Reporting**

No.	Recommendation	Response	Progress in Implementation	Reference in this Report
No.8 Para. 4.27	The ANAO *recommends* that DPIE and Environment Australia: (a) maintain appropriate records to monitoring the receipt of grant acquittals; (b) ensure that all grant acquittals provided by service delivery agencies and other grant recipients meet legislative and contractual requirements and appropriate accountability and probity provisions; (c) institute a more rigorous approach to follow-up overdue grant acquittals; (d) in conjunction with the States/Territories, develop a strategy for delegating the acquittal of landcare grants to responsible State/Territory officials; and (e) ensure that the statement of funds spent under all programs are independently audited.	DPIE and Environment Australia agree with this recommendation.	Done. Processes have been put in place, outstanding acquittals collected and proformas, due dates and follow up procedures agreed.	Chapter 5 (Commonwealth roles)
No.9 Para. 4.40	The ANAO *recommends* that DPIE and Environment Australia consider introducing incentives and graduated sanctions into agreements/contracts for the Natural Heritage Trust initiatives that: (a) link payments to the achievement of program milestones/targets; (b) withhold further Natural Heritage Trust funding until current or previous grant acquittal and/or project performance reporting requirements are met; and (c) allow a carry forward of funds to the following year or accelerated implementation of future activities as appropriate.	DPIE and Environment Australia agree with this recommendation.	Other than for certain national projects, payments are made by time schedule not milestones. However, all projects are required to submit an annual progress report that is reviewed by RAPs and SAPs prior to receiving the next years funding. Funding was withheld where there were longstanding outstanding acquittals. Where organisations have been able to demonstrate valid reasons for under-expenditure, they have been allowed to carry forward funding. Again this is subject to the RAP-SAP review and approval process.	Chapter 5.

No.	Recommendation	Response	Progress in Implementation	Reference in this Report
No.10 Para. 4.54	The ANAO *recommends* that DPIE and Environment Australia, in implementing cash management procedures under the Natural Heritage Trust: (a) maintain appropriate records to allow unspent grant funds at year end to be monitored; (b) consider moving towards quarterly payment of grants funds to service delivery agencies; (c) give service delivery agencies responsibility for: (i) determining the timing of payment to grant recipients, consistent with the grant recipient's funding needs; and (ii) providing a financial report to the Commonwealth each quarter indicating how the previous quarter's funds were distributed by service delivery agencies to grant recipients; and (d) where it has the discretion to do so, time large financial assistance payments to the States and Territories and other service delivery agencies to coincide with peak taxation receipts.	Environment Australia agrees with this recommendation. DPIE agrees but has reservations in relation to element (d) in terms of the implications for staff resources.	DPIE and Environment Australia have agreed with the States-Territories "Schedules and Financial Acquittals Guidelines 1999-2000".	Chapter 5 and 6

No.	Recommendation	Response	Progress in Implementation	Reference in this Report
No.11 Para. 4.66	The ANAO *recommends* that DPIE and Environment Australia: (a) examine the benefits of benchmarking service delivery agency administration activities and costs between programs to ensure the Commonwealth is receiving value-for-money; and (b) ensure that administrative resource allocations appropriately match identified sources of risk to the Natural Heritage Trust.	DPIE agrees with this recommendation. Environment Australia also agrees but with reservation. The reservation relates to the resource implications that implementing this recommendation would have.	Benchmarking is an inappropriate methodology as it is not possible to determine costs. Under the current system, dollars (derived on an ASL formula basis) are approved by the NHT Board to cover the costs to Environment Australia and DPIE in running the Natural Heritage Trust. As such the dollars are not costs but revenue provided to cover costs. As each branch/section has both Consolidated Revenue Fund and Natural Heritage funding with no basis for the allocation of costs between the two or against the underlying processes, benchmarking is invalid. Another consideration is that for the purposes of Commonwealth expenditure, Commonwealth dollars are treated as spent when paid to States, this does not mean that they have been paid to community. In addition, benchmarking has an implicit assumption that there is a relationship between the costs and the revenues and therefore service delivery involves a trade off between quality, quantity and timeliness. Benchmarking places the organisation within the boundaries of these relationships. The systems and process documentation within Environment Australia and DPIE are not capable of providing data to support this approach.	Chapters 10 and 11 (organization arrangements)
No.12 Para. 4.73	The ANAO *recommends* that DPIE and Environment Australia consider open, competitive tendering arrangements, where appropriate, for the delivery of the Natural Heritage Trust programs so that value-for-money options can be fully market tested.	DPIE agrees with this recommendation. Environment Australia also agrees but with reservation. The reservation relates to the need to take into account cases where competitive tendering can not be easily pursued.	Where appropriate this is being done.	Chapter 11

No.	Recommendation	Response	Progress in Implementation	Reference in this Report
No.13 Para. 4.100	The ANAO *recommends* that DPIE and Environment Australia: (a) develop an agreed position with the States and Territories as to what types and/or range of projects the Natural Heritage Trust will and will not fund and clearly outline this within the Natural Heritage Trust Partnership Agreements or attached schedules, as appropriate; and (b) ensure that non-government service delivery agencies separately disclose in their annual program (or equivalent) funding received from all Commonwealth and State/Territory sources that is to be applied to areas covered by their service delivery functions.	**Response:** DPIE and Environment Australia agree with this recommendation. DPIE notes that because element (b) relates to non-government service providers it does not currently relate to the Department.	Covered in the Partnership Agreements, Memoranda of Understanding and Guidelines.	Chapter s4, 9. Our report makes the critical point that the Natural Heritage Trust is an *investment* program and that projects should be assessed using investment appraisal techniques.
No.14 Para. 5.6	The ANAO *recommends* that DPIE and Environment Australia complete the preparation of Natural Heritage Trust Partnership Agreements, including the attachments containing program targets and milestones, as a matter of urgency to ensure efficient and effective program delivery.	**Response:** DPIE and Environment Australia agree with this recommendation.	Done.	Requires consolidation in Program strategic plans.

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Appendixes