



SUPPLEMENTARY SUBMISSION

**INQUIRY INTO COMMONWEALTH GRANTS
ADMINISTRATION**

27TH MARCH 2023

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PO Box 6089

Kingston ACT 2604

Ph: (02) 6162 2092

admin@section51.com.au

www.section51.com.au

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Dear Committee Secretary

Thank you for the opportunity to provide a supplementary submission to the Inquiry into Commonwealth grants administration.

This supplementary submission includes the responses to an informal survey. Section51 asked around thirty councils for their perspective of advice we could provide to the Inquiry. Sixteen responses were received.

Many of the comments are the personal perspective of grants and project officers in councils thus for this reason comments have not been attributed to individual councils. This supplementary submission remains the Section51 viewpoint and not the view of any specific council.

We are happy to discuss any aspect of this submission or matters arising out of the hearing.

Yours sincerely,

Colin Steele
Managing Director

1 INTRODUCTION

This supplementary submission is primarily unedited copies of responses to an informal survey of councils and related regional organisations across Australia. Section51 asked councils for their perspective of advice we could provide to the Inquiry. Sixteen responses were received. Discussion was held with several councils which were recoded as notes.

Multiple suggestions were provided with three recurring themes in the responses. Thus, Section51 has provided more detailed commentary on these themes. They are time, policy, and the purpose of local government.

2 TIME

2.1 Time open, when and assessment

Time emerged as the number one comment from many councils in suggesting improvement to grants administration. Time comes in three forms, time available to prepare a grant application, time of the year that the grant program is open and time between submission and announcement. All impact on councils' ability, and cost, in both preparing a good application and in delivering successful outcomes.

2.2 Time open

BBRF and other grants have progressively reduced time open to 6 weeks. This is far too short for many councils for multiple reasons.

Most councils are short staffed, and few have a dedicated grants officer. Large grant applications must be completed in addition to day to day workload.

The elected council must approve funding, submission, and many other things yet most councils only meet once every 4 weeks. This makes approval exceptionally difficult in a 6 weeks window.

Few councils have the capacity to complete the entire application in house. The exception is larger councils like Brisbane City which has a budget bigger than Tasmania. Most councils Section51 assists have staff between 10 and 100. If every council in Australia is preparing an application, every professional who support councils will also be at capacity. One or more of the following professions may be needed: Architects, quantity surveyors, engineers, accountants, economists, and grant writers. In a 6 week time frame the external support councils need will be at capacity and if a councils cannot get the professional support in the time frame they miss out.

Smaller more remote councils are even further disadvantaged due to distance from external support.

The solution is that it is suggested that ideally between 8 to 12 weeks opening time. If not possible to open for that timeframe, then release the guidelines and application form 4 weeks before an 8 week opening time.

2.3 Time of year open

The last many rounds of BBRF opened over Christmas and during fires and floods. Multiple councils could not apply as staff were out supporting communities in natural disaster. Over Christmas is the worst time of the year and not family friendly.

Again, the smaller more remote council, the greater the disadvantage with this time of year opening.

The solution is that open grant programs should be in the window between February to November to provide the best opportunities for all councils.

2.4 Assessment

There is a mismatch between the requirement to be shovel ready and time of the announcement. Assessment can take up to a year and funding agreement negotiations another 6 months. Many projects that were shovel ready 18 months previously at the time of the application may have had their planning approval expire, costings will be out of date and more urgent projects will have been built in that 18 months wait.

Councils recognise that assessment may take up to a year. The Australian Government should recognise that there are complexities in having a project shovel ready at the time of the application.

The solution is for projects to be close to shovel ready at the time of the application. The guidelines and application form could ask at what stage of preparation the project is up to and the steps to have the project completely shovel ready within 12 months of the application. If successful, then if the council has not completed the steps they set out in the application, then funding agreement should not proceed.

3 POLICY AT ALL LEVELS

3.1 What is policy

Policy is the foundation of government decisions for all three levels of government.

Policy delivery at all levels of government emerged as the number two comment from many councils on improving grants administration.

3.2 Australian Government policy

Councils need to know what Australian Government Policy and outcomes are to be achieved with the grant program. The policy should be released and the guidelines should clearly articulate the outcomes of that policy that local government can achieve with their projects. What is to be measured is a key part of the policy and outcomes statements in the guidelines.

Councils want to know what they are delivering for the Australian Government so that they can design their projects and application to achieve these outcomes.

3.3 State and Territory policy

Local government is a creation of State Government. Local Government are participants in creating, and mandated to deliver, State Government policies. This includes RDA Regional Plans.

Alignment with relevant State Government Policy will significantly improve the ability of councils to apply for and deliver projects that are clearly thought out and relevant to the future of their region.

3.4 Local Government policy

Councils have in place long term strategic, management, corporate and other plans that have been through an extensive consultation process with their community. Projects listed in these plans are what the community want.

Multiple comments from councils are there should be a requirement that only projects listed in councils strategies and plans can be applied for.

3.5 Why?

The last few years of the previous government resulted in Ministers, local MP's, party aligned Mayors and Councillors coming up with projects that were not part of councils strategic planning or financial planning process. These were often political projects that no one else wanted. Yet council staff were forced to write applications to BBRF and other grant programs on these projects because Ministers and local MP's said they know better than the community.

This waste and external influence can be solved by mandating that only projects that are in council's strategies and plans are eligible. Note that this was a requirement of early rounds of NSRF.

4 PURPOSE OF LOCAL GOVERNMENT

4.1 Purpose of local government

Somewhere over time, economic rationalism has taken over and the Australian Government appeared to lose touch with the purpose of government, and local government in particular.

Local government is not a business, it is a government that provides a service to the community as a creation of State Governments. Local government is not there to make money. Most money making activities local government had in the past like water and waste have either been taken by the State Governments or private business. Councils do not get an economic return from playgrounds and keeping public toilets clean.

Yet BBRF in particular required an economic return for assessment over and above community and social. Yes, a business case and CBA should be mandatory for economic based projects, but community service projects struggle to stack up economically.

This is different to value for money, which should be mandatory though a business case, but this comes from the combined social, community, environment and economic policy outcomes achieved by the project.

For future grant programs it is suggested that economic criteria should have equal status in assessment to the social, community and environment policy delivery criteria.

5 EMAIL EXTRACTS

5.1 Email extracts

The following are extracts of emails sent to Colin Steele from his request for advice on what to suggest to the Inquiry.

Notes from discussion with councils and regional organisations are shown after the emails.

Hi Colin

Good to hear from you.

I'm not sure how to strengthen the integrity of the process although I am aware of some local governments who claim to have shovel ready projects which are in fact not, but they do get rushed if a grant is forthcoming. Canberra could spend a bit of time fact checking readiness.

The other disappointing aspect, again think BBR, is that when reading the list of successful grants I am constantly amazed as to how certain projects qualified. Either geographically (regional now seems to mean outer suburbs) and some projects that really should be funded by other departments (eg: health).

In terms of the worthiness of a project greater use could be made of the RDAs around the country to provide feedback on proposals.

Hope this is of use. Probably nothing that we haven't discussed at some point in the past.

Kind Regards

Hi Colin,

Thank you for the opportunity to provide some feedback; some suggestions from councils perspective:

-) for clearer audit information within grant program guidelines highlighting whether we can apply for the cost of audits within the funding submission; this can add anywhere between \$3.5k-\$6k to any project cost design costs are often not an eligible expenditure.
-) additional opportunities for grant funding to support design of projects; from a major project perspective it could take 6-12mths to get the REF, AHIP, Geo-tech and then start a design – this cost is borne by Council. If there was an opportunity to seek funding for design of major projects to be shovel ready prior, it would put Councils in a better position when applying for infrastructure grants.
-) often information such as form templates requesting data such as economic assessments is also input into the portal, therefore duplicating the work – maybe they could simply be a part of the submission within the portal itself.
-) the short application windows and lack of visibility of what programs are opening and when - always reactive (sometimes only 2-3 weeks)
-) time lags
 - o from application to announcement results in cost escalations, milestone dates built into the application needing to be varied and community expectation management ramifications, impact to Council regarding the inability to adequately plan ahead with our own budgets, particularly where a grant program requires a co-contribution which many do. To comply with Integrated Planning and Reporting (IPR) Councils need to have draft budgets prepared in December to allow for adequate community consultation and Council consideration to have final budgets adopt in June the following year. It is extremely challenging to budget to contribute to grants when there are regularly several month lags between applications and assessments of grants.
 - o From notification of outcome and public announcement; this can sometimes take up to 3 months and impacts the delay and project planning or delivery as Council is unable to inform the community with whom we need to work to deliver the project.
 - o from provision of funding deeds and execution of funding deeds can also be lengthy sometimes 2 months which can impact on the delivery of the project within the anticipated timeframe

The combination of all of the time lags above often makes the cost of being “shovel ready” highly unpredictable and very risky to invest in from a Council perspective, particularly more financially constrained regional Council’s. There are examples of where legislative changes have happened between the time of grant submissions and the execution of funding deeds to allow projects to start as well as approvals lapsing between application and deed execution.

-) limited capacity for resourcing personnel through grants- often limited to a 10/15% PM amount
-) the pre-requisite to be truly shovel ready for a project is often a challenge. For projects that are shovel ready at the time of grant submission with all approvals in

place and tender documents prepared (for construction style projects) Council often needs to sit all of that shovel ready work “on the shelf” for many months (with some examples in Council up to 18 months between submission and approval to commence expenditure.)

-) the onerous reporting and acquittal of grants along with the variation process - variations are inevitable, there needs to be some flexibility from the funder on what level of granular detail we need to provide them when varying
-) the issue of co-funding can be a significant constraint for regional and rural Councils. The recent programs particularly in bushfire and Covid recovery which have not required co-contribution are able to be mobilised almost immediately and achieve significant outcomes.

I hope this provides some insight into some of the barriers we currently face in the wonderful world of grants! Appreciate the opportunity to provide some feedback!

Hi Colin

Sorry for the delayed response, we had the official opening of the foreshore on Saturday, it was a huge event for us, where we had approx.. 4000 people attend.

We had over 60 market stalls, an official opening, fireworks, live music featuring Shannon Noll, it was free to attend and was hugely successful.

We ended up with 5 different grants over the whole foreshore precinct to complete the redevelopment.

Being such a small council our biggest issue is the resources required to submit such an application, we don't not have any resources inhouse to complete a large grant application. Therefore it is a huge cost to engage a consultant to do this on our behalf, with no guarantee of success!

Also another 'biggest' issue was the cash contribution required, we had to rescope the project to reduce the size of the spend, which required then less cash contribution for us we just don't have the cash to fund such a large project. This is never realised by grant programs, where we are put in a pool with wealthy council's who have the opportunity to provide lots of cash!

Hi Colin

Fronting the committee? You're brave lol!

Anyway, my only comments would be:

1. Keep the requirement for Business Cases and CBAs because they are important for Councils to help justify the resources allocated to the project. Being public money I think it is necessary and critical.
2. The assessment process and decision making should be much faster as the longer it takes the more costs go up.
3. With that in mind they should allow an additional overall contingency mark up of 20-25% on all projects. That is, until supply chains etc, come back to relative normal. This will help stop projects going over budget as it were, as I anticipate that the supply chain issue and labour issue will be around for a while.
4. DO NOT open any major grant programs before Christmas. Council staff go on leave and so does everybody else – that's a predictable nightmare. If it's for the new BBRF – then aim for opening the grant early September/October or February/March. Allow 8 weeks and not 4 weeks for submissions too.

Hi Colin,

I hope you are well, so sorry for delay in responding, flat out still.

I don't know much about the process but more transparent on how criteria is assessed and more prescriptive questions, so we give the right information at the right spot/ point.

Also less politically and more needs based IE: our council is very very low socio-economic score high disadvantage and low household income- but we don't get a lot compared to 'wealthier' political swing seats.

Hi Colin

To award grants on true merit.

As for mechanics some form of streamlining process would help.

And only other comment would be to focus on bulking multi-generation investments together which might be different streams for instance rec infrastructure with creative industries so we can go once to get the funds, get eh work done and then potentially not be eligible for next 3 years or something like that. It would be much more efficient for us, the Fed, the community and drive the dollar much further, do it once do it properly I guess is a good summary for this one rather than constantly having to come back for constant bites at the cherry.

Hi Colin,

It's very nice to hear from you and I would love to catch up while you are down here.

I have been away so not sure if this is too late (and I am sure you have mostly covered these)points anyway.

These are my thoughts in no particular order of importance:

-) Look at timing of grants - alignment with council budget process (i.e. capital budgets determined here between November and April for following financial year). At the same time our long term (3-10years) are also reviewed. Getting a approval (or not) before November would be good.
-) Reporting:
-) Consider having different requirement for Local Government (as opposed to other organisations) and accept that there is already multiple auditing processes in place - use councils history of reporting / completion of grants / veracity of information in need. Maybe set up a star rating i.e. if you are a five star rated organisation, you do not need an independent audit report for grants under \$xx. Could ask for print out from financial management system as back up to summary report. We currently provide the requested spreadsheet + a full excel document which is a dump of all invoices from CIVICA and an audit.
-) Sometimes we have to get an external audit (at a cost) and then they ask for the exact same information to complete final project report (BBRF and others).
-) For the Waterfront projects we spent almost \$3k on independent auditors - provided just about every invoice paid (there are a lot over five years) and then when we did the final BBRF report we had to provide the same thing to the department - why???, if they want this why get an independent audit report?
-) Don't always focus on infrastructure - the burden of depreciation and ongoing operational costs are becoming a key concern when considering what infrastructure will be upgraded / built over next ten years. The current climate

is making it increasingly difficult to get contractors and reasonable quotes. Most program grants are small by comparison. Would be good to be able to fund programs that really make a difference in the community but are not necessarily infrastructure related i.e. \$2-\$300k +.

-) Consider a grant allowance (similar to LRCI) that allows councils to use funds for any adopted strategic plan actions - e.g. must be an adopted strategy, must be in LTFP and strategic assets management plan etc. you could set any criteria/KPI required to ensure that there would no white elephants
-) Could be linked to RDA strategies which have input from all levels of government
-) On a separate note: There is an issue with next round of LRCI saying it must be for roads - this is in direct contest with the amount we must spend as part of the Roads to Recovery grant program (which we some times struggle to meet) hard to say you are going to spend XX on roads when the long term asset management plans say we don't need to spend that amount. Is not conducive to sustainable and responsible financial management.
-) Some coordination of grants - size / timing / purpose across departments would be useful. Imagine if there was an annual calendar by department which showed what grants would be available for what purposes/amounts - planning would be so much better.
-) Requests for Events for official openings etc - forms are requested 56 days in Advance - but no confirmations are received of dates often until right at end of that period. Very hard to finalise planning for major events waiting on approval, or not, of proposed dates. Need to set realistic turn around for responses or allow Councils to go direct to the appropriate Minister for their region.
-) Media release approvals - asking for three weeks to approve a media release can be problematic if we want to seize on an opportunity to put something out adhoc. Results in councils working around how to word to ensure not breaching grant requirements, would much rather work with the departments

for maximum benefits. Would be better if some template statements were provided.

-)] Time taken for approvals of large grants - not knowing when grants are going to be announced causes problems for planning both finances and resource availability
-)] Given the current state of the construction industry - getting tenders approved and then building in a reasonable timeframe is critical to ensure no (limited) increase in costs.
-)] Currently we might put in a BBRF application in say February (which MUST include costings and tender ready plans, business case and project plan) when there is no approval for 6-8 months there is the potential for a major impact on costs/budget and timeline. For example - the RSL club locally got a grant for new flag poles at one of the Cenotaphs which they now want us to install, we have awarded a tender but can't get the work done for 8 months, this is only a very small project.
-)] Hard to allocate people resources for coming financial year workforce planning when we don't know if a grant is going to be approved and the project is dependent on grant funding to proceed in that financial year. Do we hope for the best, do we schedule other projects...every decision has a ripple affect
-)] Forms - consistency of terminology across departments would be ideal - but this is not a top priority matter - would be easier for everyone though
-)] All departments could use the same business portal for grants - BBRF is good - at least you can see historical grants - where you are at with current grants (especially if you have multiple occurring). Simplification of process would be a benefit to all - seem like each department reinvents the wheel at the moment.
-)] Allow one audit report to be used for multiple grants (i.e. often have state and federal grants which have slightly different requirements).

I hope this helps and good luck. Give me a ring if you want to talk any of it through.

Hi Colin,

I hope you're well!

Thank you for providing the chance to give some input. I have emailed management and the below is the feedback received:

The general comment would be regarding appropriate allocation of funds after detailed designs are completed. Often we see funds allocated based off basic designs and specifications and it often turns out that the funds are insufficient. This is commonly the case around election times when nominal grant \$\$ are pushed out and then applicants are required to cater the design to suit those \$\$ rather than the other way around.

This two fold though on both applicants and grantors to get designs done fully first before accepting funding.

Regards

5.2 Notes from discussion

The following are notes from discussion with councils and regional organisations:

-) Supply chain for projects is very long. Inception through to being shovel ready. Design, planning, procurement is a challenge to line up.
-) Councils have strong internal probity process already in place that should be recognised
-) Councils have strong policy based decisions in place. To put these there we have been through extensive community consultation process. These need to be recognised in the grants process. Should be mandatory for grants to be linked to councils strategic plans which would prevent politicians coming into our council and just plucking projects out of nowhere to suit some political outcome.
-) Requirement that applications should align with councils agreed policies and demonstrate where and how. Reduces political interference.
-) Return to projects that are actually ready. The evidence and attachments should be real and actual rather than maybe
-) Proper evaluation process should be part of the grants
-) Time between assessment and announcement is so long it makes the concept of shovel ready meaningless
-) Full visibility of the forms should be available. Some forms are set up so you can only go to the next page when the current page is completed
-) Release guidelines well before opening the grant program
-) Get back to having panels as assessors or subject matter experts
-) Matching funding is a major issue for councils particularly the small ones, city or country Location doesn't matter, some councils are small, some are large. Maybe use FAGs as a guide to how big or small a council is financially
-) Policy at all levels of government. Councils are delivering their projects against their policies so the more the Australian Government aligns grant programs with policy outcomes the easier it will be to apply
-) The Australian Government seems to forget that councils are a level of government with strong legal and probity governance. Some of the attachments should be able

to be used across grant programs. There needs to be a trust of councils. It is recognised that community groups may have different requirements for governance.

-) Reduce the legal and financial requirements as these are covered by councils legal requirements. Increase the components of an application which are the merit assessment of an application against councils own policies, regional, state and Australian and even international, particularly things like climate change.
-) Time time time in opening, time of the year open and assessment time
-) Real genuine projects not a political grab by councillors and local MP's
-) Peer review grants and the assessment panels should be by experts
-) Councils make bad decisions if money just turns up. Link the project to councils long term strategy not just something a councillor thought up the night before the grant program opens
-) The follow on from the previous comments is that councils are stuck with the legacy of poor projects for the long term
-) Agencies that have a financial and regulatory role are not set up to do policy. This is particularly the case with State Government but applies to Australian Government as well. Can't ask finance or business Departments questions about heritage or environment as all they know is money.
-) Let the policy people in the Australian Government travel and see projects and councils. It's what use to happen before efficiency dividends which is the most inefficient dividend a government can have.
-) Establish a culture of willingness and risk. Current process are so risk adverse that they stifle any form of innovation.
-) Trust local government they have more rules and probity than the Australian government.
-) Give extra points for innovation and allow for risk.
-) Outcomes based for all grant programs
-) Clearly define what the Australian Government wants from the grant program. Outcome and policy based.
-) Measure and evaluation is vital

-) Evidence based for all applications so that the poor projects do not get through.
Councils put a lot of time, effort and money into preparing an application and it is heartbreaking to see a poorly developed project elsewhere be successful.
-) Recognise that most of what councils does is not to achieve an economic outcome.
Makes turning everything into a Business Case and CBA difficult. All the good money making and economic stuff like waste and water has been taken by the State Government or business.
-) Councils are not there to make money, but the BBRF was designed as though all projects are to achieve an economic outcome. Social and community outcomes should have an equal or higher ranking in assessment to economic.
-) Parks and playgrounds do not generate income, so grant programs should recognise this.



CONTACT US

Email: admin@section51.com.au
Phone: (02) 6162 2092 or 0423337563
Web: www.section51.com.au

