

Funding regional and local community infrastructure

Introduction

- 1.1 On the 5 November 2008, the House Standing Committee on Infrastructure, Transport, Regional Development and Local Government tabled an interim report on its inquiry into a New Regional Development Funding Program.
- 1.2 The Committee's decision to issue an interim report for this inquiry stemmed from the Government's decision to accelerate its nation building agenda in response to the global financial crisis (GFC) which occurred in 2008.
- 1.3 It was the Committee's intention that the recommendations of the interim report would help inform government decision making as it considered the manner in which it would distribute funds for regional infrastructure projects.
- 1.4 Thirteen days after the Committee issued its interim report, the Government announced that it would make available \$300 million dollars to local governments to 'stimulate growth and economic activity across Australia and support national productivity and community well-being'.¹

1 Department of Infrastructure, Transport, Regional Development and Local Government (DITRD LG), http://www.infrastructure.gov.au/local/rlcip_guidelines.aspx, accessed 8 December 2008.

- 1.5 The money was distributed under the Regional and Local Community Infrastructure Program (RLCIP), with \$250 million dispersed as a one-off payment and the final \$50 million made available under a competitive 'Strategic Projects' sub-program of the RLCIP. In addition to the initial \$300 million for the RLCIP, the Government announced that 'further funding [for the RLCIP] will be delivered under the program by 30 June 2009'.²
- 1.6 In response to the growing financial crisis and the volume of submissions received for the 'Strategic Projects' sub-program, on 4 February 2009, the Government announced that it would add an additional \$500 million to the 'Strategic Projects' sub-program of the RLCIP,³ taking total funding for the RLCIP to \$800 million.

Looking forward

- 1.7 Shortly after the Government's initial RLCIP funding announcement, the Department of Infrastructure, Transport, Regional Development and Local Government (DITRD LG) issued guidelines for the distribution of RLCIP funds. In reviewing the guidelines for the RLCIP and the RLCIP – Strategic Projects, it is clear that the short timeframes involved in the release of the money and the nature of the one-off payment system did not allow the Government to consider the Committee's interim report recommendations when formulating its guidelines.
- 1.8 The Committee is pleased to note, however, that the RLCIP guidelines accounted for some of the issues raised by the Committee. For example, local government received the funds, or in some cases, applied on behalf of not-for-profit organisations. Eligibility guidelines noted that the funding was to be spent on what the Committee

2 The Hon Anthony Albanese MP, Media Release, *Local Communities to receive \$300 Million for Regional and Local Infrastructure*, 18 November 2008, http://www.minister.infrastructure.gov.au/aa/releases/2008/november/AA176_2008.htm, accessed 18 November 2008.

3 The Hon Wayne Swan MP, Media Release, *Repairing Regional Roads and Funding for Community Infrastructure*, 4 February 2009, <http://www.treasurer.gov.au/DisplayDocs.aspx?doc=factsheets/2009/015.htm>, accessed 5 February 2009.

considered in its report to be hard infrastructure (as defined in the interim report)⁴ and did not include for-profit organisations.

- 1.9 In regards to the Strategic Projects sub-program, applications were assessed and ranked by the Department, prior to being submitted to the Australian Council of Local Government for comment before final ministerial approval – a process not unlike the one recommended by the Committee when it discussed the retention of ministerial discretion and the possible employment of state-based panels to assist in the assessment process.
- 1.10 Despite some similarities between the Committee’s recommendations and the Department’s guidelines, the Committee is of the opinion that it would be in the Government’s interest to consider in detail the recommendations of both Committee reports as it formulates a strategy to provide ongoing regional and local community infrastructure funding.
- 1.11 This is a particularly important point which the Committee wishes to stress. When the Committee received the terms of reference for this inquiry, it was the Government’s intention that the Committee report on ways to develop future regional programs.⁵ Most assumed that the Regional Partnerships Programme (RPP) would eventually be replaced with a new program and it was the Committee’s expectation that its recommendations would help form the basis upon which a new program was established.
- 1.12 What could not be anticipated was the world financial crisis – and its scale – which struck in the second half of 2008. As part of its response, the Government elected to channel money into the RLCIP. Previously established timelines no longer applied and, as a result, the Committee quickly issued an interim report as a means of assisting government decision making. Nevertheless, the financial crisis continued to deepen and the RLCIP has become one avenue used by the Government to direct much needed money into regional and local community infrastructure projects.
- 1.13 The Committee recognises the need to respond to the GFC and understands that the RLCIP was one mechanism in which to do so.

4 House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government, *Funding regional and local community infrastructure: proposals for the new Regional and Local Community Infrastructure Program Interim Report*, November 2008, p. 18.

5 See inquiry terms of reference, <<http://www.aph.gov.au/house/committee/itrdlg/regionaldevelopment/tor.htm>>.

However, the Committee encourages the Commonwealth Government, as Australia moves through the GFC, to develop and maintain an ongoing funding program for regional and local community infrastructure.

- 1.14 Throughout Australia, local governments struggle to provide adequate infrastructure for their communities despite substantial annual funding from a variety of Commonwealth Government programs – a PricewaterhouseCoopers report (2006) has estimated the cost of backlogged infrastructure renewals at \$14.5 billion.⁶ The loss of any regional infrastructure funding program would, therefore, further impede the ability of local communities to maintain and build much needed infrastructure.

Recommendation 1

- 1.15 **The Committee recommends that the Government replace the Regional Partnerships Programme with a new program designed to provide ongoing funding support for regional and local community infrastructure.**
- 1.16 This final report is not intended to revisit each one of the interim report recommendations in detail, rather it is intended to place the Committee's previous recommendations within the context of some overarching principles which the Committee believes are key to the development of any new regional and local community infrastructure funding program.
- 1.17 It had always been the Committee's intention to examine international grant processes in order to explore possible options for the development of a new funding model. Time did not permit such an examination in the interim report, therefore the remainder of this chapter will examine grant processes of similar programs in the UK, US and Canada before concluding the report with three chapters outlining some basic principles upon which a new program can be developed. These principles have been organised under chapter headings: program availability; program accessibility; and program accountability.

⁶ PricewaterhouseCoopers, *National Financial Sustainability Study of Local Government: Overview*, 2006, p. 10.

Regional grant funding—United Kingdom, United States & Canada

- 1.18 The Committee has examined grant processes in the United Kingdom (UK), the United States of America (US) and Canada in order to explore possible options for the development of a new program funding model.
- 1.19 While no one overseas funding program stood out as the best possible option for the RLCIP, there were aspects of various programs which the Committee felt were worthy of adopting in Australia. This section seeks to note those parts of the Committee's recommended RLCIP funding framework which have been utilised in overseas funding models, specifically the UK Department of Transport *Community Infrastructure Fund* (CIF), US Economic Development Administration (EDA) grants and Canada's *Building Canada Fund-Communities Component* (BCF-CC).

Partnership funding

- 1.20 In its interim report, the Committee endorsed the continued application of a partnership funding model for the RLCIP and noted that partnership funding had the potential to 'build on the relationships between the three tiers of government and local communities'.⁷
- 1.21 Partnership contributions are a recognised component of regional infrastructure funding in each program examined by the Committee. In the case of the US, the EDA specifies that their grants must not exceed 50 percent of the total cost of the project.⁸ Canada's BCF-CC requires that eligible projects be shared up to one-third each by federal, provincial and municipal governments.⁹ The UK's CIF does

7 House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government, *Funding regional and local community infrastructure: proposals for the new Regional and Local Community Infrastructure Program Interim Report*, November 2008, p. 17.

8 EDA, Overview of EDA's Grant Process, <http://www.eda.gov/AboutEDA/AbtEDA.xml>, accessed 17 December 2008.

9 Infrastructure Canada, Building Canada Fund-Communities Component (Canada-Saskatchewan), <http://www.canada-saskbcf-cc.ca>, accessed 17 December 2008.

not require partnership contributions but does 'welcome bids for schemes which attract other sources of funding.'¹⁰

- 1.22 Of the three schemes, the Canadian model was of particular interest to the Committee in this instance as it places considerable focus on the need for cooperation across all three levels of government.
- 1.23 The *Community Component*, which requires one-third contributions, is one aspect of the *Building Canada Fund*, which in turn is part of a larger infrastructure program called *Building Canada: Modern Infrastructure for a Strong Canada*. In the context of the wider program, the Committee notes that the Federal Government in Canada is partnering with municipalities (local governments) through direct, base-fund payments much in the same way as Australia's government has chosen to provide direct payments to local government under the RLCIP.
- 1.24 The Canadian Government is also providing direct infrastructure funding to the provinces on an up-front, regular basis that does not require expenditure in the year it was provided.¹¹ With respect to the BCF-CC, the Government has established funding agreements with the provinces as a framework for providing funds under the program. All three examples highlight the importance that Canada has placed on cooperative infrastructure funding.
- 1.25 The Committee's interim report also stated that partnerships are about more than funding and the Committee has noted that the Canadian Government is of a similar opinion, stating that it 'will work with its partners to promote knowledge, research, best practices, long-term planning and capacity building'.¹²
- 1.26 Federal/ state delineations of responsibility in Australia, Canada and the US raise real challenges when it comes to the provision of infrastructure funding. However, it is clear from the Committee's brief exploration of grant programs in Canada and the US that there is, at least, an acknowledgement of the importance of partnerships in

10 Department for Transport UK, Community Infrastructure Fund Guidance Paper, <http://www.dft.gov.uk/pgr/regional/policy/cif/communityinfrastructurefundg3718>, accessed 9 December 2008.

11 Building Canada: Modern Infrastructure for a Strong Canada, <http://www.buildingcanada-chantierscanada.gc.ca/alt-format/pdf/booklet-livret-eng.pdf?wt.ad=plan-eng>, accessed 17 December 2008, p. 25.

12 Building Canada: Modern Infrastructure for a Strong Canada, <http://www.buildingcanada-chantierscanada.gc.ca/alt-format/pdf/booklet-livret-eng.pdf?wt.ad=plan-eng>, accessed 17 December 2008, p. 28.

the funding process and the Committee reiterates its support for continued collaboration with Australian state, territory and local governments particularly within the context of the RLCIP.

RLCIP eligibility

- 1.27 The Committee has supported the eligibility of not-for-profit organisations including community groups and local government under the RLCIP. It has, however, recommended that local government be the auspice agency for projects that require a financial contribution from local government. Those not-for-profit organisations that do not require local government contributions should be able to apply for funding directly from the Government. It was envisioned, however, that these organisations would still be required to provide a letter of support from local government as part of an application.
- 1.28 In all three international examples examined by the Committee, local government plays a role in the funding process ranging in degree from exclusive eligibility, to a resolution of support, to a simple commitment by applicants to act in cooperation with local government.
- 1.29 In the US, EDA grants are open to a wide range of organisations including:
- ...state and local government, Indian tribes, Economic Development Districts, public and private non-profits, and institutions of higher learning.¹³
- 1.30 There is a specific requirement, however, that non-profit organisations must 'act in cooperation with officials of...local government with jurisdiction over the project area'.¹⁴
- 1.31 In the case of the Canada-Saskatchewan BCF-CC, eligible applicants are:
- municipalities with a population of less than 100,000;
 - public sector bodies that are providing municipal sector services under agreement with a municipality; and

13 EDA, Overview of EDA's Grant Process, <http://www.eda.gov/AboutEDA/AbtEDA.xml>, accessed 17 December 2008.

14 EDA, Overview of EDA's Grant Process, <http://www.eda.gov/AboutEDA/AbtEDA.xml>, accessed 17 December 2008.

- private sector bodies or non-profit organisations whose application is supported by a council resolution from the municipality where the project is to be located.¹⁵
- 1.32 The UK CIF is much more targeted and within its guidelines lists the regional bodies which are eligible for funding. For this program, only regional assemblies, consisting of local councillors and representatives of business and volunteer organisations in a region are eligible to apply. In the Australian context, this system would be similar to allowing a revitalised Regional Development Australia (RDA) to apply for funding for their regions.
- 1.33 When considered against international examples, the Committee's recommendation represents a middle path whereby the funding process formally recognises the need for local government participation without excluding applications from other not-for-profit organisations. As noted in the interim report, this recommendation reflects the Committee's attempt to respond to conflicting view points about the role of local government in the RLCIP funding process.¹⁶

Funding streams

- 1.34 There are two occasions in the Committee's interim report where the issue of separate streams of funding is raised. In Recommendation 14, the Committee recommends that applications be separated into three streams: those seeking less than \$50,000 in contribution from the program, those seeking between \$50,000 and \$250,000, and those seeking more than \$250,000.¹⁷ This recommendation was made because of concern about the level of complexity in the application process and its correlation to the amount of money being sought. Many felt that a grant for \$5,000 should not require the same application process as one for \$500,000. The Committee then assigned

15 Canada-Saskatchewan BCF-CC, <http://www.buildingcanada-chantierscanada.gc.ca/alt-format/pdf/bcfguide-fccmanuel-sk-eng.pdf>, accessed 17 December 2008, p. 46.

16 House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government, *Funding regional and local community infrastructure: proposals for the new Regional and Local Community Infrastructure Program Interim Report*, November 2008, p. 20.

17 House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government, *Funding regional and local community infrastructure: proposals for the new Regional and Local Community Infrastructure Program Interim Report*, November 2008, p. 41.

each stream to a closed funding round as a means of addressing the issue of timeliness in the assessment process.¹⁸

- 1.35 Of the three international examples canvassed by the Committee, only one chose to split its funding. The UK CIF split its funding into two streams: projects bidding for funding up to £5m and projects bidding for over £5m. This was done because:

Looking at all [projects] together would have meant a smaller list of [projects], benefiting fewer areas. Splitting the [projects] up has ensured funding for those large [projects] which are essential to supporting growth, while also capturing a wide range of smaller [projects] that collectively will have a significant impact across the growth locations.¹⁹

- 1.36 It is interesting to note that the UK's justification for introducing streams of funding differs from that of the Committee and the Australian public. Whereas the Committee was concerned about the need to ensure a streamlined, timely process, the UK was focused on ensuring a balance in the types of projects funded.
- 1.37 While the rationale for a funding split might differ, the option of introducing a split as a means of solving challenges within the grant process was noted by the Committee.

The application process

- 1.38 Of particular interest to the Committee was the manner in which the US, UK and Canada managed the application process for their grant funding. One of the benefits of the Committee process is the ability to meet with stakeholders and discuss concerns at public hearings. This inquiry conducted several roundtables at which the application process was discussed at length by those who had direct experience in applying for grant funding through the former Regional Partnerships Programme.
- 1.39 While the Committee does not have the benefit of receiving feedback from UK, US or Canadian applicants it has been instructive to review

18 House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government, *Funding regional and local community infrastructure: proposals for the new Regional and Local Community Infrastructure Program Interim Report*, November 2008, pp. 48 & 49.

19 Department for Transport UK, Community Infrastructure Fund Round 2, <http://www.dft.gov.uk/pgr/regional/policy/cif2/round2>, accessed 9 December 2008, p. 2.

the manner in which similar processes have been constructed overseas. Three issues in particular are highlighted for comparison:

- utilising expressions of interest;
- forms of assistance for applicants; and
- the complexity of application forms.

Expressions of interest

- 1.40 Under the RPP, Area Consultative Committees (ACCs) performed an informal filtering role for applications that were unlikely to attract funding. They were not formally empowered to do so, but it was suggested to the Committee that this filtering process contributed to a reduction in program administration costs.²⁰ It was also noted that despite ACC filtering, 80 per cent of applications to the RPP were insufficiently developed.²¹
- 1.41 In the UK, potential applicants (note that the fund was only available to a specific group of regional assemblies) were invited to complete an Expression of Interest (EOI) questionnaire. The questionnaire was then subjected to a two-stage appraisal process. In stage one, the EOI was subjected to an eligibility assessment and in stage two the EOI was subjected to a detailed appraisal 'looking at strategic fit, transport impacts and benefits, and deliverability'.²² The EOI responses were then scored and ranked accordingly.
- 1.42 What is important to note in this process is that many applications did not make it past the stage one EOI assessment.²³ Therefore, the EOI process, in this instance, served to filter out those applicants unsuitable for the grant. This was done officially by government

20 House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government, *Funding regional and local community infrastructure: proposals for the new Regional and Local Community Infrastructure Program Interim Report*, November 2008, p. 46.

21 House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government, *Funding regional and local community infrastructure: proposals for the new Regional and Local Community Infrastructure Program Interim Report*, November 2008, p. 46.

22 Department for Transport UK, Community Infrastructure Fund Round 2, <http://www.dft.gov.uk/pgr/regional/policy/cif2/round2>, accessed 9 December 2008, p 1.

23 Department for Transport UK, Community Infrastructure Fund Round 2, <http://www.dft.gov.uk/pgr/regional/policy/cif2/round2>, accessed 9 December 2008, p 1.

department officials rather than a Regional Development Agency, for example, which in the UK would be the rough equivalent to an ACC.

- 1.43 The US model also employs a two-staged application process; however, in its case, the process is a pre-application one whereby a project is developed with the assistance of a regional office representative (see discussion below), who then prepares a project brief for review by a committee prior to the applicant being formally invited to submit.
- 1.44 The Committee is not aware if this process is considered to be “slow” by applicants. It can assume, however, that the significant filtering process undergone by applications is intended to ensure that applications received by the EDA have a higher likelihood of success. Certainly that was the Committee’s consideration when it recommended initialising a formal EOI process in the RLCIP.

Application assistance

- 1.45 As noted above, the EDA grant system is administered through regional offices and regional officers whose job it is to provide pre-application assistance, develop project briefs for EDA consideration and generally guide applicants through the grant process.²⁴
- 1.46 Alternatively, the Canadian BCF-CC and UK CIF processes utilise a central model based on a combination of on-line resources and call centre assistance.
- 1.47 Evidence received by the Committee suggests that assistance provided by regional officers, preferably face-to-face, is more desirable than a system of on-line support supplemented by a call centre. The Committee endorsed this view in its interim report and recommended either the use of RDAs (formerly ACCs) in an official advisory capacity, or departmental officers operating out of a regional or the national office – with specific regional responsibility – providing assistance to applicants.

24 EDA, Overview of EDA’s Grant Process, <http://www.eda.gov/AboutEDA/AbtEDA.xml>, accessed 18 December 2008.

Conclusion

- 1.48 The brief survey of international grant processes in this chapter indicates that there are a variety of funding options to be considered – many of which could be effectively employed in Australia. However, the design of an Australian program should reflect Australian needs, and therefore no one international grant funding model should be employed here. Rather, we have the advantage of being able to examine other grant processes in order to borrow those components which best suit our needs.