2

Framework for the Regional and Local Community Infrastructure Program

2.1   This chapter outlines options for the framework of the RLCIP. The chapter addresses the fundamentals of the RLCIP; application process options; the role of the federal department; consideration of state and territory-based panels; and how the program might be funded.

Fundamentals of the program

2.2   The RLCIP will be one important part of the Commonwealth Government's package to address regional and local community infrastructure requirements. The government currently provides $1.9 billion in financial assistance grants to local councils (in 2008-09) to spend on priorities including local roads and community facilities.[1] The Roads to Recovery Programme has provided $1.2 billion over four years to June 2009.

2.3   There are also a number of more focused federal programs which fund regional and local community infrastructure projects; for example, in the areas of information services, planning in Northern Australia, medical infrastructure, housing development, broadband, water management, and education.[2]

---

1   Ministerial Statement, *Budget: Strengthening Rural and Regional Australia*, 13 May 2008, p.3.

2   See programs listed in Ministerial Budget Statements of 2008-09, *Strengthening Rural and Regional Australia*, 13 May 2008.

2.4   Funding infrastructure has consistently been identified by local government as a significant cost pressure. A PricewaterhouseCoopers report estimated the cost of the backlog of infrastructure renewals at $14.5 billion.[3] Subsequent to this report, the Australian Local Government Association (ALGA) called for the federal government to establish a Local Community Infrastructure Renewals Fund to support local and regional councils in delivering more timely and quality renewal works across a range of community assets. ALGA proposed that the Fund be around $250 million per annum over a period of at least four years.[4]

2.5   Some councils have been very successful at attracting funding whilst many smaller, rural councils report that they have fewer resources to help attract additional funding. A 2008 Productivity Commission report found that 20 percent of local councils relied on federal and state grants for half of their revenue.[5]

2.6   A key dilemma for the development of the RLCIP is for objectives to be set that are not so restrictive as to limit innovative regional development projects, but are sufficiently precise to reduce the administrative challenges seen under the RPP. The ANAO found that flexibility in the program made it more difficult for DOTARS to ensure transparent, accountable, and cost effective administration, and to demonstrate equitable treatment of applications.[6]

2.7   The RPP was a very flexible discretionary grants program with broad criteria and a continuous assessment process. The Committee found that there was confusion about the objectives and priorities of the RPP, and what type of projects could be funded.[7] The ANAO stated that the large variety of projects that were able to be approved by the RPP made it more difficult for: promotion to be targeted to particular areas; potential applicants to identify the program as an appropriate source of funding from the federal government; and applicants to distinguish between the reasons some projects were funded and others were not.[8]

---

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

4   ALGA, *Submission No.156*, pp.4-5.

5   Productivity Commission, *Assessing Local Government Revenue Raising Capacity*, 2008, p.38.

6   ANAO, *Audit Report No. 14 2007-08: Performance Audit of the Regional Partnerships Programme: Volume 1-Summary and Recommendations*, p.19.

7   Albury Wodonga ACC, *Submission No.188*, pp.14-15; Adelaide Metropolitan ACC, *Submission No.118*, p.8; Hunter ACC, *Submission No.104*, p.6.

8   ANAO, *Submission No.49,* p.2.

2.8   The four stated objectives of the RPP were to:

- stimulate growth in regions by providing more opportunities for economic and social participation;

- improve access to services in a cost effective and sustainable way, particularly for those communities in regional Australia with a population of less than 5,000;

- support planning that assists communities to identify and explore opportunities and to develop strategies that result in direct action; and

- help communities make structural adjustments in regions affected by major economic, social and environmental change.[9]

2.9   Under the former program, government nominated additional priorities each year, providing a supplementary focus for the program.[10] Another way the government could set policy priorities is to develop sub-programs under the RLCIP to direct funding to priority areas or applicant groups. For example, sub-program areas could include disadvantaged communities that are unable to match funding, strategic priority areas or applicant groups. This option has been utilised by The Regional Infrastructure Development Fund in Victoria which provides grants under one main program banner, with sub-programs evolving over time to ensure current government policy objectives are met.[11] It will also be important that any sub-program guidelines are clearly articulated in order to avoid the confusion that occurred under the RPP.

2.10   The Committee heard that the RPP was the last stop funding resource for projects which did not meet the criteria under any other federal or state program.[12] However, there was evidence that some projects did receive funds from other Commonwealth Government programs in

---

9   Department of Transport and Regional Services, *Regional Partnership Guidelines*, July 2006, p.1.

10   For example, the federal government's four priorities for 2006-07 were small and disadvantaged communities, economic growth and skill development, indigenous communities, and youth. Department of Transport and Regional Services, *Regional Partnership Guidelines*, July 2006, p.1.

11   Examples of current RIDF priority areas included arts and cultural facilities infrastructure, aviation infrastructure, water for industry infrastructure, and pathways infrastructure. State Government of Victoria, *Submission No.244*, p.15.

12   Ms Langford, Greater Brisbane ACC, *Official Committee Hansard*, Toowoomba, Monday 21 July 2008, pp.11-12.

addition to the RPP.[13] The Committee believes that setting broad parameters for the type of projects that can be funded by the RLCIP, so that a wide range of regional and local community projects are eligible, should continue to be a key characteristic of the new program, but that the parameters should not be so broad as to cause the sorts of problems raised by the ANAO report.

2.11   The Committee believes that the objectives of the new program should include:

■ encouraging economic growth in regional and local communities;

■ investing in genuine community infrastructure initiatives;

■ improving quality of life within local communities; and

■ improving the coordination of regional infrastructure programs with the states, territories and local government.

2.12   It is important that in assessing applications for the RLCIP, consideration must be given to whether another more appropriate funding program exists. This was part of the assessment process under the RPP. The Committee notes, however, that it is difficult to know whether applicants have received funding under other programs.[14] An important related assessment process is to ensure that grants funding under the RLCIP does not replace funding from another tier of government: that is, that it does not represent 'cost-shifting'.[15]

2.13   The Committee believes that value for money and avoidance of duplication can best be achieved by better coordination of regional programs between the Commonwealth and state governments. Coordination with the states and territories is discussed later in this chapter.

---

13   Ms Long and Mr Boyd, ANAO, *Proof Committee Hansard*, Canberra, Monday 13 October, pp.16-17.

14   Ms Long and Mr Boyd, ANAO, *Proof Committee Hansard*, Canberra, Monday 13 October, pp.16-17.

15   This was specified in the *Regional Partnerships Guidelines*, July 2006, p.14.

Recommendation 1

2.14   **The Committee recommends that the government establish well defined and clear objectives for the Regional and Local Community Infrastructure Program that sit within an articulated Commonwealth Government regional development policy.**

Recommendation 2

2.15   **The Committee recommends that the Regional and Local Community Infrastructure Program retain the option of establishing sub-programs to direct funding to strategic priority areas or applicant groups.**

Defining Regional

2.16   From a national perspective, regions have been defined in a number of ways including:

- the 85 biogeographic regions of Australia, identified cooperatively by federal and state government scientists;

- the 69 statistical divisions, based on agreed definitions of a 'region', identified cooperatively by federal and state statisticians and used by the Australian Bureau of Statistics;

- the 64 regions identified by the formation of voluntary Regional Organisations of Councils (ROCs), i.e. groupings of the approximately 700 local governments in Australia;[16]

- the 57 regions of the federal-state natural resource management regional bodies administering the Natural Heritage Trust and National Action Plan on Water Quality and Salinity; and

- the 54 regions of the nation's Area Consultative Committees (ACCs).[17]

2.17   In some debates, 'region' has also been used to refer to all areas outside capital cities. Some witnesses suggested that the new RLCIP

---

16   ALGA lists 677 Local Government Associations, see: http://www.alga.asn.au/links/obc.php

17   Brown, A.J. and Bellamy, J.A., *Federalism and Regionalism in Australia – New Approaches, New Institutions*, ANU ePress, 2006, pp.15-16.

be structured into separate streams of funding based on the different types of regions, or that a weighted funding mix be used to prioritise non-metropolitan Australia. [18]

2.18   The Committee considers that this definition of the term 'region' runs the risk of slanting regional policy exclusively towards rural regions, so that the requirements of metropolitan areas are not duly considered.

2.19   The Committee does not wish to advance a new definition of 'regional'. It believes that under the new RLCIP regions should encompass the whole of Australia. Program funding should be accessible to projects in any part of the country (metropolitan, rural, regional and interface areas) if they meet the RLCIP criteria and are not funded by other programs. All regions of Australia have justified infrastructure demands. In addition, infrastructure projects should not be necessarily contained within a particular regional boundary: projects should be able to work across regions.

Partnerships

2.20   Developing partnerships and securing funding support was a requirement under the RPP. Partnership funding could be money contributed to the project or time and/or materials donated to the project from other sources. Generally, a partnership contribution of at least 50 percent was required to meet this criterion. Commercial activities normally required at least 60 percent contribution to the project. Lower levels of partnership funding were considered where the community or local council faced challenges in contributing funding.[19]

2.21   The ANAO reported that there was high variation across projects of the proportion of partnership funds provided. However, it was common for the RPP to be the single largest contributor of funding to a project.[20]

2.22   Most states and territories have developed programs to fund regional infrastructure projects. While these vary from state to state, they often require matching funding. The Victorian government submitted that

---

18   State Government of Victoria, *Submission No.244*, p.8.

19   Department of Transport and Regional Services, *Regional Partnerships Guidelines*, July 2006, pp.11-12.

20   ANAO, *Audit Report No.14 2007-08: Performance Audit of the Regional Partnerships Programme: Volume 2-Main Report*, p.252.

the ratio of matched funding should be flexible and take into account the capacity of the organisation, the geographical location and socio-economic disadvantage. For example, the Small Towns Development Fund funding ratio of 3:1 (government: rural council) is applied.[21]

2.23   The Committee believes that partnerships are about more than funding: partnership also refers to the building of relationships with other tiers of government and the local community. Witnesses in Ballarat described a way of conducting partnerships that builds relationships with local communities, and fosters the capacity to drive projects at a local level.[22]

2.24   The Committee proposes that successful proponents of projects under the RLCIP continue to be required to contribute funding. Such arrangements entail the sharing of ownership, accountability and coordination of projects, and this is desirable in a number of ways. The Committee contends that a partnership model, in both a financial and management sense, for the RLCIP will assist the Commonwealth Government to:

- fund genuine regional economic development and community infrastructure;

- minimise administrative costs and duplication for taxpayers; and

- build on the relationships between the three tiers of government and local communities.

2.25   The Committee does see merit in the Victorian proposal of recognising the difficult position small local government areas have in raising partnership funds. Relationship building at the local level is referred to later in this chapter.

Infrastructure

2.26   The Committee acknowledges that the RLCIP is one part of the Commonwealth Government's investment in national, regional, and local infrastructure. Infrastructure Australia is currently developing priorities for national infrastructure.[23] The Australian Council of Local Government will meet on 18 November 2008 to discuss ways to build

---

21   State Government of Victoria, *Submission No.244,* p.9.

22   Dr Scott, G21 - Geelong Regional Alliance, and Ms Admans, Foundation for Rural & Regional Renewal, *Official Committee Hansard*, Ballarat, 6 August 2008, pp.30, 50.

23   See Infrastructure Australia website: www.infrastructureaustralia.gov.au

national and local infrastructure, boost economic capacity and improve the quality of life in communities.[24]

2.27   ALGA stated that both hard and soft infrastructure underpins economic activity and is fundamental to an efficient and effective national economy.[25] In this context, ALGA notes that hard infrastructure includes items such as 'roads, water, sewage, energy/utilities and telecommunication networks'.[26] Soft infrastructure, in this case, includes items such as 'education, health, community and recreation services and facilities'.[27] The RPP accepted applications for both hard and soft infrastructure.

2.28   The Committee takes the view that a more commonly understood definition of hard infrastructure includes physical buildings, whereas soft infrastructure includes such items as business plans, feasibility studies and maps. The Committee believes the RLCIP should predominantly fund hard infrastructure projects, which would include:

- social and community infrastructure such as community halls, theatres and arts precincts;

- recreation facilities such as sports stadiums, playgrounds and skate parks;

- tourism infrastructure such as community public attractions and walking tracks; and

- children, youth and seniors facilities such as senior citizen centres, Scout and Guide halls and playground facilities.

---

24   Prime Minister of Australia, *First Meeting of Australian Council of Local Government: A New Partnership with Local Government*, News Release, 18 September 2008; Minister for Infrastructure, Transport, Regional Development and Local Government, *Invitations Issued for Inaugural Meeting of Australian Council of Local Government*, Media Release, 26 September 2008.

25   ALGA, *Submission No.156*, p.3.

26   ALGA, *Submission No.156*, p.3.

27   ALGA, *Submission No.156*, p.3.

Recommendation 3

2.29   **The Committee recommends that the new Regional and Local Community Infrastructure Program:**

   ■ **cover all regions of Australia;**

   ■ **employ a partnership model; and**

   ■ **predominantly fund hard infrastructure.**

Eligibility to apply to the RLCIP

2.30   Under the RPP, non-profit and for-profit organisations were eligible to apply for funding. Bodies considered ineligible were: federal and state government agencies; lobby groups; organisations not incorporated under federal or state legislation; ACCs; and individuals.

2.31   The Committee considers that not-for-profit groups, including community groups and local government, should continue to be eligible to apply for funding under the RLCIP.

2.32   There are a number of possible options as to how this could occur, including:

   ■ local government to be the sole auspice agency for all applications in a region including applications from not-for-profit organisations;

   ■ local government to be the auspice agency for applications in a region with a requirement that local government contribute (whether by way of capital, maintenance or operational funding). Not-for-profit organisations that do not require a local government contribution would require a letter of support from local government and then be able to apply directly;

   ■ local government to be the auspice agency for applications in a region with a requirement that local government contribute (whether by way of capital, maintenance or operational funding). Not-for-profit organisations would be able to apply directly (and not require to provide contributions or a letter of support from local government); or

   ■ local government acting as the umbrella proponent for not-for-profit organisations that may experience difficulty applying in their

own right; this would be a matter of choice for the not-for-profit organisation.

2.33   The Committee heard evidence from local government of their desire to align funding from the RLCIP going into a region with regional and local priorities.[28] This was particularly the case when community organisations in order to receive funding from state or federal governments were also seeking a local government contribution.[29]

2.34   The Committee also heard evidence from not-for-profit organisations that they would be concerned by the potential that their projects would not receive local government support, as local government would be more likely to pursue funding for facilities within their control and for which they are financially responsible.[30]

2.35   There is merit in both of these arguments and for this reason the Committee believes that its second option—"local government to be the auspice agency for applications in a region with a requirement that local government contribute (whether by way of capital, maintenance or operational funding). Not-for-profit organisations that do not require a local government contribution would require a letter of support from local government and then be able to apply directly"—provides an opportunity to ensure that local and community infrastructure funding in a region is better aligned with local and regional priorities and continues to ensure that not-for-profit organisation projects are funded.

2.36   To ensure that local government give due consideration to community applications, the Committee is recommending the following options in relation to not-for-profit organisation applications:

- establishing a quarantined sub-program of funding to which community organisations, with local government support, only can apply; or

- where feasible, requiring that a set percentage of applications put forward by a local government area be from community organisations.

---

28   Cr O'Brien, *Official Committee Hansard*, Toowoomba, Monday 21 July 2008, p.6.

29   Mr Sullivan MP and Cr O'Brien, *Official Committee Hansard*, Toowoomba, Monday 21 July 2008, pp.5-6.

30   Mrs Marsden, *Official Committee Hansard*, Toowoomba, Monday 21 July 2008, p.6.

Recommendation 4

2.37   **The Committee recommends that local government be the auspice agency for applications in a region with a requirement that local government contribute (whether by way of capital, maintenance or operational funding). Not-for-profit organisations that do not require a local government contribution would require a letter of support from local government and then be able to apply directly.**

Recommendation 5

2.38   **The Committee recommends that the Government consider:**

- ■ **establishing a quarantined sub-program of funding to which community organisations, with local government support, only can apply; or**

- ■ **where feasible, requiring that a set percentage of applications put forward by a local government area be from community organisations.**

2.39   This central role is important because local government is pivotal in regions. Local government provides 'essential services and infrastructure that serve as the foundation for local and regional communities' and in some communities, 'local government is often the only institutional presence and one of the key drivers of economic activity'.[31]

2.40   Throughout Australia, local government and regional groupings of local government have undertaken extensive planning exercises and are working collaboratively with their state and territory government departments to develop comprehensive regional plans.[32] Also, Infrastructure Australia is developing a strategic blueprint for the nation's future infrastructure needs.

2.41   The Committee believes it is essential that projects funded by RLCIP are consistent with state and local government plans and activities.

---

31   ALGA, *Submission No. 156*, p.2.

32   Government of Western Australia Department of Sport and Recreation, *Submission No.258*, p.7; State Government of Victoria, *Submission No.244, pp.6-7*; NSW Government, *Submission No.237*, p.5.

This would be the case if the option of local government being the main proponent of RLCIP funding is adopted (see Recommendation 4).

For-profit organisations

2.42   Over the life of the RPP, approximately eight per cent of projects approved for funding were distributed to for-profit organisations.[33]

2.43   The Committee received arguments for including for-profit organisations as eligible applicants under the new RLCIP.[34] Some witnesses referred to the need to support private sector infrastructure projects, particularly in rural areas, which support job creation, attract other investment, and allow communities to grow and prosper.[35] One witness in Toowoomba claimed that more 'bang for the buck' and community sustainability came from supporting small business in regional towns.[36]

2.44   On the other hand, there was also significant opposition to allowing for-profit entities to apply to the RLCIP.[37] The arguments for excluding for-profit entities included that: they had a capacity to raise finance from other sources; their capacity to make profits using public funding; and that, in such cases, questions of competitive neutrality are inherently difficult to manage.

2.45   At the Bundaberg roundtable, no-interest or low-interest loans were canvassed as an alternative way to fund businesses. There was also support for separating out business from local government and community groups in grant funding. [38]

---

33   Department of Infrastructure, Transport, Regional Development and Local Government, *Submission No.232*, p.4.

34   Mid North Coast (NSW) ACC, *Submission No.134*, p.3; ACC Tasmania, *Submission No.183*, pp.7-8; Mr Hanley, *Official Committee Hansard*, Nowra, 14 August 2008, p.3.

35   Mr Trevor, Wide Bay Burnett ACC, *Official Committee Hansard*, Toowoomba, 21 July 2008, p.7; Mrs Baker, Ipswich & Regional ACC, *Official Committee Hansard*, Toowoomba, 21 July 2008, p.10.

36   Mr Green, *Official Committee Hansard*, Toowoomba, 21 July 2008, p.5.

37   Nimbin Neighbourhood & Information Centre Inc., *Submission No.27*, p.5; Melbourne's North and West ACC, *Submission No.257*, p.6; Mr Keenan, Economic Development Australia, *Proof Committee Hansard*, Shepparton, Friday 8 August 2008, p.4; Mr Iaccarino, Melbourne's North & West ACC *Official Committee Hansard*, Ballarat, Wednesday 6 August 2008, p.16; Mr Hansen, Geelong ACC, *Official Committee Hansard*, Ballarat, Wednesday 6 August 2008, p.12.

38   Mr Ainsworth, *Proof Committee Hansard*, Bundaberg, 8 October 2008, p.33.

2.46   The ANAO identified difficulties encountered by DOTARS in assessing project and applicant viability for private enterprise funding.[39] There were also difficulties in determining 'whether the public benefit provided by increased jobs … exceeds the private benefit to the business which result from a grant …'.[40]

2.47   Further, the ANAO stated that government grants are a valuable source of funding to for-profit organisations because grant funding increases after-tax cash flows to the funding recipient without the recipient being required to pay a return on those funds.[41]

2.48   The ANAO also found that for-profit businesses had received funding from different Commonwealth Government sources for the same project, although it was difficult for DOTARS to assess whether this was the case.[42]

2.49   The Committee contends that for-profit enterprises should not be eligible to apply for federal funding under the RLCIP. There are other mechanisms through which for-profit entities can be supported, including alternative federal and state government funding programs. [43]

Recommendation 6

2.50   **The Committee recommends that the new Regional and Local Community Infrastructure Program exclude applications from for-profit entities.**

---

39   ANAO, *Audit Report No.14 2007-08: Performance Audit of the Regional Partnerships Programme: Volume 2-Main Report*, pp.456-86.

40   ANAO, *Audit Report No.14 2007-08: Performance Audit of the Regional Partnerships Programme: Volume 2-Main Report*, p.464.

41   ANAO, *Audit Report No.14 2007-08: Performance Audit of the Regional Partnerships Programme: Volume 2-Main Report*, p.464.

42   Ms Long and Mr Boyd, ANAO, *Proof Committee Hansard*, Canberra, Monday 13 October, pp.16-17.

43   For example: Federal government's Australian Tourism Development Program, Advancing Agricultural Industries Program, Commercialising Emerging Technologies Program, Innovation Investment Fund, Regional Food Producers Innovation and Productivity Program; State government of Victoria's Community Regional Industry Skills Program and Regional Business Investment Ready Program; New South Wales government's Regional Business Development Scheme.

Recommendation 7

2.51 **The Committee recommends that the Government consider establishing regional industry grants as a separate stream under another department, such as the Department of Innovation, Industry, Science and Research (AusIndustry).**

Framework for regional infrastructure funding

The application process

2.52 The Committee heard from many applicants to the RPP who were pleased with the assistance they received from Area Consultative Committees (ACCs) during the development of applications. The members and secretariat staff of the ACCs had local and regional knowledge as well as an understanding of the RPP. However, after an application was submitted to national office for assessment, applicants felt they were not appropriately consulted or given feedback on the status of their application. From a proponent's point of view, applications seemed to fall into an administrative 'black hole', as witnesses have suggested.[44]

2.53 Some applicants to RPP reported they waited for over a year to receive an assessment response, during which time they were not given advice from the national office on the likelihood of their application being approved.[45]

2.54 In line with the objective of consultation with communities and applicants, promotion of the RLCIP is an important role of DITRDLG. People received information about the RPP by:

- the ACC network (now RDA);

- government websites, including GrantsLINK;

- media releases announcing approval for funding applications; and

- mail-outs from, or direct contact with Members or Senators.

---

44 Professor Arlett, North Queensland ACC, *Official Committee Hansard*, Cairns, 25 July 2008, pp.20, 32; Ms Lewis, Southern Inland Queensland ACC, *Official Committee Hansard*, Toowoomba, 21 July 2008, p.57.

45 Mr Hodgson, South West ACC, *Official Committee Hansard*, Perth, 30 July 2008, p.19.

This should continue under the new program.

2.55   It is essential that well prepared guidelines, web-based information, and contact information are provided to potential applicants to alleviate potential confusion around the objectives of the RLCIP, and to avoid any perception of a lack of transparency relating to projects, whether they be successful or unsuccessful.

2.56   When ACCs were originally established alongside the now defunct Regional Economic Development Organisations (REDOs) their role was to advise government on issues in their region, and to 'disseminate information on government priorities and programmes'.[46] With the introduction of the RPP, this role became largely subsumed by the role they played in the RPP grants process. In a sense, it appears to have become the predominant role of ACCs.[47]

2.57   Under the RPP, the national network of ACCs (now RDA) provided a link between the Commonwealth Government and rural and metropolitan Australia. ACCs were the primary point of promotion and assisted local communities with application development, thereby filtering applications to some extent and providing advice to DOTARS on these projects.

2.58   Throughout its deliberations the Committee has been conscious of a number of sometimes conflicting factors:

- the Parliamentary Secretary for Regional Development and Northern Australia is currently considering options for the roles and responsibilities of RDA. It is unlikely that these considerations will include a role for RDA in the assessment process of the RLCIP applications;

- the DITRDLG has stated that despite the central role ACCs played in assisting with the development of applications under the RPP, 80 per cent of RPP applications were not complete;[48]

- RDAs and RPP applicants have claimed that the type of information required by DOTARS during the RPP was often 'ridiculous': there were times when they saw few valid reasons for

46   *Case Studies on impacts of water reform on communities within Area Consultative Committee Regions – Executive Summary*, 2004, p.4, www.acc.gov.au/downloads/Community_Implications_National_Water_Initiative_exec _sum.pdf

47   See DOTARS, *Area Consultative Committee (ACC) Charter 2006* http://www.oranaacc.com.au/content/OACC%20Charter.pdf

48   Mr Angley, *Proof Committee Hansard*, Canberra, Monday, 13 October 2008, p.32.

it being required, or where questions from DOTARS were seen as unnecessarily repetitive; [49]

■ Contributions to the inquiry, whether from local government, not-for-profits or RDAs, recognised the importance of having a local presence with local knowledge; the capacity to develop partnerships and to put project proponents in touch with each other; and to assist in developing applications;[50] and

■ regional offices have played a role in contract management that has been of benefit in ensuring that local circumstances are taken into account and understood.

2.59   The Committee wishes to canvas two options the Government could consider in addressing these factors:

■ firstly, the Government could more formally charge RDAs with the role of assisting applicants to develop their Expressions of Interest (as recommended in Recommendation 18) into an application; or

■ secondly, the DITRDLG could undertake this role utilising either a regional field officer in each region or an officer allocated a specific region from either the national office or a regional office (where available).

2.60   It has been difficult for the Committee to come to a conclusion on whether RDA should provide the role of assisting proponents to develop an Expression of Interest into an application without having a clear understating of what RDA's roles and responsibilities will encompass.

2.61   There are clearly benefits to RDA facilitating local partnerships, bringing project proponents together and assisting in sourcing additional funding. However, there are also clear benefits in a system where the DITRDLG has regionally based field officers (or officers responsible for regions) to collaborate with local council and community groups to identify opportunities, priorities and partnerships.

2.62   If the Government chooses to pursue the option of having regionally based field officers (or officers responsible for regions) collaborating with local council and community groups to identify opportunities,

---

49   Hyden Progress Association, *Submission no.45*, p.1.

50   Mr Haslinghouse, *Official Committee Hansard*, Shepparton, Friday 8 August 2008, p.29; Ms Dorn, *Official Committee Hansard*, Wednesday, Ballarat, 6 August 2008, p.32; Mr Crouch, *Official Committee Hansard*, Shepparton, Friday 8 August 2008, p.22.

priorities and partnerships, the Committee emphasises the critical importance of regular face-to-face consultation between program officers, their state counterparts and communities. The DITRDLG should provide considerable investment in developing and retaining expertise on the regions. This could be managed by entrusting responsibility for particular regions to identified staff, who could be located in the national office or based in regional areas.[51]

2.63   The ANAO report on the former program found that it was hampered by an insufficient capacity to perform financial analysis, and an insufficient level of awareness of the significance of such analysis.[52] Accordingly, the Committee takes the view that a component of the DITRDLG must be dedicated to assessing applications, and that it be given sufficient staff and resources to allow it to perform such a function effectively.

2.64   This is one aspect of the necessary separation between functions in the DITRDLG. Others that must be considered are the project management, acquittal, and project and program evaluation. In view of the apparent challenges agencies face in recruiting skilled staff, there are obvious pressures to entrust work units with more than one function. In the Committee's view, this must be balanced against levels of separation necessary to ensure high standards of public administration.

2.65   Whichever option is adopted, the Committee notes that under the RPP, ACCs were assigned coverage of specific geographical regions within the states and territories. The Committee heard that the ACC boundaries were not aligned with the regional boundaries identified by state governments.[53] The Committee believes it would be helpful if there was greater alignment between Commonwealth Government regions and those utilised by each state and territory.

---

51   Also see Recommendation 15.

52   ANAO, *Performance Audit of the Regional Partnerships Programme: Volume 2, Report No.14, 2007-08*, pp.443-449.

53   State Government of Victoria, *Submission No.244*, p.7; Western Sydney Regional Organisation of Councils, *Submission No.229*, p.1; Local Government Association of South Australia, *Submission No.195*, p.4.

Recommendation 8

2.66   **The Committee recommends that the Government consider the following two options:**

- **the Government could more formally charge RDAs with the role of assisting applicants to develop their Expressions of Interest (as recommended in Recommendation 18) into an application; or**

- **the DITRDLG could undertake this role utilising either a regional field officer in each region or an officer allocated a specific region from either the national office or a regional office (where available).**

Recommendation 9

2.67   **Should the Government wish to pursue the option of having regionally based field officers (or officers responsible for regions) collaborating with local council and community groups to identify opportunities, priorities and partnerships, the Committee recommends that officers of the DITRDLG should:**

- **promote and publish information about the program;**

- **provide advice on Expressions of Interest;**

- **assist with developing applications;**

- **assess applications;**

- **develop expertise and provide a point of contact for each region;**

- **work in close contact with state government Regional Offices;**

- **draft and manage funding agreements; and**

- **evaluate project and program outcomes.**

Recommendation 10

2.68   **Should the Government wish to pursue the option of having regionally based field officers (or officers responsible for regions) collaborating with local council and community groups to identify opportunities, priorities and partnerships, the Committee recommends that the DITRDLG invest significant time and effort in developing and recruiting staff with expertise in designated regions, and in assisting local government and community organisations with developing expressions of interest into applications.**

The assessment process

2.69   In regards to the assessment process, the Committee is of the opinion that centralisation would be beneficial. The following sections canvass two possible options for Government. The first option discusses the merits of centralising the assessment process in Canberra, taking into account the need for quicker assessment times and other recommendations made in the ANAO report. The second option considers, in addition to a centralised assessment process, adding a state and territory based panel of federal, state and local government representatives to the process. The panel, it is envisaged, would review applications from the DITRDLG and make recommendations to the Minister.

Centralised assessment

2.70   It has been proposed that, under the RLCIP, either the DITRDLG or RDA will assist in developing applications and perform other background work necessary to provide high-quality advice. This section considers the option of an entirely centralised assessment process.

2.71   Under the RPP, applications were processed in succession by ACCs, DOTARS' regional offices, DOTARS' central offices and Ministerial decision-makers.[54] This constituted a partially decentralised assessment procedure under the RPP, particularly in its first three years of operation.

---

54   See Figure 1:1.2, ANAO, *Performance Audit of the Regional Partnerships Programme*, Performance Audit Report No. 14, 2007-08, p. 16.

2.72   The Committee wishes to acknowledge statements by a number of witnesses, that ACCs and DOTARS regional offices had been helpful to RPP applicants.[55] However, it appears that the involvement of so many parties in the assessment process had negative effects.

2.73   First, it appears to have contributed to the time taken by DOTARS to receive and assess applications, and to notify applicants of the outcome. This was identified by witnesses throughout the inquiry as an area of prime concern.

2.74   Second, the decentralised assessment model contributed to the below-standard administrative culture of the program identified by the ANAO.[56] Its report suggested that DOTARS had not sufficient capability to perform financial analysis and management to support the program,[57] and that DOTARS' regional offices, specifically, were weak in this regard.[58]

2.75   In the Committee's view an appropriate response is to group administrative functions retained by the DITRDLG at a central office. Such an approach will enhance the agency's capacity to attract and retain the necessary financial expertise to administer the RLCIP; create clearer lines of responsibility than under the RPP; and reduce the number of administrative layers involved in the assessment process. This, together with the adoption of funding rounds and streams, and clear criteria for eligibility recommended in this report, would facilitate better standards of public administration and transparency for the new program.

State and territory based panels

2.76   The Committee expects that the DITRDLG will play a central role in assessing applications and making recommendations to the Minister. Yet in addressing the concerns raised in evidence provided, the Committee has explored the option of including state and territory panels in this process.

---

55   Ms Dorn, BGT Employment, *Official Committee Hansard*, Ballarat, Wednesday 6 August 2008, p.32; Dr Scott, G21 - Geelong Regional Alliance, *Official Committee Hansard*, Ballarat, Wednesday 6 August 2008, pp.49-50.

56   Mr McPhee, *Proof Committee Hansard*, Canberra, Monday 13 October 2008, pp.3-4.

57   ANAO, *Performance Audit of the Regional Partnerships Programme,* Performance Audit Report No.14, 2007-08, pp. 443-447, 477, 482-483.

58   ANAO, *Performance Audit of the Regional Partnerships Programme,* Performance Audit Report No.14, 2007-08, p.472.

2.77   In addition to the DITRDLG, state and territory government agencies manage regional issues. Where these agencies have been involved in applications for partnership projects under the former program, it has at times proved frustrating for applicants, in the sense that applications have been subject to several different assessment processes. Across the country, the Committee heard that creating higher levels of consistency in guidelines, plans and priorities across the three tiers of government would reduce significantly the obstacles which applicants have encountered under the former program.[59]

2.78   The creation of panels in each state and territory could assist in harmonising and streamlining assessments by:

- enabling funding partners to simultaneously agree to funding projects;

- ensuring projects meet the priorities and plans of all tiers of government; and

- timing funding rounds with those of each state and territory.

2.79   In Recommendation 19 the Committee proposes four rounds per year for funding projects under $50,000 and two rounds per year for funding projects over $50,000. Should the government decide to adopt state and territory based assessment panels, the Committee proposes each assessment panel would meet four times per year to take account of both three-monthly rounds and six-monthly rounds as noted in Recommendation 19.

2.80   Under this model, an assessment panel based in each state and territory could be the impetus for future harmonisation of application processes, and funding and accountability structures. Separate assessment panels in each state and territory would be required because each has a different regional infrastructure funding model. Separate, nominal funding allocations to each state and territory would also be required for assessment panels to rate applications.

2.81   This option entails an assessment panel of representatives from each tier of government to meet regularly to make assessments and align regional objectives. The federal Minister would invite nominations from local government and the state or territory governments and

---

59   Ms Parker, Department of Tourism, Regional Development & Industry (QLD), *Official Committee Hansard*, Toowoomba, 21 July 2008, p.18; Mr Howe, Outback NSW ACC, *Official Committee Hansard*, Dubbo, 12 August 2008, p.31; South East Local Government Association, *Submission No.203*, p.4; Albury Wodonga ACC, *Submission No.188*, p.11.

would appoint delegates to each assessment panel. The assessment panel could also co-opt representatives from peak community organisations, economic development bodies and philanthropy groups.

2.82   State based assessment panels would also allow for expertise from different agencies to be drawn from the States. An example of this is the Community Support Fund Advisory Council (CSFAC) which comments on recommendations made to the Victorian Community Support Grants program. The CSFAC consists of representatives from diverse backgrounds including ethnic, community, welfare, sport, tourism and the arts.[60]

2.83   The Committee believes the makeup of the panels should be as flexible as possible. This would allow representation to reflect the size and diversity of needs in the states and territories and the expertise required.

2.84   The panel could be set up in a similar way to the state-based Assessment and Advisory Panel of the former federal government's *Investing in our Schools* Programme or the *Black Spot* Programme. The *Investing in our Schools* panel assessed all complete and compliant applications against a set of guidelines and made recommendations to the Minister. The panel was chaired by an Australian government officer and comprised state representatives from peak school state bodies.[61]

2.85   The panel could attach higher weightings to projects that have a higher amount of partnership funding from proponents, state government, local government and/or philanthropy. This occurred with the *Black Spot* Programme.

2.86   In addition, recommendations from the panel to the Minister under the RLCIP would be powerful because the three tiers of government would be supporting projects at the same time. The onus would be on the Minister to make the reasons clear if final decisions differ from recommendations of the panel.

Conclusion

2.87   In the preceding section, the Committee has recommended two options for Government consideration. Both options support a new

---

60   State Government of Victoria, *Submission No.244*, p. 20.

61   Department of Education, Science and Training, *Investing in Our Schools Programme: Guidelines for State Schools*, 2007, pp.12-13.

program which employs a centralised assessment process. However, the Government may wish to consider the addition of panels in each state and territory, with delegates from the three tiers of government and others, to provide recommendations on applications to the Ministerial decision maker.

Recommendation 11

2.88   **The Committee recommends that the Government consider developing a centralised assessment process for the Regional and Local Community Infrastructure Program.**

The Committee also recommends that, in addition to employing a centralised assessment process, the Government consider establishing panels in each state and territory, with delegates from the three tiers of government and others (peak community organisations, economic development bodies, philanthropy groups and people with particular expertise), to provide recommendations on applications to the Ministerial decision maker.

Recommendation 12

2.89   **The Committee recommends that, if state and territory based panels are adopted, the Department of Infrastructure, Transport, Regional Development and Local Government:**

- **advise the panel on applications;**

- **provide a delegate to chair the panel and to represent the federal government.**

Funding the new program

2.90   DOTARS received funding from one administered annual appropriation for the RPP.[62] Generally, at the end of the fiscal year, unspent funds from annual appropriations are not available to departments for the next fiscal year. There is, however, a process

---

62   ANAO, *Performance Audit of the Regional Partnerships Programme: Volume 2*, Report No.14, 2007-08, p.497.

whereby a Minister can request that the unspent appropriation be added to future financial years. This is called re-phasing.[63]

2.91   Because the RPP operated on a continuous basis and was designed to provide funding to successful projects as they met their project milestones, the RPP—in the four years examined by the ANAO— underspent its available allocated appropriation each fiscal year.[64] As a result, DOTARS sought 'significant re-phasings of appropriated funds' in each fiscal year between 2003 and 2007.[65]

2.92   Unspent money in one year being rolled over to the next was not necessarily problematic, as money continued to be available for the funding of programs as milestones were reached. However, problems did arise out of the RPP's inability to expend its yearly budget allocation.

2.93   For example, the total underspend in one year was not always re-phased into later years. Therefore, underspending led to a loss in funds available to the program.[66] This problem was exacerbated and compounded by a culture in DOTARS that encouraged the expeditious 'payment of funds as 30 June drew near so as to reduce the amount of any unspent appropriation'.[67]

2.94   DOTARS adopted various strategies to increase the RPP's yearly expenditure (often in the latter part of the fiscal year). These included:

- reducing assessment times through the application of less rigorous assessment processes;

- making payments in advance of project needs and before funding agreement pre-conditions had been met;[68] and

- providing a significant amount of the funding in the first payment instalment.[69]

63   ANAO, *Performance Audit of the Regional Partnerships Programme: Volume 2*, Report No.14, 2007-08, p.505.

64   ANAO, *Performance Audit of the Regional Partnerships Programme: Volume 2*, Report No.14, 2007-08, p.502.

65   ANAO, *Performance Audit of the Regional Partnerships Programme: Volume 2*, Report No.14, 2007-08, p.505.

66   ANAO, *Performance Audit of the Regional Partnerships Programme: Volume 2*, Report No.14, 2007-08, p.506

67   ANAO, *Performance Audit of the Regional Partnerships Programme: Volume 2*, Report No.14, 2007-08, p.504.

68   ANAO, *Performance Audit of the Regional Partnerships Programme: Volume 2*, Report No.14, 2007-08, p.508.

2.95   As a result, the system of budgeting yearly allocations for the RPP had a negative impact on its operation and the Committee is concerned that the RLCIP is not faced with the same challenges.

2.96   One option is the creation of a special account. Victoria has taken the approach of establishing a trust fund of the public account. In this instance, establishing a trust fund of the public account quarantines spending commitments and protects the program from 'the restrictions of budget carrying forward provisions'.[70] The Victorian government believes that in its case, this has ensured that regional communities in Victoria are 'afforded the assurance of government support'.[71]

2.97   In the federal context, a special account for the purpose of a new program would ensure that money allocated by the government for the program would exist at arm's length from the budget cycle. Therefore, money could be distributed when required, according to funding agreements. The pressure to expend funds by the end of a fiscal year would cease and the potential loss of funds due to re-phasing restrictions would be abated, resulting in better management of projects by the administering department to the benefit of funding recipients.

2.98   The ANAO advised that some advantages would be obtained by creating a special account for the RLCIP. However, the Auditor-General cautioned that he would not like special accounts opened too often and there may be other ways to achieve the objectives of better financial management.[72]

2.99   The Committee is seeking further advice from the Auditor-General and Department of Finance as to how this may be achieved before making a recommendation in this area.

69   ANAO, *Performance Audit of the Regional Partnerships Programme: Volume 2*, Report No.14, 2007-08, p.512.

70   State Government of Victoria, *Submission No.244*, p.9.

71   State Government of Victoria, *Submission No.244*, p.9.

72   Mr Boyd and Mr McPhee, ANAO, Proof Committee Hansard, Canberrra, Monday 13 October, pp.28-29.