



Mildura Rural City Council

"The Most Liveable, People Friendly Community in Australia"
A.B.N. 42 498 937 037

File 16/07/04
15 July 2008

Committee Secretary
House Standing Committee on Infrastructure, Transport,
Regional Development and Local Government

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INQUIRY INTO A NEW REGIONAL DEVELOPMENT FUNDING PROGRAM

This is a submission to the Standing Committee on Infrastructure, Transport, Regional Development and Local Government in relation to its current inquiry.

This submission responds to the first term of reference:

Provide advice on future funding of regional programs in order to invest in genuine and accountable community infrastructure projects.

The submission is based on a Mildura Rural City Council Regional Partnership Funding application for three-way funding commitments of \$18 million by state, local and federal government for the redevelopment of the Mildura Arts Precinct. The project application was submitted in July 2007 and formal notice received that due to the change in government and the Auditor General's report, funding could not be committed.

As a consequence, the project, which is based on master planning options, has been restructured into a smaller project and will commence on Stage 1 to provide the community with much needed cultural and community infrastructure based on an in-principle funding commitment from local government and state government of \$10 million.

Project Background

The Mildura Arts Centre Precinct Development Plan was jointly funded by Mildura Rural City Council (MRCC) and DOTARS who jointly commissioned Lateral Projects to undertake the project feasibility study. Lateral Projects are strategic project planners experienced in cultural and community infrastructure planning and development. The brief was to determine several options for creating an Arts and Cultural Precinct.

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The project had to:

- meet identified community needs
- work within the available budget and
- be sustainable in terms of capital and recurrent investment.

The outcome of the feasibility study provided a fully costed concept design, project brief and operational requirements for an \$18 million redevelopment¹.

The preferred redevelopment option received unanimous support from council and the community² to proceed to the next stage of project planning which has resulted in this business plan and a bid seeking government funding support (based on a \$6 million commitment from Local Government and, a request for matching funding from state and federal government).

Project Status - Alternative Strategy Required

Funding applications were lodged with DOTAR and Regional Development Victoria (RDV) in July 2007 seeking \$6 million from the state and federal government to match the local government contribution. Feedback from both agencies reinforced that the applications were comprehensive and well substantiated.

The state government was happy to commit matching funding pending federal government commitment. However the federal government application could not be assessed during caretaker mode prior to the election. Post election, numerous attempts were made to seek clarification from the federal government. As a result of a National Audit Office report an inquiry is now being conducted into a new regional fund so no future federal government funding can be committed until the policy and legislation surrounding the new regional fund is decided and budget established, this will be next financial year 2009/10 at the earliest.

Accordingly, the Mildura project funding is now in question and an alternative strategy is has now been approved in-principle by Council.

Project Redevelopment Objectives

Any alternative strategy needs to revisit the master plan proposition to ensure the staging and functional requirements are both sustainable and will provide a base significant benefit to the community and cultural dividend on investment.

Based on the master plan framework the following staging can be achieved:

- Provide 2-3 stage redevelopment process that will enable state and local government commitment on Stage 1 immediately.

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¹ Refer Attachment B, Mildura Arts Centre Precinct Redevelopment - Feasibility

² Refer Appendix 2, Letters of Support

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- Provide a basis for federal government investment at Stages 2 & 3 that build on principle investment, cultural assets and the social and economic drivers underpinning Mildura's regional development
- Ensure that the precinct is visionary in its staging to provide the platform for other forms of investment from the private sector

We maintain that a quality arts precinct with state of the art facilities needs to be centred around Rio Vista, as this building would consolidate and reinforce site heritage and capacity.

How it affects the master plan and possible staging

The purpose of the staging is to prioritise community need with what we can achieve with the in principle funding commitments from Mildura Rural City Council and the State Government and provide a framework for future investment.

The site provides enormous long term potential for expansion as Mildura grows. In developing the preferred option further consideration was given to how the site can be utilised both in the immediate and long term.

Based on the principles of the master plan vision we are proposing a 2 stage redevelopment of the precinct. Staging the redevelopment enables immediate redevelopment and link to long term staging of master plan vision that builds on public/community asset that would be attractive in the long term to both state, federal government and private investors.

Short term - \$10 Million – State/ Local Government Funding Commitment pending

- A consolidation of key community infrastructure that is desperately needed will provide the foundation to demonstrate community capacity in cultural delivery for future funding and maintain a vision for future expansion.

Long term - Master Plan Expansion – Federal/State and private investment opportunity

- Realigning Cureton Avenue to the original Chaffey title boundary, retaining the trees along that boundary and thereby increasing 'the flat' above the escarpment and the minor road for limited access. This increased area provides a foundation for future expansion of an iconic redevelopment and a means of connecting to the river itself and the courts. The additional car parking could service the bowling club's needs for additional spaces.
- Co-location of the art schools of Latrobe University and TAFE in the cultural precinct which has received positive support.
- Other opportunities for site expansion include utilising the land at the rear of the site for extension to car parking or extending facilities further, subject to Vic Track railway line relocation.

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Stage 2 allows a two part redevelopment of the site near the theatre to develop a vibrant community/education cultural precinct and a potential redevelopment of a premier national regional gallery and seminar venue that could attract both public and private funding.

The key to this strategy is the realignment of the business case and funding applications to achieve this staged redevelopment that will ensure the community see some commitment and investment in its cherished cultural precinct.

Summary response (key points)

We believe funding should be broadly based on an assessment of measurable benefits to regional communities that will complement and build on the physical assets and the operational and creative capacity of the community.

Investment in infrastructure is critical to how regional communities can find innovative solutions to respond to the environmental, social and economic changes. Cultural, community and heritage infrastructure plays an important part in translating these opportunities and transition through change.

1. Quantum of funding – based on sustainability

We believe funding should respond to a demonstrated community need that supports an innovative adaptation of existing public assets and be assessed on sustainability rather than if they fit within a benchmark of what has been funded before.

The Mildura submission was based on what was required to meet community need now and into the future and what could be sustained by the community. Anecdotal comments suggested that Mildura was requesting more than any Local Government had received for a cultural infrastructure redevelopment.

If projects are funded based on benchmarks then they are potentially short changing the project intent and business model on which the operational sustainability is measured as well as the social and economic benefits achieved.

We would recommend to the Committee that there should be no specified limit on project funding but rather a more rigorous examination of what the indicators for community benefit and measures for sustainability might be.

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2. Time lines for approval

Typically funding applications for capital works are based on an independent cost plan prepared by a quantity surveyor. This cost plan takes into consideration the time it takes to achieve approval, design, tender and construction, known as the cost escalation allowance. In the case of the \$18 million project proposed by Mildura Rural City Council in June 2006 the escalation was based on 12-15 month approval process to construction and was estimated at \$765,000.

Accordingly, timely decision making is critical to ensure public funding is best utilised and funding that would otherwise be dedicated to infrastructure development is not reduced by time delays.

3. Process of double evaluation - each ACC has a different interpretation on the way funding application should be structured in terms of content that is not specified generically.

We recommend an integrated evaluation process that reduces duplication with staged validation rather than multiple stages of approval.

The Mildura submission was reviewed by the local ACC then issued to a regional body and underwent various reiterations before being sent to the federal government.

The process has been driven by an individual's interpretation of questions and how previous applications have been structured, rather than seeking the information and clarity required to demonstrate the project's sustainability and demonstrated need.

Given the time involved and the investment of over \$100,000 in preparation of reports and applications and participating and responding to the process, a number of key principles should be considered in any new funding criteria and process:

- a) The process should include an in-principle validation of the project proposal to be undertaken based on study or assessments to date. This validation does not necessarily include the commitment of funds.
- b) Projects such as the Mildura Arts Precinct represent a significant investment by local government and a new process could incorporate an approach that is more aligned to building a case study rather than responding to arbitrary questions, which can be ambiguous.

We believe the analysis and consideration outlined below is required to accurately determine the required capital and recurrent investment in new infrastructure. This should be reflected in the funding application so that consistent measures on project merit and projected outcomes can be evaluated rather than interpreted through generic questions.

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Key project requirements worth considering and which the Mildura Arts Precinct redevelopment invested in to determine and test the level of investment required included:

- Strategic plan
- Business and operation plan
- Feasibility on infrastructure requirements to meet operational requirements
- Cost benefit analysis
- Risk Management strategy outline
- Independent social and economic benefits analysis
- Demonstrated community support and effective consultation.

4. Consultation between funding bodies

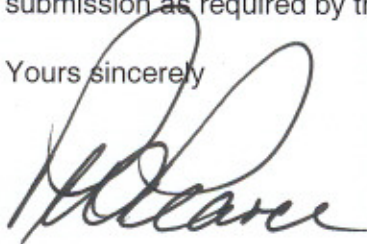
The complexity of managing relations between state, federal and local governments needs to be addressed. There is no transparent brokering or collaborative mechanism that can maximize the benefits of federal, state and local government partnerships. We recommend the development of a more transparent committal of funds so that time is not wasted on misinterpretation and going back and forth.

Joint funding is often predicated on state, local and federal funding matching dollar for dollar. Therefore the application becomes a process of assumption and in principle discussion that cannot be formalised until the application process has run its course. The decisions are often made based on who will give what rather than what the community actually needs and what policy directives have a strategic relationship to the proposed outcomes.

There is also little or no precedence for how private investment can be incorporated or leveraged in this government funding process. Private investment is often perceived as either too hard or risky which means there is insufficient structure and process to guide the government and the community in how they can incorporate private investment opportunities that provide both a social and economic dividend on the collective funding.

Thank you for the opportunity to respond to this inquiry. We believe Federal Government funding, appropriate legislation and support for regional community infrastructure projects that build capacity and are sustainable, are critical to the effective development of regional Australia. We would be happy to provide additional details on any comments made in this submission as required by the Committee.

Yours sincerely



PHIL PEARCE
CHIEF EXECUTIVE OFFICER

Copy Alex Haynes, Katherine Armstrong