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

Inquiry into a New Regional and Local Community Infrastructure Program

Submission by Michael Iaccarino, Executive Officer, Melbourne's North and West Area Consultative Committee

August 2008

Introduction

This submission has been prepared by Michael Iaccarino who was the Executive Officer of Melbourne's West Area Consultative Committee for six and a half years, prior to the region being reconfigured to the North and West Area Consultative Committee from 1st October 2007. Shortly after the north and west regions were reconfigured into a larger Melbourne's north and western region, the election was called and the Regional Partnerships Program (RPP) effectively went into abeyance. Accordingly, this submission is based on the experience with the Regional Partnerships Program of Melbourne's West ACC prior to 1st October 2007.

Melbourne's West Area Consultative Committee serviced the six Local Government Areas of Brimbank, Melton, Wyndham, Hobsons Bay, Maribyrnong and Moonee Valley. Within the western region, Wyndham City Council and the Shire of Melton represented two of the fast growth corridors in Australia. The population of the region is estimated to be in excess of 650,000 residents. It has some relatively affluent areas, such as Moonee Ponds, Essendon and Williamstown, but also some of the most disadvantaged suburbs in Australia, such as Braybrook, Maidstone and Laverton.

Generally the skills base of the region is low, with resident skills and qualifications disproportionally located at the unskilled and semi-skilled end of the spectrum with a relatively low proportion of professionally qualified residents.

 The submission has been based on first-hand experience in assisting applicants to apply for funding under RPP, and was further informed by consulting with applicants, both those who were successful and those who were unsuccessful. A list of the consultations that were undertaken is at Appendix 1.

Overarching purpose and objectives

Setting objectives that are not too restrictive as to limit innovative regional development projects yet not so broad that they are essentially meaningless

The overall purpose of a new Regional and Local Community Infrastructure Program should be:

- To provide enabling funding for worthwhile projects that would not happen, or suffer significant delays, without such funding
- To facilitate the coming together of key participants in the region to work in partnership to identify priority issues that need to be addressed and to develop and fund projects that will benefit the region, economically, socially or environmentally
- To address disadvantaged communities to increase the capacity of their residents to participate meaningfully in economic, social and civic activities
- To provide value for money use of taxpayer funds

Accordingly, funding should be available for projects that result in:

- Improved community infrastructure
- Increased capacity of the community to identify and address its own unique problems

- Improved access to services
- Provide equitable opportunities for all to develop and use their skills and talents
- Effective structural adjustment
- Business growth and employment

One way of narrowing the objectives in order to make the program administratively simpler would be to restrict funding to only physical infrastructure projects. However, for the sake of administrative simplicity, the program would become unnecessarily restrictive. The program provides an important vehicle for the Federal Government to connect with local communities, in order to realise its combined economic development and social inclusion objectives. It provides a means for working directly with communities to address barriers to opportunity, to obtain an understanding of the impact of its policies and to inform its future policy development. This approach also acknowledges that given the capacity to do so, local communities are often best placed to decide what is in their best interests. It makes little sense to restrict local and collaborative creativity to solely physical infrastructure projects, as important as some of those are.

The partnerships aspect of a regional program is also very important. Advantage should be taken of existing State and Local Government community structures, in the interests of minimising duplication and ensuring resource allocation efficiencies.

Projects under RPP that included funding from State and Local Governments, gave practical expression of the concept of a 'whole-of-government' approach, and to the notion of 'co-operative federalism'. They also provided an indication of how some of the problems regarding assessment can be alleviated. With projects that involve the Federal, State and Local Government amongst the partners, there is considerable merit in bringing representatives of the partners together early to consider the project concept and examine the extent to which it is likely to attract funding. Having well-established relationships at the regional level amongst the three tiers of Government, would enable the early creation of partnerships and a collaborative and creative approach to project development. It would be even better if exactly the same application could be used for both State and Federal funding. It makes little sense and is a waste of resources for an applicant to have to lodge separate applications to the State and Federal Government, to seek advice from them separately on how to complete an application for the same project and then have to wait until approval is given to both applications. The early involvement and linked up approach would also enable greater knowledge to be obtained about the extent to which the project meets the established criteria and therefore increase the value of the local assessment of the project.

Targeting of the Program

In general, program funding should be targeted to areas of greatest need, particularly in terms of enhancing the capacity of a community to come together and determine its future. A guiding principle should be equity of access to opportunity and services. Another consideration should be the capacity and resources that currently exist within a community. Preference should be given to regions that have less capacity and resources over those that have greater capacity and internal resources to fend for themselves.

However, the program must allow for the uniqueness and peculiarities of different regions. It should not be universally accepted that rural regions have a greater need than urban regions. Often the challenges and needs of urban living are different, but no less challenging than those of rural and remote regions.

Investment in genuine and accountable community infrastructure projects

The determination of whether projects will deliver genuine and accountable community infrastructure is a product of the assessment and decision making processes. There are 3 aspects to this:

1. Relevant criteria against which an applicant can make their claims
2. Effective assessment processes for testing whether criteria have been met and the validity of claims
3. Transparent decision making processes that are held up to scrutiny and clearly show the reasons for the determination

Relevant Criteria

Individual criterion should not be at odds with each other. Under the Regional Partnerships Program (RPP), there was a criterion of project viability that required that the project outcomes be sustainable. For a number of projects this in effect meant that once the project had been established, it had to be able to generate sources of revenue to secure its sustainability. A number of projects that involved the construction of a Community Centre, sought to generate on-going funding by including a café within the Centre. However, their applications were not approved because of another criterion of 'competitive advantage'. In effect it was determined that because there were other cafes in the vicinity, the project was not competitively neutral. Thus, project viability required that they generate an income source in order to continue to deliver the outcomes, yet their capacity to do so was curtailed by the fact that any commercial activity had to be competitively neutral.

The ANAO Audit Report noted that 'although broadly expressed, the assessment criteria are sound and appropriate to the Programme' (ANAO, 2007-08, Vol. 1, p. 35). Other than for the issue of competing criteria, noted above, there is no disagreement with the ANAO assessment of the suitability of the program criteria. However, it needs to be noted that there will always be a degree of subjectivity in determining to what degree a particular criterion has been met. For example, one of the criteria under the RPP program was that the project delivered tangible benefits to the community or region. However, in many instances those outcomes would not be realised until the project had been implemented. Thus, it involves predicting what is likely to result from the project, and the decision as to whether the criterion has been met will, in large part, rely on the supporting logic provided by the applicant. Probably the best the assessor can do is ensure that there is a coherent logic to the claims made. However, what is highly desirable, if not paramount, is that there is consistency in the interpretation of the criteria amongst assessors and that the tact that assessors will take is reflected in the program guidelines or communicated to those assisting applicants to prepare their applications.

Assessment Processes

CEO's from Local Government Councils in Melbourne's West expressed the view that there must be clear and precise guidelines and explanation of the process for obtaining funding, so as to provide a much clearer indication of the likelihood of success of funding applications. Some of these Councils had spent considerable time, resources and money on projects that had been unsuccessful. The ANAO report observed that changes to RPP announced by the former Minister for Transport and Regional

Services on 12 September 2007, had provided both a clearer focus for applicants in applying for grants and for the department in tailoring its administration. The thrust of the changes were:

- to put funding parameters around RPP by limiting it to maximum funding of $1 million per project, and introducing a new Growing Regions Program that would provide funding of between $1 million and $3 million
- to separate RPP applications into 3 streams: enterprise partnerships, into which all applications from private businesses would be channelled; community partnerships, to which all other applicants would apply; and a streamlined process for applicants, other than private businesses, seeking funding of less than $50,000

(ANAO, 2007-08, Vol. 1, p. 29-30).

Funding Parameters
While agreeing with the thrust of the changes, some further refinements would provide even sharper focus for applicants, while allowing for tighter administration. There is merit in delineating between a lower funding program and a higher funding program. The higher funding program would be for bigger, longer-term projects. It would involve regional representation of the three levels of Government and any other key regional bodies coming together to agree on a 3-5 year regional plan and to identify 3 to 5 priority projects to be funded over the life of the plan. The focus would primarily be on physical infrastructure. CEOs from Local Government Councils in Melbourne's West noted that there is a funding gap for projects between $500,000 and $10 million, and accordingly these could form the maximum and minimum amounts of funding available under this program. An application could only be submitted by a Local Government Authority or a regional body that is not predominantly funded by either State or Federal Governments, and the same application would be submitted both to the State and Federal funding bodies. Comments would also be sought from Regional Development Australia Committees. Given the size of the projects, the extent of the planning and collaboration involved, the magnitude of funding sought, and the necessity for external viability assessments, there would only be one funding round per year.

CEOs of Local Government Councils in Melbourne's West favoured a two-tiered approach, in which application could be made to fund a planning and feasibility phase, which then puts you on the list for the following year's funding. They observed that this approach provided for early level involvement of 3 levels of Government in determining whether it is a project of regional worth and significance.
The basis for a forum to carry out the regional planning and project development already exists in the form of the Regional Manager's Forum that operates in Melbourne's North and West. It is made up of senior Departmental representatives of State Government Departments and CEOs of Local Councils in Melbourne's North and West. This forum could be expanded to include Federal Government representation at a regional level.

The smaller funding program would accommodate projects of $500,000 or less. While it would include smaller physical community infrastructure projects, it will also provide the opportunity to seek funding for a broader range of community and regional enhancement initiatives. Applications would be open to Local Government and incorporated community organisations. There would be three funding rounds per year and the dates for each round would be publicised in advance at the beginning of the year. Again, where State and Federal Government funding is involved, there would be early involvement in providing project development guidance, and one application would suffice for funding from both levels of Government. Clearly, the assessment process would be enhanced by local input from those who are aware of the context of the project, who have an understanding of the regional priorities, who may have knowledge of the applicant, who have a good understanding of the program criteria, and who are in a

better position to gather intelligence on the project. Naturally, such input needs to be as accurate and objective as possible, made by those who have no vested interest in the project, other than that it will deliver genuine and tangible benefits to the region in a cost effective manner. Regional Development Committees, whose members are made up of well-respected community representatives from Government, business and community organisations, are well placed to provide this 'honest broker' role.

There are three strong reasons for Regional Development Committees to continue the role of ACCs in assisting potential applicants. Firstly, where proposed projects clearly fall outside the parameters of the program, applicants can be advised at the very early stages. Secondly, it is in assisting applicants to prepare their applications that ACC staff gain a more in-depth knowledge of projects, which puts them in a better position to make informed comments at the assessment stage. Thirdly, it is evident from consultations that the assistance provided by ACCs to applicants is highly valued, and that there is a need for such assistance to demystify the application process and explain the rationale behind the criteria. This is particularly the case for community organisations that are often resource and time poor. It would not be appropriate to utilise the Regional Development Committees solely for providing assistance to applicants and remove them from input into the assessment, because of the importance of local input, as noted above.

In terms of testing the validity of claims, this can to a certain degree be addressed by evidence in support, such as planning approvals, quotes for intended expenditure, cash flow forecasts, etc. However, a risk management approach should be adopted. Whilst it is paramount to ensure that public funding is put to good use, it is undesirable that a situation is reached where the time and expense to gather supporting evidence for relatively small requests for funding, coupled with the uncertainty of whether the application will be successful, would make it imprudent to even bother to apply. Under this scenario, the projects most likely to be effected are those organic community-based projects that have the greatest prospect of building the capacities of a local community.

Significant weighting should be placed on Regional Development Committee assessments of the outcomes of a project, and they would also be able to provide informed comment about other criteria. However, it would be more cost effective for detailed examination of project and applicant viability, and contract management functions to be centralised and conducted by Departmental Officers or a Secretariat of Regional Development Australia.

Streaming of Projects
Other than separating into a major and smaller project programs, as described above, no further streaming is considered necessary. Private businesses should not be eligible to apply for public funding, as it would raise a number of issues such as: competitive neutrality, the capacity of private business to profit from the investment, the capacity of private business to raise funds from other sources, and the fact that private business is disinclined to postpone investment decisions for up to six months while an application has been prepared and proceeded through the assessment process, particularly if there is no certainty of success. The opportunity for them to be involved as partners in projects would of course be retained, but they would not be able to be applicants.

Decision Making Processes
Major Projects
Given the level of public funding involved, from $500,000 to $10 million, responsibility for final approval would rest at Ministerial level, based on the assessment and recommendations completed by Departmental officers or the Regional Development Australia Secretariat. However, where the Minister(s) makes decisions that are contrary to the recommendations, the reasons for doing so are made explicit and communicated to the applicants. A right of review, similar to that which existed under RPP would be retained.

Given the levels of funding involved, the major projects program would be a competitive program. As it will be primarily focused on large community infrastructure projects, it lends itself better to a competitive approach, whereby projects are compared against each other and the best are funded. To improve equity of access to funding, consideration should be given to making notional allocations of funding, at least on a State basis, but preferable on a remote area, rural and metropolitan basis.

Further, given that there would only be one funding round per year, for which assessors could be geared up for, the issues of protracted assessment times and the perceived timing of approvals for political advantage that were identified by the ANAO report as the most problematic aspects of RPP, are less likely to arise.

Smaller Projects
Given the early local involvement of funding agents, and their combined scrutiny, final approval of project funding could be delegated to Departmental Secretary level or to the Chair of Regional Development Australia, who would have a financial delegation up to $500,000. This approach should have the effect of shortening the assessment process, as Ministerial assessment would be removed, and would also diminish the perception of political bias in the assessment process.

It would further streamline the decision making process further if notional funding was introduced for this program. In general projects under this program would be assessed on the degree they met the program criteria. In the event that the funding sought in a region exceeded its notional funding, the regional agency(s) involved in the assessment at a local level, would be required to prioritise the projects.

Ways to minimise administrative costs and duplication for taxpayers
This has largely been covered in the structure of the program and the assessment processes outlined above. However, given the necessity of local assistance to applicants and local involvement in the assessment process, the definition of how a region should be defined could impact on administrative costs. The ultimate test should be what would be the most effective configuration to deliver the Government's economic development and social inclusion objectives.

The Bureau of Transport and Regional Services states that 'regions can be defined by formal boundaries (as in the case of state or local governments), by a sense of economic and social independence, by natural environments and landscapes, or by other connections that distinguish them from neighbouring areas', (BTRE, 2008, p. 2). In its 'About Australia's regions 2007' booklet it uses the ABS Remoteness Structure, to classify Census Collection Districts into five broad classes of remoteness, nationally, in terms of physical distance from services and opportunities for social interaction. While this may be

useful for statistical analysis, if we take regional development to involve organisation identifying with each other in a readily identified geographic area, by a sense of economic and social interdependence, then a region is best defined by how key organisations in a particular area describe it.

Melbourne's West is well identified as a region containing six Local Government Areas. The recently established LeadWest, which has been 'formed to provide leadership to the West in addressing its challenges and capitalising on its advantages, to be a representative voice for the West, especially to State and Federal Government, and ultimately to help the West realise its great potential as a dynamic, enjoyable and fulfilling place in which to live, work and visit', also identifies Melbourne's Western Region as being designated by the six Local Government Councils in Melbourne's West (LeadWest, 2008, p. 1).

It is unworkable to endeavour to redefine a region in different terms, because of administrative or other purposes, to that which is accepted and promoted by the key stakeholders. If regional development is about working together to address challenges and overcome adversity, then the region will be defined by those organisations who are directly involved.

Further evidence of how the West is understood as a discrete region is by the number of regional studies that have been completed. These include: 'Growing Melbourne's West: Challenges and Opportunities', NIEIR, 2004; 'Western Region Employment Industrial Development Strategy', Ratio Consultants, 2007; 'Investing in Melbourne's West: A Region in Transition', Victoria University, November 2004; 'A Case for a National Logistics City: Positioning the West for the Future', Victoria University, 2004.
CEO's of Local Government Councils in Melbourne's West, while not precious about how a region should be configured, were of the view that a region should be defined in terms of the following:
   o   Level of interaction there is amongst the Local Government Authorities
   o   Transport linkages
   o   Socio-economic similarities
   o   Ability to share resources
   o   The existence of definite structures to work together
   o   A very identifiable regional identity, with a strong history of collaboration
   o   The size of the region in terms of population, and key challenges, such as the existence of major growth corridors

In terms of administrative costs, it should be noted that Area Consultative Committees, which are in the process of transitioning to Regional Australia Committees, have Committees of Management that are made up of senior, well-connected and highly respected people from business, Government and community organisations. These Committee members receive no remuneration, and the value of their contribution should not be underestimated.

Examine the former government's practices and grants outlined in the Australian National Audit Office Report on Regional Partnerships with the aim of providing advice on future funding of regional programs
This matter has already been addressed in the preceding parts of this submission and there is nothing further to add.

Examine the former government's practices and grants in the Regional Partnerships Program after the audit period of 2003-2006 with the aim of providing advice on future funding of regional programs

Subsequent to the audit period of 2003-2006, it was noticeable that there was a significant tightening in assessments of RPP applications by the National Office of the Department of Transport and Regional Services (DOTARS). It has since become apparent that this tightening up was a response to audit Issue Papers provided to DOTARS by the ANAO. However, ACCs were not informed that these Issue Papers had been provided, nor were they formally and clearly advised by DOTARS of the stricter assessment regime, and therefore were not in a position to pass this information onto applicants. Consequently, a number of projects that might otherwise have been expected to be approved were rejected, much to the chagrin of applicants, and with consequent negative connotations to the credibility of ACCs.

It is understood that assessment is not an exact science, but the lesson to be learnt is that as far as possible, there should be a consistent approach to assessment, and where there is any shift in the tact that is taken that this is clearly communicated to applicants and those charged with assisting them.

Appendix 1

List of consultations

1. 21/7/08 Victorian Department of Planning and Community Development: Clem Gillings, Kate Ring, Simon Thompson and Mark Noonan
2. 21/7/08 MacKillop Family Services, recipient of an RP grant, Di Clark
3. 22/7/08 Altona Sports Centre, recipient of an RP grant, Glen Wright
4. 22/7/08 Western Region Economic Development Forum: Shiva Nair (AusTrade), Daryl Wilson (Wyndham City Council), Anton Mayer (LeadWest), Peter Zumpe (Brimbank City Council)
5. 23/7/08 Visy Cares Hub, recipient of RP grant, Karen Hart
6. 23/7/08 Djerriwarrh Employment and Education Services, RP application was not approved, Brian Beveridge, Chief Executive Officer
7. 23/7/08, Victoria University, involved in several RP funded projects, as an applicant or partner, Professor Conor King
8. 29/7/08 Williamstown Community and Education Centre, unsuccessful applicant for RP funding Peter Martin
9. 1/8/08 Western Regional Council CEO's Forum, involving the CEO's from the Local Government Councils of Hobsons Bay, Maribyrnong, Moonee Valley, Brimbank and Wyndham.

Personal Details of Author

Name: Michael Iaccarino

Position: Executive Officer, Melbourne's North and West Area Consultative Committee

Postal Address: 35 Hannan Street Williamstown VIC 3016

Telephone Contacts: (B) 03 9687 7319; (H) 03 9399 9234; Mobile: 0407 368 336

Email: Michael@jobsacc.org.au