11 July 2008

Committee Secretary
Standing Committee on Infrastructure, Transport, Regional Development and Local
Government
PO Box 6021
House of Representatives
Parliament House
CANBERRA ACT 2600
AUSTRALIA

RE: Inquiry into a New Regional Development Funding Program

Economic Development Australia (EDA) is the national professional body for economic
development practitioners employed in local government, regional development
agencies, State Government economic development departments, and private sector
consultants and companies involved in economic development. As well as the national
body there are individual Practitioner Networks in each State. I write to you as Chair of
the Western Australian branch of EDA.

Please find attached a submission from EDA-WA in response to the Inquiry into a New
Regional Development Funding Program. As a network of economic development
practitioners, EDA-WA has a significant level of experience with the previous Regional
Partnerships Program, and is keenly interested in the outcomes of the Inquiry.

I look forward to the final report of the Inquiry and welcome any opportunity to provide
more information on behalf of EDA-WA.

Yours sincerely

JAY HARDISON
CHAIR

Inquiry into a New Regional Development Funding Program

Response from Economic Development Australia – Western Australia (EDA-WA)

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

   It is vital that a program which focuses on funding of regional projects be maintained. Local Governments across Australia face challenges to meet the expectations of their communities, maintain existing infrastructure, access skills, develop positive community futures, conserve the environment, and respond to growth. Grant funding is an important component of most Local Government operations.

   The most important issue here is to establish a shared definition of "Community Infrastructure". From other reports, the phrase "Community Infrastructure" is used to include:

   - Community centres, aged care facilities, health clinics and sport and recreation facilities (Price Waterhouse Coopers)
   - Community centres - Multi purpose, well designed and operated facilities and spaces. (Department of Planning and Community Development, Victoria)
   - Schools, hospitals, housing, emergency services, law and justice, recreation facilities and libraries. These **social assets** complement the physical infrastructure of transport, telecommunications, energy and water supply to help maintain the economic and social prosperity of Australia relative to many other countries. (New South Wales Minerals Council)
   - Schools, parks, health centres, and flood defences to protect development from the impact of climate change. (The Community Infrastructure Levy, UK)

   To date the types of projects supported by the local Regional Development Australia Committee (RDA Committee, previously the Area Consultative Committee) have not usually had a strong infrastructure focus. When they have, it has tended to be consistent with these definitions of community infrastructure.

   It is recommended that the Federal Government establish a shared definition of "community infrastructure" that incorporates economic development as well as social programs. Where appropriate, this should also include tourism infrastructure. It is recognised and accepted that there will continue to be a balance between scoping studies and feasibility studies before embarking on major implementation projects.

   It is critical that all successful funding proposals be both identified as a local priority in an Economic Development Strategy, integrated Strategic Plan, Activities Plan or similar document, and supported by a business case. This should demonstrate alignment with both Federal Government objectives and the aspirations of the community. As stated, funds should also be available for investigation, studies and reports prior to preparing and submitting a major funding proposal for the implementation of a community infrastructure project.

   The Federal Government should take a lead role in identifying where State Government project and funding priorities can be leveraged for projects unlikely to proceed without a shared arrangement.

Pending the establishment of a shared definition of community infrastructure, and a focus on well planned and documented local strategies, future funding programs should be developed to meet the following guidelines:

- be simple to apply for, to manage and acquit
- be well publicised with at least twelve weeks notice given of closing dates for competitive applications
- have clear guidelines for eligibility and for the application process
- be facilitated by an agency that establishes nominated contacts for consistent advice on the application and assessment process
- have a consistent and transparent assessment processes
- be assessed and approved or declined in under twelve weeks
- promote leverage of other resources, participation and skills
- require that the project or activity is a priority within a community or region through a variety of strategies or processes
- allow for digital submission of applications
- provide feedback on the total number and value of applications received, the number and value of successful applications, and the locations of successful and unsuccessful applications
- be clearly separate from commitments made as part of a State or Federal election process
- operate over a minimum five year duration
- preferably have a mix of outcomes solving problems as well as creating opportunities, employment, community development and economic growth
- complement funding programs by other spheres of government and industry
- promote philanthropy

Simplification of the application process can be achieved by establishing a series of project categories, with associated ranges of funding. An example of five categories, which appears appropriate, is shown here

- Infrastructure under $50,000
- Infrastructure over $50,000
- Non-infrastructure projects and programmes under $50,000
- Non-infrastructure projects and programmes over $50,000
- Point-in-Time opportunities (occasionally opportunities arise, especially with a regional economic development focus, where a very short lead time exists in order to take advantage of the opportunity or address a significant area of need. There have been situations where Government support has been required to provide rapid short term assistance to industries or enterprises facing a catastrophe that is not of their making. The recent energy crisis in Western Australia is a salient example. A mechanism is required to allow grant applications to be immediately submitted and assessed with short turn around times in these instances – without reducing the rigour of assessment process).

The first four categories could be assessed on a round basis with the fifth being available only for genuine opportunities that became available unexpectedly and would be lost if the application was delayed until the next funding round.

Future funding programs will need to take long term, partnership approach with clear expectations as to the responsibilities and roles of all stakeholders, including the Federal Government.

2. *Examine ways to minimise administrative costs and duplication for taxpayers;*

Much of the administrative burden associated with programs of this nature stem from two related areas:

- Any emphasis on cost sharing means that every partner needs to conduct their own research and prepare their own internal funding submissions and budget statements. Under the Regional Partnerships Program (RPP) it was not uncommon for one project to consume 100s of hours of administrative time spread across a score of partners. This is a primary reason for duplication of effort across Departments and levels of government.
- To date, one of the greatest areas of administrative duplication is within the Federal Government itself. The many tiers of evaluation, assessment and reporting in place for programs of this nature can be a significant additional cost and time constraint. A simplified assessment and approval procedure both inside the Department and between the Department and the Minister would be a significant improvement

Make the application process more streamlined, targeted, based on research and more focused on stakeholder needs. Successful applicants should be assisted by the local RDA staff and committees to set up projects with appropriate milestones, payment schedules and reporting arrangements.

A one-size-fits-all service delivery model across the breadth of Australia and the range of potential projects is not particularly efficient or equitable with regards to regional funding programs. In many instances smaller communities and/or smaller projects do not require the same level of evaluation and pre or post project assessment as would larger or more regionally significant projects. Consistent with the recommendation to have a range of funding categories it is felt that these lend themselves to a range of program management models, with increasing levels of assessment and evaluation based on the scale or size of the proposal.

The RDA Committee with staffing support model has proven to be effective and cost efficient in metropolitan Perth and the regional centres, and this model should be continued. The provision of community based advice and support for local initiatives has consistently been demonstrated to be an outstanding means of ensuring that funding is directed towards real and tangible outcomes. Further, having dedicated staff with extensive local economic and community development experience and an ongoing focus on promoting and facilitating local outcomes via targeted Federal funding has consistently been seen as a strength of the ACC model.

With the closure of the West Australian Regional Offices of the Department Infrastructure, Transport, Regional Development and Local Government, the ability of the RDA network to provide apolitical and informed local knowledge to Canberra will become more important to ensure that the tyranny of distance and lack of representation does not negatively impact or marginalize representation for WA.

However, there is an opportunity to increase the effectiveness of the delivery of Australian Government programs in remote centres through increased cooperation with existing State Government programs. Examples such as AusIndustry, Tradestart and the previous Broadband Broker Program demonstrate the potential for success where there are appropriate synergies between the host entities and Federal programs.

The question of reducing administrative costs and duplication for taxpayers needs to be examined in the context of the type of funding under consideration.

Where the funding is discretionary, needs based or opportunity focused, it is felt that each submission needs to be considered based on its own merit and reflective of local circumstances. A program of this nature could be addressed through the Better Regions initiative. With programs of this nature, there is no support from EDA-WA to hand the administrative and program delivery aspects of RDA over to the State Government or some other form of "peak body". It is felt that this will lead to the introduction of conflicting political agendas and absorption of staff effort into responding to State Government Ministerial support needs and requirements. Further, the existing model has always been based on an independent Chairperson reporting without fear or favour directly to a Federal Minister. The introduction of shared responsibility of reporting to a State Minister can only detract from the efficiencies and independence of the current ACC network model.

However, if the funds are being used for the express purpose of increasing the quality and distribution of community infrastructure across the whole of Australia, through a program such as the proposed Regional and Local Community Infrastructure Funding initiative, there is some interest in the State or Local Government having a role in administering a grants component of the program for the Federal Government. An example of this would be the AusLink Roads to Recovery Program, which operates uniformly across Australia. Under current arrangements, each Local Government is guaranteed a share of the total available funding. Under simple administrative procedures whereby spending decisions are made locally and reported to the Government, money is paid directly from the Australian Government to each Local Government. In this scenario, much of the administration is via the internet and there are minimal administrative costs or duplication for taxpayers.

The decision to be made by the Federal Government is the model it wishes to promote through RDA.

3. *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*

There needs to be more flexibility regarding delivery mechanisms for funded projects and closer liaison between the Federal Government and funding recipient. In many instances there have been situations where the actual implementation of a project, post the receipt of funding, has identified potential efficiencies and savings stemming from a modification of the original proposal. But, the history of the former government's practices has led to situations where grant recipients are punished rather than rewarded for taking advantage of these potential savings.

An example is known where a Regional Council received funding for a successful Industry Clusters Project which initially identified a consultant/Project Officer as the main resource for the 18 month project period. Owing to the well documented skills shortage there was an inability to attract a suitable Project Officer. Further, the high charge out rates associated with consultancies resulting in the organisation redirecting its own staff resources to meet project demands. Although this was reported in progress reports and milestone payments were approved by the Federal Government, and whilst there seems to be no disagreement that the outcomes of the program were positive, there is now a situation where the Department of Infrastructure, Transport, Regional Development and Local Government is seeking to recoup funds it believes were not properly accounted for following the audit. This is non-productive, places the Regional Council in a difficult position and may affect future funding applications.

The future funding of regional programs needs to be outcome based rather than input focussed. If the new RDA Committee model is to be successful it is important that Government understands that a core function of the network is to connect business, government and community. Accountability for funds is essential, but there needs to be a recognition that local situations require local responses, and a degree of flexibility is essential to ensure that programs don't disappear under an excess of audit requirements.

It is essential that the future funding of regional programs address and rectify the lengthy delays in the approval process that characterised the program as administered by the former government. In the current economic environment it is not uncommon for there to be project escalation costs of 1 to 2% per month. This can lead to significant increases in overall costs for major projects that take 6 – 9 months to be approved.

4. *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.*

EDA-WA fully supports the following recommendations from the Senate Committee Report 2005:

- ***Recommendation 20***
"...no funding be approved for   projects that do not meet the guidelines and fail other tests including proper due diligence."

- ***Recommendation 21***
"....that Ministers and their staff are kept strictly at arms length from decisions, including all relevant departmental advice, on applications from their own electorates. The Portfolio Ministers and his or her staff should not be included in the circulation of department advice on applications based in the Ministers Electorate."

- ***Recommendation 22***
"...that Ministers and Parliamentary Secretaries, and their staff, should be prohibited from intervening in the assessment of grants."

Further to this, EDA-WA recommends that elected Members of Government should be kept at arms length from decisions and prohibited from encouraging local applicants to either bypass the relevant RDA Committee or ignore clearly published application processes to take project submissions directly to either the Department or the Minister.

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