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13 July 2008

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

SERVICING
the communities of:

City of Toowoomba
Towns of Dalby
Roma
Goondiwindi

and shires of:

Crows Nest
Clifton
Cambooya
Rosalie
Jondaryan
Pittsworth
Millmerran
Warwick
Stanthorpe
Inglewood
Waggamba
Wambo
Tara
Murilla
Chinchilla
Booringa
Bungil
Bendemere
Warroo
Taroom
Balonne
Quilpie
Murweh
Paroo and Bulloo

Dear Sir,

Re: Inquiry into a new regional development funding program

Please find attached some comments from our organisation, Southern Inland Queensland ACC, on the four reporting points for this inquiry. These brief comments have been developed in conjunction with our members, staff and volunteer Executive Committee.

We appreciate the opportunity to submit these comments and would be pleased to clarify or expand on any of the noted points in the document if requested. Our contact details and postal address are noted above.

Our Chairman and Executive Officer look forward to welcoming your committee to our region next week in Toowoomba on Monday 21 July and participating in the discussions being held as part of this inquiry.

Kind Regards,



Deborah Lewis
Executive Officer



AN AUSTRALIAN GOVERNMENT INITIATIVE



The Australian Government's
Regional Development Network

**Response to House of Representatives –
Inquiry into a New Regional Development Funding Program**

Key Summary Points in relation to a new funding program:

- The definition of “Community Infrastructure” differs vastly across our 400,000sqkm/10 Local Government Area region
- Utilise local specialists (ACCs/RDACs) to contribute/assist with the assessment process by adding local knowledge and advising on agreed/known local priorities to ensure submitted projects fit with local expectations and are therefore more likely to be sustainable.
- Don't underestimate the benefit to economic development by assisting with growth in the private sector
- Assessment periods can be lessened by having local Project Officers assist with the preparation of the full application, as well as providing local intelligence and sourcing regional supporting documentation to assist decision makers.
- There is a need for realistic and well documented assessment processes to ensure community expectations are understood and met and there is opportunity for access to the program for both local government and community/development groups.

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

What is Community Infrastructure?

The primary element that the committee needs to consider is “what is the government’s definition of a *community infrastructure project*?” This term/classification needs to be defined. After talking with 10 Local Government Authorities in our region (covering some 400,000sqkms) the definition of “Community Infrastructure” differs vastly across the region.

Some communities in our region believe this term to be social infrastructure such as performing arts centres and sport and recreational facilities that help improve the liveability of a town. In other communities of the region, they believe this term means local government managed infrastructure such as community halls, libraries, swimming pools etc. In addition to this, there are other communities who believe it means airports, telecommunications and roads. Without being given a clear definition it is hard to respond to this reporting point.

Funding Program open to both Local Government and Community Groups

Regardless of the definition, there is a clear need for there to be at least an opportunity for not-for-profit, community groups to be eligible to apply. Local government, while likely to be the most common applicant, is not always the only driving group in a community. With this in mind, it is important to continue to allow independent community groups to apply for project funding. In most cases they will be partnering with local government or will have their support and as a result, local government are very happy to support a group who have their own ability to drive and manage a project and provide leadership in their own community without reliance on the Local Government.

Wage/Operating assistance funding

There is a gap in the current regional development funding market for operational assistance. Key, new infrastructure such as skills centres and multipurpose facilities are often funded however, the initial project officer start up costs are not and as a result, the centres are set up to fail with no support or plan to get them through the first one/two years of establishment before they can become self-sustainable. Three past Federal Regional Programs that successfully allocated funding to operating assistance were: Regional Assistance Program (RAP), Dairy Regional Assistance Program (DRAP) and the Rural Transaction Centre Program (RTC). In each fund, the program allowed money for wages for the term of the project (eg two years) or, for example, if a business case was provided to show that the position could be feasible and self-funding in the near future after seed funding. In all cases, the assessment of the project had to be very carefully done but the successful projects then had the opportunity to become established and find their own sustainability rather than struggling from the start of the process with a building, services and no income to pay for wages etc.

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

The following suggestions are borne out of experience with State, Federal and Philanthropic funding program in Australia.

Funding Rounds

It is suggested that there are funding rounds or at least successful project announcement times so that there is some form of internal deadline that requires applications to be assessed and processed by a certain date.

Sign off by a Minister

If the project is to be signed off by a Minister (as we would expect and endorse), the sign offs and announcements must occur on a regular basis for example every month, rather than waiting for an appropriate political time or waiting every three months for thirty or more applications to be viewed by the Minister for due consideration and sign off. Inevitably, applications take time to be reviewed and so, should be sent to the Minister in regular, manageable lots for expediency of the program.

Application process/forms

It is imperative that the application process and in particular, the level of documentation, reflect the amount of funding being applied for. Thirty odd pages of application and questions is extreme for \$20,000 however, may be justified for \$200,000 plus projects. Ideally, a smaller funding amount (such as under \$50,000) should be delegated at a peak body or department level and the documentation should also reflect a greater level of simplicity.

Documentation to accompany applications

The level of documentation needs to reflect the scale of the applications. For example, a \$200,000 local government infrastructure (bricks and mortar style) project should have council approvals or at least pre-approvals included as part of the application. However, community groups don't always have the funds to apply for these approvals upfront in the hope that the project they are asking for funding for will actually be approved. In this case, Ministerial approvals "with conditions" need to be considered and given rather than a hard rule of no council development approval, no assessment of application.

Regular review of funding process

Once established, the guidelines, application forms and processes should be scheduled for review and adjustment in response to regional needs and feedback – this is to ensure the process is continually improving. The review should be kept simple but should at least involve someone involved in the "on the ground" delivery of the funding (in addition to the department or peak body involved in the assessing and decision making) and it should be done every six months, not just once during the three/four year funding period.

Assessment Team

The assessment of projects needs to be consistent and should be done by a team of well trained, supported staff (not a section in the department with a perceived average six week turnover as with Regional Partnerships). Ideally, for a regional development program, they should focus on specific regions of Australia so that through their work and assessment, they can develop some understanding of priorities across, for example Central Queensland through to Northern NSW. Assessors should also have strong links and communication with those

assisting applicants to develop the projects/applications and they should use existing regional bodies for clarification and support in determining regional priority/need of individual projects.

This process should provide a more interesting and rewarding environment for assessors rather than a production line style of workplace trying to process as many applications as quickly as possible.

Consultants' vs Project Officers

In discussions with communities throughout our region, the overwhelming preference for assisting communities and local governments with accessing Federal funds is to have a network of Project Officers. Consultants, when funded, will come into a community, do the work and leave whereas project officers live in the region, tend to become very knowledgeable about the region and become a specialist in the programs they are working across. They also have more of a vested interest in doing a good job and seeing results - given that they live locally in the region.

Rural Transaction Centres are a good example of the success of a network as opposed to consultants. RTC Field Officers were established in the early part of the program to try and generate interest and applications and business plans for the fund across regional Australia. At the same time, the fund provided money for consultants to do the applications and business plans for communities. The quality of the Field Officer plans tended to outstrip the quality and credibility of the consultant plans across the board. This was because, while consultants came in for a short time and did up an application, they also gave the communities what they wanted to see and developed applications and business plans that made it look like the project would be viable when in fact it was not. Meanwhile, once the consultants had left the community and the project was approved, the Field Officer (who was around for the duration of the funding program) was left to try and help the community find ways to become sustainable when all figures and budgets suggested that this was not at all possible in the way suggested by the consultant.

Other benefits of Project Officers on the ground

Apart from helping to increase the level of interest in a funding program, project officers also help improve the quality of the projects (which in turn can help decrease the assessment time), and help build the capacity of communities by helping them through a normally daunting and overwhelming process. The outreach service provided by the project officers also provides strong credibility for the program and promotes goodwill for the government they represent. The goodwill occurs because regional and rural people are extremely grateful for any assistance provided to them but in particular, a face-to-face visit is of great importance to them and assists them in feeling their region and project are being seen to be of value.

Project Officers also help to quantify unsuitable projects and help applicants see this prior to the government and the applicant wasting too much time on a project that doesn't fit guidelines or the intent of the program. In the case of Regional Partnerships, our organisation did not send any projects in for assessment that weren't of a high quality and fully supported by the region. On the ground however, there were nearly a dozen unsuitable projects redirected to other programs for every Regional Partnerships application we ever worked on and submitted for assessment. In this case, it's the dozens of projects that aren't seen by government that Project Officers have dealt with that help minimise administration and tax payer costs.

No Duplication of other State/Federal Programs

It is important that the program does not fund projects where there is another program (State or Federal) that is in existence to do the same thing. The theme of Regional Partnerships being a last resort program was excellent because it ensured that applicants had to try other programs first and only come to RP if they weren't successful or had no other funds to apply to. It was also very helpful in funding projects where there were no other programs to access and as a result, numerous regional projects were able to occur where in the past, they simply couldn't proceed.

Regional credibility, program promotion and assessment support for funding programs

One of the greatest assets of the government is the network of on the ground ACCs and their regional committees. Through this group, the government have access to a network of project officers who are able to travel through their regions and promote and advise of Federal funding programs (this is done face-to-face rather than communities having to call a 1800 number or use a website). In addition to this, the regional committees are elected to their positions and representative of both the geographical base as well as the issues in the region they service. These regional committees often developed the credibility in their region (through the Regional Partnerships process) to be able to advise if the project fits within the region's priorities. This role could continue with the new RDACs who are likely to also be representative of their region, will have strong links with all local, state and federal government agencies, as well as community organisations working in the region.

RDACs to provide local comment/local context

In addition to providing feedback on regional priorities, RDACs could do due diligence to assist in speeding up and enhancing the quality of the assessment process. For example, they could provide past (local) history on a project, comment on the viability of applicant/project, make comments based on the regional context and known regional support for a project. They can do this all within a local context because they are "on the ground" and living within the region.

RDACs to help coordinate paperwork for sign off of completed projects

The local RDAC could also be utilised to monitor and ensure follow up paperwork and documentation is brought together to sign off on completed projects and then sent to a central admin body in Canberra or the department. This monitoring of successful projects could be done to ensure that projects are "tidied up" in a timely manner and could easily be done by the RDAC while travelling through the region. Turnaround time for the documents will likely be quicker because a face-to-face request for documentation is harder and less likely to be ignored by funded projects than an email or letter from Canberra.

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

The timeframe taken to assess Regional Partnerships projects was extremely long and earned the program (and the ACCs delivering it) a poor reputation. The department calculated the time of assessment from being when they had all the information and answers to questions that they required for assessing a project. However, applicants believed that the timeframe commenced when they submitted the project to DOTARS. As a result, there were often weeks of delay from the time of submission to the time a project was allocated to an assessment officer, they got the information they wanted, and then started the assessment process.

According to our records the:

- Average time taken from submission to announcement of a project in our ACC – five (5) months
- Shortest approval time – 6 weeks
- Longest approval time – 10 months (and this was for a project for \$35,000 which should have been assessed in 9 weeks or less)

Negative Assessment Outcomes need to be done in a timely way

Even projects with a negative assessment outcome still took as long in the assessment process and this damaged the program and ACC credibility even further. For example, one project we submitted took 10 ½ months to be rejected – this was for a private enterprise project who were relying on an outcome from Regional Partnerships to determine their future business and expansion plans.

There needs to be a mechanism in place to ensure that projects that are not likely to be approved can be dealt with in a timely manner. Someone within the assessment team needs to have the authority to identify these and fast track them to a rejection letter rather than have the project in the system for months, have assessment staff waste valuable time on trying to assess it in its current state and all the while, leading the applicant to think that given the length of time it is in there, it must have a chance of success.

The need for Timely Announcements and Contracting of Successful Projects

Regional Partnerships successful projects weren't always announced in a timely way. This caused the drawing up of the contract to be delayed (this process, under normal conditions, often took two months or more) and in the meantime, the applicant's project costs continued to go up. For example, in the best case, that is, a quick project assessment period, the project was assessed in 3-6 months, the announcement by the Minister/local representative was made straight away, and the contract took 1-2 months to develop and execute.

Meanwhile project building costs had gone up 20+%, but there was no allowance in the application to provision for escalating prices and the funds applied for could only be for the amount as stated on the builders quote, which was obtained back at the start of the project development process some 12 months earlier.

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**

Tighter processes meant longer assessment timeframes

Both during and following the ANAO audit period, there was a tightening up of the activities/processes of the program. Much of these changes had a negative impact on the time taken to assess projects. Through this process, there appeared to be development of a culture within the department that officers would no longer make decisions and staff were concerned about doing the wrong thing. As a result of the tighter processes and changes in culture, assessment times increased rather than got quicker, and applicants (regardless of the amount of money applied for) were required to provide even more documentation and council development approvals which incurred additional costs that weren't able to be recovered, particularly if the project was rejected.

In this period the department promised an assessment timeframe of 12 weeks for large projects and 9 weeks for under \$50,000 projects. These timeframes were rarely met and in the case of our ACC, timeframes increased (from an average of five months to five and a half months), rather than decreased. It was during this period that we discovered the difference in the measurement of the assessment period. Applicants and ACCs measured the time from when the application was submitted and the department appeared to measure it from when they had all documentation required to complete the assessment process.

And finally, a good news private enterprise story

While we understand that the current government does not support funding going into private enterprise projects, we feel it's important to detail one of our success stories to show that there is merit in funding some of these projects and the result can mean strong economic growth and expansion for communities and regions.

The following comments are taken from a past applicant, Roger Green who was previously one of the partners who established and built up the company, Greensprouts. Greensprouts were successful in receiving \$64,000 in Dairy RAP money in the year 2000.

In the words of Roger Green:

"I humbly submit that the outcome (from funding Greensprouts) was good for the community, my employees, the government and me. To explain...

Community:

Our community was suffering due to dairy deregulation. Unemployment nationwide was high but in our community this had been further exacerbated. As a result of our grant, we employed an extra twelve full time equivalents in that same year and our employment continued to rise. My annual turnover rose from \$250,000 per annum to \$2,200,000 per annum.

Academic studies (as told to me by Professor Zammit from the Economics School at USQ) show a multiple effect of seven. That is to say that they estimate that the benefit to the community, due to my increased turnover, would be approximately \$13million per annum. We also awarded building contracts to a local company with the associated benefits going to them and the local community.

Employees:

The benefit to my employees is obvious. They were able to find rewarding and meaningful work in a workplace that valued their services close to home.

Federal Government:

We immediately returned \$6,400 in GST to the government. I submit that nationally, 12 less people were on social security - a saving, of potentially \$300,000 annually. My profits went up and I paid more tax. Again, this is a good outcome for the government. The extra 12 employees all paid PAYG tax. The contractors who built the sheds increased employment and profits.

Personal gain:

I have to say that I was the major beneficiary of this grant. I cannot see this as a bad outcome. It has enabled me to be financially independent and stable. This has enabled me to make a return to the community by way of volunteer service.

In conclusion I say that a government has many social responsibilities. I believe that Australia can hold his head up high in this regard. However, I can see no reason why government should not contribute to the improvement of the small business sector so long as there is a net benefit to the community and the nation. Funds directed to welfare tend to require ongoing commitments. Funds contributed to fostering growth in existing small businesses tend to result in sustainable long term outcomes with people and communities becoming more self-sustaining."