GROW SYDNEY ACC
helping communities grow our regions
SYDNEY'S AREA CONSULTATIVE COMMITTEE

The Secretary
Standing Committee on Infrastructure, Transport,
Regional Development and Local Government
House of Representatives
Parliament House
Canberra ACT

11th July 2008

GROW Sydney ACC Submission to the Inquiry into a new Regional Development Funding Program

GROW Sydney ACC welcomes the opportunity to provide input into this Inquiry.

GROW Sydney ACC has been in its current form as the one ACC for Sydney since May 1998. GROW Sydney ACC facilitated the development of projects that were allocated nearly $10 million from the *Regional Partnerships* program. The total value of these projects was over $32 million.

In considering responses to this Inquiry a number of key points became evident:

- There is high need across all of Australia for an Australian Government program that contributes funds to the types of projects that were funded under the *Regional Partnerships* program.

- While the ANAO audit report identified some shortfalls in the administration and decision making processes of the *Regional Partnerships* program there were many worthwhile projects that made a significant difference in regional and local communities that were funded under this program.

  In consideration of a new Regional Development Funding program it will be important to incorporate the roles and processes of the *Regional Partnerships* program that contributed to these successful projects.

- The *Regional Partnerships* program decision making processes were unable to consistently deliver results within the specified timeframes. This is an area for significant improvement in designing the new Regional Funding program.

- Key stakeholders place high value and importance on the role played by ACCs in providing advice about the program, screening out inappropriate projects, assisting in the development of applications and through extensive networks, making connections that provided partnership funding. There is strong stakeholder support for these roles to be incorporated into the design of the new program.

Recommendations in this submission are based on initial findings from a survey of organisations who applied for *Regional Partnerships* program funding since July 2006, a sample of Regional Organisation of Council Executive Officers and the experiences of GROW Sydney ACC. Like other ACCs, GROW Sydney ACC, is conducting further consultations and development of views on the new Regional Development program with a report to be provided to the Minister for Infrastructure by the 31st October.

The following pages provide GROW Sydney ACC comment and recommendations in response to the Terms of Reference for this inquiry. For any further clarification please contract David Puckeridge at GROW Sydney ACC.

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

Program Objectives

The announcement of this Parliamentary Inquiry outlined that the new Regional and Local Community Infrastructure program "will encourage economic development and invest in genuine community infrastructure initiatives".

The announcement also acknowledged that "Infrastructure development involves action not only on larger scale projects like ports and roads, but also on projects which improve the quality of life within local communities."

Economic issues are not the only influence on the quality of life in communities. Social issues like access to services and programs, social cohesion and provision of facilities that improve the opportunity for people to connect and participate in communities also impact on quality of life.

The Australian Government has acknowledged the importance of these issues in its 'Social Inclusion' agenda. Minister Albanese has also announced that government policies will be developed keeping in mind some key goals:

- Productivity (economic)

- Sustainability (environmental)

- Liveability (social)

Recommendation 1

The primary objective of the Regional and Local Community Infrastructure program is to fund projects that provide local community infrastructure to achieve productivity, liveability and sustainability outcomes.

Recommendation 2

If the preference is to have the objective of this program as "providing community infrastructure that will encourage economic development" it is then recommended that a broad view be taken on the types of projects that can achieve this outcome. A project that may seem to be providing social outcomes, like supporting the building of social capital or improving access to services for more disadvantaged residents, can have economic outcomes but they are more likely to be achieved over the longer term.

Recommendation 3

The program encourages not only built infrastructure projects (hard infrastructure) but also soft infrastructure projects e.g. business establishment and development mentoring for social enterprises etc

Program Priorities

The Regional and Local Community Infrastructure program provides the government with an excellent opportunity to establish a program that contributes to its Social Inclusion goals.

The SEIFA Index and the Vinson "Dropping of the Edge" report identifies that there are communities across Australia that have varying degrees of prosperity. Both reports show that there are significant variances within both urban and non-urban communities. They also show that there are non-urban communities that are better placed than some urban communities.

This information clearly shows that definitions of urban, regional or remote are not reliable indicators of prosperity or need and should not be used as criteria for access to this program.

Examining communities only on an LGA basis can also be misleading with variances in prosperity contained within LGAs. The Auburn LGA in Sydney is a good example of this issue with a high proportion of residents from Culturally and Linguistically Diverse Backgrounds (CALD) yet also containing new suburbs adjacent to the Sydney Olympic Park with residents of significantly higher socio economic status. An LGA level view of this area would mask significant economic and social issues.

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While the SEIFA Index and Vinson "Dropping of the Edge report" are useful indicators of the current situation they do not examine future challenges e.g population growth, impact of climate change etc.

Capital cities accommodate 64% of Australia's population. They are critical to national economic growth. These city regions face major infrastructure and economic development challenges. Failure to take action on major and community infrastructure in these areas will not support a prosperous Australia.

Recommendation 4

Access to this program is determined by comparative assessment of projects based on their fit with regional priorities, demonstrated community need and value for money contribution to meeting needs. It should not be based on urban, regional or remote criteria.

Given essential criteria are met, priority for approval be given based on how well projects can:

- *demonstrate impact on disadvantaged areas or groups and/ or*

- *responds to emerging or future challenges.*

It is not recommended that these two criteria be essential criteria but that they are used for comparative assessment of projects.

Decision making process

There is a range of approaches used for decision making to allocate public funds. Most include decision making delegation within the specific department. Other programs, like the Local Answers program, utilises an additional step, which involves an independent Probity Advisor to sign off on the process.

If the decision making process in the Regional and Local Community Infrastructure program involves elected officials at any level, appropriate checks will need to be implemented to ensure concerns raised in the ANAO repot on the *Regional Partnerships* program can not occur. Elected Officials (e.g Mayors) would appear to have a more practical role if there was some decision making role delegated to the Regional/ Regional Development Australia Committee (RDAC) level. Initial findings of the GROW Sydney ACC survey of previous *Regional Partnerships* program applicants shows no support for elected officials having a role in project decision making.

An option that has been suggested for the Regional and Local Community Infrastructure program involves an external panel, at a national level for decision making on larger projects. The panel could include a representative from the Dept Infrastructure, Infrastructure Australia, RDA, Social Inclusion Board and ALGA. The accountabilities and authority of this panel would need to be clearly defined.

Local government were applicants or partners in over 50% of GROW Sydney ACC *Regional Partnerships* program projects. If Local Government were part of the decision making process conflict of interest issues would need to be resolved.

Recommendation 5

Particular attention is paid to decision making processes to ensure that they meet Dept of Finance requirements and satisfy public expectations for decision making on the expenditure of public funds.

Recommendation 6

Examine best practices in decision making across other Australian government programs to develop the best approach for the Regional and Local Community Infrastructure program.

Recommendation 7

Provide delegation to recommend the approval of projects of less than $250,000 to the RDAC level. Establish sub committees that could include elected local government representatives to undertake this task. Establish Probity standards and checks to ensure required processes are followed.

Decision Making Criteria

The project decision making criteria used in the Regional and Local Community Infrastructure program will need to give confidence that often substantial amounts of tax payer funds are being distributed through a transparent, equitable and consistent process.

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There are advantages in maintaining the open timing application process of the *Regional Partnerships* Program, however, this approach does not allow for comparative assessment of projects or ensuring that funds are directed to the highest priority projects.

Infrastructure often provides the framework for addressing community needs. It is a means to an end. How the infrastructure is used and its sustainability provides on going outcomes and ongoing community benefits.

If consistently applied, the project decision making criteria used in the *Regional Partnerships* program has the potential to meet the appropriate level of scrutiny required for the distribution of public funds. It should be noted that many very worthwhile community infrastructure projects were delivered through assessment against these criteria. It appears that problems were caused when decisions were made outside these criteria.

Recommendation 8

Decisions for funding should be based on a merit based assessment process. The decision making process should set consistent, transparent standards that allow for the comparative assessment of project applications.

Recommendation 9

Program decisions should be made through a minimum of two project application rounds per year.

Recommendation 10

Do not dismiss the project assessment criteria used in the Regional Partnerships program on the basis of distancing the Regional and Local Community Infrastructure program from its predecessor. Many good projects were funded using these criteria.

Eligible applicants

Recommendation 11

Local government and not for profit organisations across all of Australia should be eligible to apply for Regional and Local Community Infrastructure program funding.

Private sector organisations should be encouraged to provide partnership funding.

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

Administrative costs for all applications that are not approved largely represent wasted time and effort. Comments from project applicants show that the previous role played by ACCs in developing project applications provided worthwhile benefit in developing the capacity of not for profit organisations. However, the primary purpose of the application was not met if the project was not funded.

The following comments aim to minimise administrative costs and duplication in Regional and Local Community Infrastructure program processes.

Fit with Australian government programs

The Regional and Local Community Infrastructure program will form part of the suite of Australian government programs that assist in delivering the government's objectives.

It has potential to meet a gap in Australian government programs through its capacity to deliver hard and soft infrastructure.

It will be important to clearly define the place of this program in relation to other programs so there is no duplication and complimentary links between programs can be established.

Clarity of what the program will and will not fund will reduce administrative costs and duplication.

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It will be particularly important to provide examples that define "Community Infrastructure" and the fit of the program with the Housing Affordability Fund and Infrastructure Australia initiatives.

It will aslo be important to examine AusIndustry programs to ensure that other strategies that encourage economic development are in the suite of Australian government programs. State and local governments across Australia do not consistently provide programs that encourage economic development. The Australian government will need to define the role it is to play in economic development and ensure that it has a suite of programs that support this role.

Recommendation 12

Provide examples of what the program will fund, the selection criteria and the information that the applicant will need to provide through the program guidelines. Develop a self assessment checklist for applicants to determine their potential for success in gaining funding under this program.

Recommendation 13

Map the position of the Regional and Local Community Infrastructure program to other Australian government programs and initiatives to avoid duplication and ensure that the suite of Australian Government programs comprehensively supports achievement of the government's objectives.

Publish the results of this mapping so taxpayers can see which program is most appropriate for their needs.

Application process

A seemingly simple application process would be to conduct a national advertising campaign and for applicants to submit their project application directly to the Dept of Infrastructure. The weakness of this approach is that administrative effort would be spent on ineligible applicants, incomplete applications and funding is more likely to go to applicants who have the capacity to write the best application rather than providers of the best projects.

The advice giving and screening by GROW Sydney ACC of *Regional Partnerships* program enquires is estimated to have reduced the submission of inappropriate projects by 70%. GROW Sydney ACC did not received a *Regional Partnerships* project application, either from Local Government or Not for Profit sector applicants, that did not require further development to adequately respond to all selection criteria.

Decisions about allocation of public funds should be based on a rigorous application process. Therefore the application process should ensure that applicants have access to project development expertise so applications can be better assessed on their merits rather than capacity to write an application or impacted by low capacity to translate a good idea into a solid project. Access to up front project development expertise can also maximise project outcomes and provide better return to taxpayers.

The issue of who should provide this project development role has been discussed with several Regional Organisations of Councils (ROC) Executive Officers in Sydney. Given local government was an applicant or partner in over 50% of GROW Sydney ACC *Regional Partnership* program projects and the proven expertise of ACCs in this task, the view was that this role should be undertaken by Regional Development Australia (RDA).

Given the intention of broader role for RDA than ACCs, care would need to be taken to ensure this program does not become as resource consuming as the *Regional Partnerships* program.

Recommendation 14

The role of Regional Development Australia includes project development assistance to applicants of Australian government programs with priority to the Regional and Local Community Infrastructure program.

Recommendation 15

Specific attention is given to improve productivity in the development of Regional and Local Community Infrastructure program projects and applications e.g. comprehensive program guidelines, self assessment checklist for applicants to determine eligibility and competitiveness, provision of workshops for applicants on writing applications, an application form that requests the information required for assessment etc.

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Clarity of Roles and level of assessment

There is room for improved clarification of roles in the project development process to avoid duplication.

In the *Regional Partnerships* Program, ACCs "assessed" projects to provide advice on how to strengthen applications and to provide a rating, DOTARS Regional Office staff also reviewed applications to assist in providing feedback to strengthen the application and the DOTARS National Office assessed the project. We expect the project would have been assessed at least twice in the National Office ie assessor and checker.

Every application under $250,000 was assessed in the same way and every project request over $250,000 was also assessed in the same way. The variation in the amount of funds that could be requested in these two categories is very broad.

In the *Regional Partnerships* program ACCs provided a 1-4 rating on each project. This process provided good input in relation to how well the project responded to local needs. If centalised decision making is maintained this process is an important input.

Recommendation 16

Roles in the assessment of Regional and Local Community Infrastructure program are mapped to minimise duplication and ensure value is added at each stage of the process.

Recommendation 17

Application and assessment processes to better reflect the level of funding requested.

Recommendation 18

The local intelligence that can be provided by RDA committees be recognised as high value and maintained as an important part of the Regional and Local Community Infrastructure program. Enhance this role by developing a comment/ assessment tool that has descriptive standards to provide more objective and consistent comment and ratings.

Maximising return on investment

The applicant most appropriately placed to deliver a project is not always the applicant with the highest capacity to do so and therefore should be supported in delivery of the project.

Our experience shows there is high value in, for a relatively small investment, providing expert project management support to mentor some applicants through project implementation. The Yarra Oval Project at La Perouse is a good example of this value.

Recommendation 19

For selected applicants, allocate additional funding to provide mentoring support to assist in ensuring maximum return for Regional and Local Community Infrastructure program funds.

Closure of the Program

When the *Regional Partnerships* program was closed in May 2008, GROW Sydney ACC had 21 worthwhile community infrastructure projects submitted pending a decision. Three of these projects have been funded under other programs. Given the requirement that projects in Sydney impacted on disadvantaged areas and groups, all the submitted projects contributed to the Government's Social Inclusion agenda.

Clarity and earlier advice on the status of the program would have reduced the cost to applicants and other taxpayers that development of these projects represented.

Recommendation 20

The processes for the Regional and Local Community Infrastructure program include the steps that will be taken to close the program so costs to taxpayers and the community can be minimised.

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3. Examine the Former Governments practises 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 *Regional Partnerships* program practices of the Former Government are well documented in the ANAO Audit. While the program was titled Regional Partnerships the guidelines stated that the program was " to provide financial assistance to all communities across Australia". The ANAO audit showed that this did not occur on an equitable basis.

Recommendation 21

Recommendations of the ANAO audit be incorporated into the processes of the Regional and Local Community Infrastructure program.

Recommendation 22

Regional and Local Community Infrastructure program processes ensure that project approval decisions are made based on the fit with selection criteria and that equitable access to program funding is provided across Australia.

Speed of decision making

The *Regional Partnerships* program continually failed to deliver project decisions within the specified benchmark of 13 weeks between submission and decision.

Recommendation 23

Set realistic timeframes for the assessment and decision making of Regional and Local Community Infrastructure program projects. These timeframes should meet benchmarks established for other Australian Government programs and reasonable public expectations for how long it should take to be notified of a decision. Project decisions should be announced in sufficient time for unsuccessful applicants to amend their application and if desired reapply in the next round.

Dates for the announcement of decisions should be advertised when calling for program applications.

Program processes must then be designed to ensure these timeframes are met. Where timeframes are not met, allocations to projects should automatically be increased to meet demonstrated cost increases.

Contract Variations

Under the *Regional Partnerships* program formal approval to vary the project budget was required for any line item variation over $500.

Recommendation 24

Budget line items should have a 10% variation allowed in the contract before a Contract Variation is required.

4. Examine the former governments 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

GROW Sydney ACC saw improvements in the *Regional Partnerships* program processes after 2006 due to:

- Published guidelines that better defined what could be funded.

- Introduction of Regional eGrants which provided an application form that more comprehensively sought information that was needed in project assessment

- Communication from the Department that was much more prescriptive as to what projects could be funded

- The Department being much more precise about what evidence was required to support an application.

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The most significant impact on GROW Sydney ACC *Regional Partnerships* performance was a meeting held in May 2006 with Ministerial and Departmental staff to identify what types of projects were most likely to gain approval in Sydney.

The response was community infrastructure projects that impacted on disadvantaged areas or groups. While this targeting significantly reduced access and scope of the program in Sydney it did give some clarity and confidence in where more productive efforts should be placed. We understand that Sydney was the only location that had to satisfy this essential disadvantaged area and group's criteria.

While the system did improve, we still had a valuable Indigenous community project not approved due to "the Australian government providing more than 50 % of the funding." This was not a criterion written in the program guidelines.

Recommendation 25

Factors that improved the operations of the Regional Partnerships program are incorporated into the Regional and Local Community Infrastructure program.

Published project decision making processes and criteria are the only basis for making decisions on projects.

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