

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

**Submission to the Inquiry into a new Regional Development Funding Program
Southern Council's Group**

Terms of Reference

The Committee is to report on the Australian National Audit Office's Performance Audit of the Regional Partnerships Program and make recommendations on ways to invest funding in genuine regional economic development and community infrastructure with the aim of enhancing the sustainability and livability of Australia's regions.

The Committee's report is to:

- 1. Provide advice on future funding of regional programs in order to invest in genuine and accountable community infrastructure projects;*
- 2. Examine ways to minimize administrative costs and duplication for taxpayers;*
- 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; and*
- 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.*

Shellharbour City Council is pleased to be given an opportunity to contribute to this Inquiry. The Council has had solid familiarity with the former Regional Partnerships (RP) Program and has been a recipient of funding under the program. Our conclusions are relevant to the Inquiry's terms of reference. It is important to address the challenge of balancing the diverse needs of regional communities with the recommendations contained in the Australian National Audit Office (ANAO) *Performance Audit of the Regional Partnerships Program*.

The following points relate, in some measure, to all of the Inquiry's terms of reference.

Regional Partnerships lacked transparency and consistency of decision-making

At various levels, the decision-making process for the Regional Partnerships program has lacked transparency and consistency. Despite a revision of program guidelines, as a result of the 2005 Senate Inquiry into the Regional Partnerships and Sustainable Regions programs, the interpretation of the guidelines appears to have remained inconsistent throughout the life of the program. RP tended to operate too much as a discretionary program, rather than one where eligibility and merit were clear from the outset. This in turn gave rise to the perception that political bias was able to operate.

Inefficient assessment processes featured too strongly

Assessment was laborious, time consuming and inefficient because (regardless of the size of an application in dollar terms) decisions were ultimately made at the ministerial or Parliamentary Secretary level, even after exhaustive assessment at the departmental level. Decisions were not delegated, in turn because the program guidelines were set up to be discretionary. Enormous delays then ensued, in turn giving the program a reputation among prospective applicants of being unacceptably inefficient. The KPI of twelve weeks turnaround was rarely experienced by applicants in the Illawarra local government areas and we would submit elsewhere in the country.

After 2005, as criticism mounted about the administration of Regional Partnerships program, the Minister for Transport and Regional Services sought to provide greater control of the assessment process to the national office of the Department. The assessment role of the Department's regional offices was removed in March 2006 and given to a new team in the national office. The result was that, after a brief initial improvement, delays became as bad, if not worse than they had ever been. We would contend that a chief reason for this was that the underlying requirement for ministerial vetting of all recommended applications, with its consequences for inefficiency, remained.

In turn the reduced capacity for regional offices to provide relevant and timely input into the assessment process meant that the centralised understanding of regional needs and issues progressively declined.

Towards a Better Way: Responding to Terms of Reference (1) and (2)

Structure the next program as an eligibility-based or competitive grants program.

Are there lessons to be learned from the operation of other Australian Government grant funding programs? We contend that the successor to RP needs to apply several characteristics that other programs already feature, if RP is not to be plagued with the constraints and deficiencies of the past.

Among examples that offer offer valuable structural lessons for RP's successor are the *Building Entrepreneurship in Small Business Program* and the *Australian*

Tourism Development Program. The underlying feature of programs such as these is that they are not subject to ministerial discretion and accordingly can offer acceptable transparency and consistency. This in turn makes decisions very defensible and in turn relatively uncontroversial. A move in this direction will also satisfy ANAO audit recommendations.

Delegate grant consideration and determination

Decision-making authority relating to grant applications should be delegated to an independent panel. Ideally this panel would operate under the auspices of the national Board of *Regional Development Australia*.

This would enable the Minister to closely monitor the performance of the program to ensure it meets the Government's policy objectives, whilst the Minister remains at 'arms length' from individual funding decisions.

Better guarantee compliance with program guidelines

The strengths of eligibility-based and competitive grants programs are that guidelines can be adhered to with relative ease. There are fewer 'grey areas' created by the need to 'second guess' the delegate's professional or political preferences. This is particularly the case for eligibility-based programs. A higher level of judgement is required for competitive grants programs. However, there is ample evidence that guidelines for programs such as *Building Entrepreneurship in Small Business* are able to be written in a way which enables balanced decisions to be made.

Simplify the application process

The application process should be straightforward enough for regional community organisations not to have to acquire the services of professional grant-writers.

ACC's relate that regular comment made by community organisations was that they simply could not afford to undertake the process of applying for a Regional Partnerships grant. The completion of a Regional Partnerships application was a challenging task, even for organisations that possessed a high level of administrative and research capability. Staff and/or volunteers had to expend many days, and significant cost to research and prepare an application.

Small community organisations that did not possess such capabilities either had to rely very heavily on the Area Consultative Committee to prepare major sections of the application or, if they had the resources, hire consultants to undertake the preparation. The Department was often critical of applications that were not prepared in a professional manner. *This created a situation where organisations with the best grant-writing skills were most likely to acquire the grants, rather than the most deserving projects.*

A simplified application process with a clearer, stronger set of guidelines would help to overcome a recurrence of this situation..

The adoption of an eligibility-based or competitive grants system would also remove a major element of uncertainty for the public servants responsible for the assessment of applications. Professional assessors within the department would be able to make recommendations with much greater certainty, especially for applications that clearly adhere to program guidelines. With the removal of unpredictable political considerations, much less time could be taken to assess applications. This in turn would help to minimize administrative costs.

Relate effectively with applicants

Without a system that enables the provision of assistance and advice to grant applicants, successful applicants will tend to be large, well resourced organisations with access to professional grant-writing capability.

A grant program that genuinely engages and assists regional communities (including disadvantaged urban communities) *at the application stage* will be more likely to benefit a broad range of organisations, including organisations that represent disadvantaged groups and the Indigenous community.

Genuine community engagement is often stated as an objective of grant programs but is difficult to achieve. It is less likely to occur for programs that are entirely administered at a national office level. Successful grant recipients for programs administered entirely by the national office of the Department will most likely be those who are adept at understanding and dealing with bureaucracy, rather than necessarily those organisations representing communities with the most need.

Conclusion

To minimise the problems associated with the lapsed Regional Partnerships program, Shellharbour City Council recommends that any new program should feature:

Decision-making derived from eligibility-based or competitive criteria, rather than from discretionary prerogative;

Decision-making authority delegated to an independent panel;

Decision-making strictly based on new guidelines that can be understood readily and complied with by applicants (, including organisations representing disadvantage groups in the community) and assessors alike;

Delivery strategies that attempt to promote genuine engagement with regional communities.

These features in turn should promote greater transparency, improved communication, and a simplification of the assessment process.

Each of these improvements would be promoted by the removal of the complexities that are spread throughout the system when decisions about *individual* grant applications are determined by Ministerial discretion.

In turn the adoption of these recommendations should lead to a reduction in administration costs. It is our view that many unnecessary costs associated with the administration of the Regional Partnerships program were generated by the convoluted and dysfunctional assessment process described in this submission.