

REF: Standing Committee on Infrastructure, Transport, Regional Development and Local Government

INQUIRY INTO A NEW REGIONAL DEVELOPMENT FUNDING PROGRAM

Submission by Mid West Gascoyne
Area Consultative Committee Inc

(In transition to Regional Development Australia)

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Introduction

The intention of this feedback is to learn lessons from the past and put in place a better regional funding program for the future.

While currently in transition to Regional Development Australia, the Area Consultative Committee network was heavily involved in the promotion of Regional Partnerships, helping proponents with their applications and keeping a watching brief on approved projects in those locations where DOTARS officers lacked the time and capacity to reach.

Notwithstanding issues raised by the ANAO report, Regional Partnerships delivered some outstanding outcomes for our region and its loss is already being felt. The Mid West Gascoyne has not seen any project approvals since June 2007 meaning that this regional community will have been without any Commonwealth regional development support for two years (given that the new Regional and Local Community Infrastructure Program is not anticipated to be launched until July 2009).

We believe the matter of regional equity is vitally important to all Australians and have an expectation that any regional development program should boost the social and business environment, tackling issues of service access and disadvantage.

For the committee's benefit we note that regional development means:

- Creating the preconditions for boosting regional economic performance;
- Narrowing the gap of advantage that exists between the city and non-urban populations;
- Improving the social environment – creating communities that are attractive, safe, have good entertainment/recreational opportunities, health and education access will mean that businesses always have a source of quality labour; and
- Growing communities generate their own micro economies.

It must also be noted that:

- Some regional communities lack financial capacity to contribute substantially to funding infrastructure; and
- Some organisations and even local government (remote and very remote) can lack the skills capacity to even complete applications.

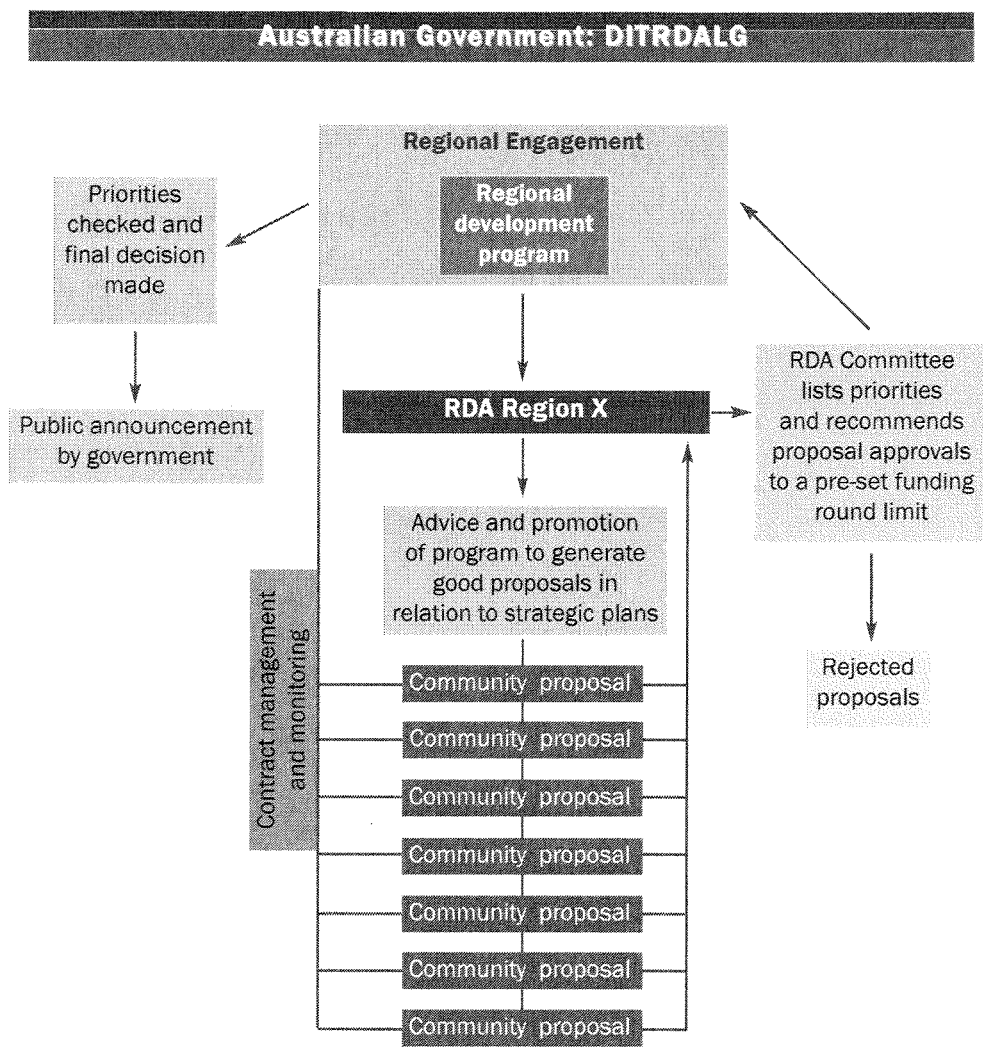
The comments provided here do not contain any political imperative. The ACC/RDA is independent and believes that if the politics were taken out of the regional development equation then there would be better outcomes for all.

It must also be emphasized that Australian Government regional investment is pitiful compared with best practice lessons learned from Europe. A new regional funding program, while welcome, will only scratch the surface.

Suggested model

The recommendations made are structured around a suggested model of program delivery, approvals and project management so that:

- The very best outcomes can be derived from available funding;
- Best practice is initiated (as per academic studies and examples from other countries);
- There is ground-up empowerment and engagement;
- Good value for money is delivered to the Australian Government;
- Conflicts of interest are removed; and
- Politics is removed from decision-making.



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

1.1

Issues surround which region gets what and an equitable distribution of the funding pie. The Inquiry Committee should acknowledge that it costs more to deliver projects in the outer regional, remote and very remote areas (ANAO summary issue No277 [ANAO 277]). That fact is offset by the population distribution and so there is a cost/population balance. Giving each designated RDA area the same available budget allocation would address ANAO 254 which highlights an uneven distribution of funding across the country. A nominated sum for each RDA region resolves many problems:

- The regional equity debate is resolved
- Each region's best projects are funded by priority
- RDA can make a strong contribution to advising on local need / priorities
- Any risk of unreasonable political approvals disappear
- Areas no longer appear to compete against each other
- RDA will advise on priorities knowing that if a large sum goes to one project then less is available for others

Recommendation 1.1: Create an annual community projects infrastructure fund that is divided equally across all RDAs.

1.2

Given that Mid West Gascoyne ACC Regional Partnerships funding was in the vicinity of \$3m pa, this would seem a reasonable amount to fund the best projects while being insufficient to fund everything. That would ensure that only the best projects are supported.

Recommendation 1.2: Budget an allowance of at least \$3m per RDA region per year, with other appropriate allocations for Major Cities Units and the Office of Northern Australia.

1.3

Regardless of what name is given to the program replacing RP, the principle of a partnership arrangement is strong and supports fundamental notions of good participatory governance, buy-in and project ownership by regional people.

Recommendation 1.3: Any future funding program should continue to be a partnership, demanding a buy-in from all levels of government and the proponent.

1.4

There was some debate towards the middle of 2007 that RP funding would be capped for regional projects. This would be damaging. It is important that the Standing Committee understands that a \$1m project in Melbourne would buy a whole lot more than a \$1m in outer regional, remote or very remote Australia.

Far from creating equity, such a move would be inequitable and would suggest a continuation of the economic rationalism that has seen a widening gap between regional and metropolitan Australia.

Add to that the issue of emerging regions, and there is more complexity since rapidly expanding communities have huge demands for infrastructure and an inability to fund it alone.

Recommendation 1.4a: Any cap on funding must take into account that those projects delivered in outer regional, remote and very remote locations will cost significantly more than construction undertaken in urban and peri-urban areas.

Recommendation 1.4b: If a cap is introduced it needs to be weighted. The Committee will need to consider rapidly growing communities in relation to weighted funding caps, as well as remoteness.

1.5

Opportunities sometimes exist to revitalise heritage or rundown buildings. Infrastructure investment in existing structures can offer good value for money in some instances or protect heritage property in others.

Recommendation 1.5: That a new funding program encourage the regeneration of old infrastructure (where possible) by applicants.

1.6

Some good projects are discounted or face problems due to land ownership matters. In WA a great deal of land is vested in the State and projects near beaches or rivers become problematic due to legislated responsibilities. The restriction is a needless barrier to positive change.

Recommendation 1.6: Project funding should include State Government property since some potential projects make sensible use of State assets.

1.7

No one knows their own regions better than those people who live in them. The regionally based ACC/RDA network officers and their member committees should be given a considerably more prominent role in the approval process and tap into that available local knowledge. RDA Committees understand regional need, the viability of applicants and have an insight into the sustainability of projects.

Empowering local committees reflects sound participatory governance and genuine bottom-up engagement which is identified as a hallmark of best practice regional development.

Indeed, the Senate Inquiry (2005) into RP made a number of recommendations, with Nos 2, 3, 5, 6, 9, 10-13, all referring to an expanded role of the ACC network and engagement with regional program funding.

Inquiry recommendation 21 noted that "it become formal policy that ministers and their staff are kept strictly at arm's length from decisions".

However, it is acknowledged by RDA and noted by the then DOTARS, that some regional committees saw "their" projects as somehow in competition with other regions and therefore

unreasonably allocated their projects high assessment ratings. It is important that this is stopped. One mechanism to make committees more discerning is to create a system with a wider range of ratings than “weak, moderate, strong” which is quite inadequate. Better is a system that ranks by priority in funding rounds with pre-determined limits on funding availability.

Recommendation 1.7a: More accountable feedback processes be created and regional committee opinions be wholly considered in decision-making.

Recommendation 1.7b: Heed best practice lessons and decentralise authority by expanding the role of the RDA network in making project approvals (conditional upon then being signed off by the Department).

Recommendation 1.7c: Remove politics from the decision-making process.

1.8

A contentious area, especially in light of government ideology on market forces and enterprise investment, is in commercial applications. Should funding programs exclude commercial applications and why?

One of the very best applications that will deliver hundreds of jobs and revitalise an industry is a commercial RP project in Geraldton. Without RP the project would have never progressed. Losing this avenue of funding has the potential to be very damaging.

It can be reasonably argued that the Commonwealth should not have to fund business – but it does already in other ways through DFAT and AusIndustry, tax concessions and so on. Therefore the principle of government support for business is readily accepted.

RP’s area of business funding was to deliver regional benefits. Commercial applications could be limited to one per region per year, so only the best goes forward for consideration. This avenue for regional investment and job creation should not be lost.

Recommendation 1.8: Continue allowing a limited number of commercial applications – or at least create regionally-focused avenues through AusIndustry so access is not lost.

1.9

In regards to the types of projects that should be funded: It is felt that the old RP program was flexible in funding a wide variety of appropriate initiatives. It is acknowledged that different regions have different needs.

Recommendation 1.9: Continue funding diverse community projects identified by regional need.

1.10

As a failsafe against a project failing to meet its agreed outcomes – or indeed against a problem with the process – contractual clauses should remain that buildings remain in public ownership for alternative public uses.

Recommendation 1.10: Any new program should ensure community infrastructure built with public money must remain in public ownership.

2: Examine ways to minimize administrative costs and duplication for taxpayers

2.1

At no time in the ANAO report was the role of ACCs criticized. The network efficiently and effectively marketed the Commonwealth's regional funding program, helping proponents to complete the complex RP applications and paying particular attention to those groups who were least capable of working through the necessary but complex documentation.

Advice was also frequently given to negotiate partnership funding arrangements so that proponents put in more and Commonwealth allocations were reduced.

Recommendation 2.1: Consistent with the recommendations of the Senate Inquiry of 2005, designate the government's RDA network to act as a program delivery agency to market the program and help project proponents to prepare submissions.

This will have a number of advantages:

- RDA is the Commonwealth's regional body and it is appropriate that it is involved with regional program delivery just as other bodies deal with programs relevant to their areas of work;
- RDA can cover the regions as a part of its usual business, capitalizing on the network that the Commonwealth is already funding and therefore delivering value for money;
- RDA will filter out "bad" projects, saving assessment time in Canberra. A major and ongoing issue with the RP program was time delays in assessment which led to cost blow-outs and then the need for funding variations;
- RDA will improve badly written applications, again saving assessment time in Canberra and ensuring that the most worthy projects are supported (not necessarily the best written);
- Each RDA committee would expect their credibility and connectivity to be judged on the success and quality of recommended projects; and
- RDAs are apolitical, wholly focused on Commonwealth activities, and therefore do not duplicate any other body (State or LGA).

2.2

The old RP application process was unnecessarily complex, lacked logical progression through the application document and when introduced as an online system, was inflexible with needless questions about the specifics of construction.

Recommendation 2.2: Simplify the process so that the speed of assessment is improved and so that the focus is on project outcomes.

2.3

Some form of case management / reporting structure will be required by the Commonwealth so RDA can channel information. AusIndustry employed a very good system of appointing a Canberra-based reporting manager to a number of Small Business Field Officer program delivery points. The model was effective and efficient.

Recommendation 2.3: Create a reporting structure for RDA to link in with DITRDALG to gain benefits so 'case managers' can gain feedback on local knowledge by using existing structures.

2.4

The planned closure of Regional Offices in June 2009 means there will need to be someone on the ground to monitor projects. This could be done by RDA which already monitors remote and very remote area projects that cannot be visited by regional office staff due to their remoteness and the time/expense required. RDA staffing resources already exist without additional costs being incurred.

Recommendation 2.4: RDA should monitor project progress and report to their case managers, this delivery method ensuring excellent value for money and full use of the Commonwealth's RDA resource.

2.5

Very small projects are extremely inefficient in terms of costs against delivery (as per ANAO 56). For example, one \$8,000 RP went through a long process, full application, comments by the ACC, input from Regional Office, assessment in Canberra and then a decision from three Ministers. It would have surely cost considerably more in staff resources than the project was worth.

The Commonwealth's RDA network resource is being funded and it would be remiss of the funding department not to use it to its full potential.

This issue is also consistent with comments 1.7 and Recommendation 1.7b.

Recommendation 2.5a: Empower RDA committees to make approval decisions (conditional upon then being signed off by the Department) and manage minor projects (less than \$25,000) in the interests of efficiency, common sense and delivering good value for money.

Recommendation 2.5b: Empower RDA bodies to make priority recommendations (conditional upon then being signed off by the Department) on which larger projects should be funded as part of funding rounds in their regions. All projects over \$25,000 to be managed by DITRDALG.

2.6

A particular problem with RP projects was in time delays – not just at the approvals stage, but in implementation by proponents who might "sit on projects" for up to 12 months before they started. This causes problems with cost blow-outs leading to variation applications and more time wasting and expense for all.

If six-monthly funding rounds were in place, it could be conditional that proponents start their projects before the next period less their funding be rolled over and made available to the next round of applicants.

Recommendation 2.6a: Write into project approvals that applicants must begin their projects within a designated time limit.

Recommendation 2.6b: Ensure proponents are motivated to start works by disallowing any financial variation to contracts.

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

3.1

MWGACC identified several major issues with the conclusions that the ANAO reached. However, we believe conclusions were reached because the ANAO were given poor information. If the acquittals are inadequate then the analysis of the acquittals will be flawed.

The process therefore needs to be easier for community groups to acquit and for any checks to make good sense of the information they are working with.

The ANAO notes acquittals as a problem in points 50, 134, 136, 153 of their summary report.

The complexities of reporting are exacerbated by the 'who-pays-for-what debate'. For example: under RP, the Commonwealth program would pay for a bathroom in a clubhouse but not a kitchen. That leads to ludicrous acquittals whereby someone has to pick apart a construction contract and schedule to identify whether a particular part of a project is funded by the proponent, state, local government or Commonwealth.

The needless overlap, separate acquittals and associated problems could be simply resolved if the total project cost (hard infrastructure) was broken down as a partnership percentage rather than specifically which partner paid for which doorpost.

For example: Commonwealth 40%, State 40%, LGA 15%, proponent 5% for an agreed project total of \$xx. That would mean one project, one agreement with all parties, and one acquittal.

Recommendation 3.1: Any new program needs to have an overall cost and agreed percentage split on the entire project. This will be easier to administer, acquit and is plainly more transparent and sensible. A single acquittal document can be copied to all partners.

3.2

One of the most contentious areas we have identified is in the acquittal of "in-kind" contributions to project costs. The ANAO made multiple references to problems with in-kind contributions. From an active governance and engagement perspective, in-kind works are valuable as demonstrating community ownership and commitment.

Genuine in-kind contributions additionally offer good value. For example, a clubhouse for fishermen, marine rescue, water sports and tourism activities in Exmouth was literally built on a foundation laid by the proponents – all siteworks done by trades qualified club members, a slab put down and electrical works completed.

In another instance, the ANAO condemned Carnarvon Yacht Club Marina (pp308-311) claiming DOTARS paid 98% of the marina development. However, the ANAO did not account for the fact that all engineering drawing and work was carried out at no cost, materials were provided by Gascoyne businesses at cost price, the shire constructed a slipway at no cost and all dredging, associated siteworks and pile-driving was also provided at no cost. Surely the Committee will agree that a cash price of \$220,000 for a fully functioning marina represents outstanding value.

Recommendation 3.2a: Do not count in-kind contributions in financial acquittals. It is only important that the in-kind work is completed and is considered at the approvals stage as a demonstrated commitment. The finished value of a project is of greater consequence than what it cost.

Recommendation 3.2b: Where in-kind contributions form a significant part of delivering a project, an independent valuation be undertaken to help assess the acquittal.

3.3

Retrospectivity is a particular issue. Under RP guidelines any retrospective funding would not be counted. In some areas this causes genuine problems. For example, if a piece of equipment was available in the very remote areas and an applicant could not access it due to the rules, then it would mean that machine would return to its base and there would be quite substantial costs to get the thing out to a very remote area again.

Mid West Gascoyne ACC has witnessed a number of cost blow-outs due to delays in approvals processes. It would be helpful if proponents could start projects even if it were permitted in full knowledge that the applicant would do so at their own risk.

Allowing retrospectivity under some circumstances actually delivers better value for the Australian Government.

Recommendation 3.3a: Recent retrospective spending should be considered in approval processes.

Recommendation 3.3b: Runaway costs in regional Australia also mean that for some proponents, a little time is a lot of money and they should be allowed to start basic work without penalty (albeit entirely at their own risk).

3.4

While the ongoing nature of the RP program was seen as advantageous – particularly as it was flexible in allowing applicants to work around other fixed funding rounds in State Government – it is clear that there are clear benefits from having rounds. Rounds would ensure:

- Competition and progression of only the best projects;
- Greater transparency in the process;
- Approvals could not be “fast-tracked”;
- Limited political interference in the process;
- Adherence to assessment timelines;
- Certainty on timelines for applicants; and
- Easy monitoring of equitable distribution of program funding.

Some Commonwealth departments offer grants in annual rounds. It is felt that this would be inadequate and six-monthly rounds are preferred for practical reasons.

Recommendation 3.4a: The new regional funding program be delivered in funding rounds.

Recommendation 3.4b: There are funding rounds every six months.

4: Examine the former government's practices and grants outlined in the Regional Partnerships Program after the audit period of 2003-06 with the aim of providing advice on future funding of regional programs

Terms of Reference 1+2 dealt with almost all of our considered feedback in regards to a future regional program. Matters of projects, accountability, administration and giving best value are issues that link the past practices, past inquiry, ANAO Report and future directions.

The points here are footnotes to the way the old program was wound up. Most would agree that it could be improved upon. Events have left some proponents angry and frustrated as applications were lodged right up to the budget.

Whether the fault was with the old or new government is irrelevant since in this context, most regional people see just the Australian Government regardless of who occupies Ministerial offices. The Senate Inquiry recommendation (25) that procedures are developed for ending RP and Sustainable Regions was not heeded.

4.1

It is unreasonable of the Australian Government not to consider those projects that were submitted in good faith up to the point at which the Minister announced RP had been shelved. To that point, communities were under the belief (Commonwealth website information) that their proposals would be considered.

Recommendation 4.1: Projects submitted up to Minister Albanese's announcement (20 March 2008) should be assessed and decisions made by the departmental Minister and Parliamentary Secretary.

4.2

Reneging on approvals and processes from one government to the next is a flaw that requires addressing. Such behaviour is unprecedented and to avoid a repeat of the angst caused, there needs to be a process which makes it clear to all applicants what will happen in the event of an election being called, and how a program will be wound up.

Recommendation 4.2a: Document a process so that applicants know what will happen in the event of an election being called.

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Recommendations summary

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