



Municipal Association of Victoria

**Submission to the Inquiry into the Regional
Development Funding Program**

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The MAV is the statutory peak body for local government in Victoria, representing all 79 municipalities.

While this paper aims to broadly reflect the views of local government in Victoria, it does not purport to reflect the exact views of individual councils.

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1 Introduction

The Municipal Association of Victoria (MAV) welcomes the opportunity to provide a submission to the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government inquiry into a new regional development funding program.

In developing this submission, the MAV has sought comment from the 79 Victorian councils about the terms of reference for the committee's inquiry, namely:

- Advice on future funding of regional programs in order to invest in genuine and accountable community infrastructure projects;
- Ways to minimise administrative costs and duplication for taxpayers;
- The former government's practices and grants outlined in the Australian National Audit Office report on Regional Partnerships
- 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.

The MAV submission focuses on identifying the features and attributes of a new regional development funding program that would benefit communities. As such, the focus of the submission is on the former two issues listed above.

Victorian councils have also been encouraged to directly make submissions to the inquiry to further develop the specific issues of importance to these municipalities.

The major concern for local government in Victoria is to ensure the Commonwealth continues to provide support to local and community infrastructure projects, such as halls, sporting and other community facilities. There is a clear view that without a program of this nature provided by the Commonwealth, there are gaps in the provision of community infrastructure. The MAV believes that the priority of a regional infrastructure fund should be smaller, community-based projects.

The MAV believes the definition of what constitutes 'regional' is an important issue for the inquiry. The MAV believes the definition of 'regional' relates to the structures required to identify and develop project priorities. As such, it should fund metropolitan, regional and rural areas.

The MAV supports a broadly based funding program with the capacity to support a wide range of potential projects. The MAV believes that the Small Towns Development Fund provides an example of a funding program that could be examined for the new Commonwealth program.

2 Context

Victorian councils have an important role in providing community infrastructure, directly managing \$47 billion of infrastructure and assets. While significant improvement in the management and renewal of ageing infrastructure has occurred in recent years, many councils have only limited capacity to expand and renew community infrastructure.

These difficulties have been recognised in research undertaken by the MAV and PricewaterhouseCoopers, which has indicated that the major financial constraint on local government is its ability to renew ageing infrastructure. The Hawker Inquiry into cost shifting similarly concluded that the renewal of infrastructure represented the largest single financial challenge for local government nationally.

In order to facilitate the provision of community (non road-based) infrastructure, several funds have been developed by the State Government, including the Victorian Small Towns Development Fund, the Community Support Fund, the Regional Infrastructure Development Fund, and the Community Facilities Fund. These funds facilitate local government and community provision of vital economic and social infrastructure and are supported by the MAV.

Providing, maintaining and renewing community infrastructure are the key challenges for local government in Victoria. The proposed regional development program has the potential to complement state and local government effort to enhance community infrastructure.

3 Policy Issues

3.1 Project scope and outcomes

The MAV contends that without a regional funding program, there is no avenue for local government to access Commonwealth funding for community projects. Given existing programs such as Roads to Recovery, which focus on hard, economic infrastructure, there is significant benefit in the regional development program to focus on community infrastructure, such as sporting facilities, halls and other community assets.

Additionally, given the existing programs such as Roads to Recovery and AusLink which focus on hard economic infrastructure, a regional infrastructure fund should support community infrastructure. One of the successes of past regional funding programs has been the availability of funding for community development projects not entirely focused on economic growth or the development of economic infrastructure. There is an argument for the program to also provide support for economic infrastructure for which there is no current Commonwealth funding program, such as broadband connections.

The importance of providing regional infrastructure in the areas of cultural services, recreation services, and services for families and children, should be recognised and accorded a significant priority when funding guidelines are established. This is consistent with the Victorian Small Towns Development Fund and would provide a suitable level of flexibility in the type of projects able to be funded.

The MAV believes a funding program of this nature will complement state and local government programs and efforts around enhancing community infrastructure and would fulfil a goal of improving the standard and number of these facilities available.

3.2 Organisations funded by the program

The MAV believes that councils have the capacity to identify and deliver community projects in an efficient and effective manner. Council planning processes are

developed to align community preferences with the delivery of infrastructure projects and hence support the delivery of regional development projects. The MAV believes this approach will lead to the best outcomes on behalf of the community.

3.3 Linkages to other programs

The stated purpose of the newly established Infrastructure Australia is to focus its attention on major infrastructure requirements of Australia. These funding priorities are likely to include transport, port and broadband infrastructure projects. The MAV believes the new regional development funding program needs to complement the priorities of Infrastructure Australia which has oversight of national coordination of infrastructure.

A strong linkage between the new regional development funding program and the newly established Infrastructure Australia body, during the project development phase, may be an advantage in providing advice and effective administration of some projects.

4 Funding and Governance Issues

4.1 Process Issues

Many funding programs require significant effort in the application process, often requiring specific skills which may be difficult for rural and regional councils to acquire. The MAV understands that council officers faced with the task of applying for regional program funding in the past have expressed frustration with the complexity and ambiguity of the application process.

The MAV's preferred approach is for the program not to have specific funding rounds. The MAV believes that providing flexibility around the timing of funding would be beneficial and create greater congruence with other sources of funding, such as state funding programs.

This would allow appropriate collaboration between all levels of government on projects of local or regional significance. With many larger projects, a shared approach will be necessary to deliver successful projects.

The MAV understands that applications for funding frequently involve an in-kind contribution from local government or the community. In these instances, the application process would be simplified if labour and plant hire rates for in-kind contributions were assessed at a standardised rate.

This type of process is currently in use for projects funded by the Victorian Department of Planning and Community Development.

4.2 Regional Structures

When assessing an appropriate funding model for community and regional infrastructure, the MAV believes there is significant scope to align the processes and aims of the above programs with the Commonwealth program. This would promote

continuity and consistency between the funding programs, potentially reducing application costs and providing a simpler process.

In assessing an appropriate funding model, it is important to note that successful projects will frequently have contributions from multiple levels of government, including Commonwealth, state and local.

As such, care needs to be taken that all levels of government consider the role other levels will play when considering particular projects.

The MAV believes there is a strong rationale for funding to be linked to local and regional infrastructure priorities. In ensuring accountable and community driven projects are considered, it is proposed that councils or groups of councils are involved in developing the proposals. This process would promote the alignment of projects prioritised by business groups and community representatives with local government plans. This process would also result in discussion of the priorities for local and regional communities including all relevant parties.

In the MAV's consultation, councils noted that any transition from Area Consultative Committees (ACCs) to new regional bodies needs to be carefully planned to ensure continuity in the role and function of these groups. ACCs have provided a positive contribution to local and regional governance, and hence, movement to the new structures should aim to leverage continued community, business and council engagement in the process.

Such regional committees provide a good interface between the community and Government. The new regional structures could provide, for example, initial assessment against regional plans and priorities, assess delivery agents and regional partnerships, and advise how the business case ranks against department criteria.

In addition, in Victoria a further level of State-local government cooperation exists in the form of Regional Management Forums, which are chaired by a departmental secretary and include the CEOs of all councils within the regions. These forums bring together the councils from within the eight State administrative regions to discuss common issues and concerns. This existing mechanism has the capacity to add significant value to identifying regional and local priorities for both State and local government. Any approach by the Commonwealth should be cognisant of these existing structures and their potential advantages in the developing project priorities.

4.3 Reporting Requirements

In streamlining an administrative process, many councils have noted that monitoring reports can require significant time commitments, even where the projects are of relatively small monetary value. As such, adopting a maximum number of monitoring reports per project based on value would help streamline project reporting processes. The MAV understands that some relatively small projects are required to report on up to 10 dates as part of their normal reporting cycle.

Councils have indicated that the previous process for some relatively small projects with capital expenditure of less than \$50,000 required an audit opinion. In these

instances, a statutory declaration, comprehensive report and photographic evidence should be sufficient proof the project has been satisfactorily completed.

The MAV strongly supports the appropriate reporting and acquittal of project funding, but believes that a one-size-fits-all approach to reporting may place onerous burdens on smaller projects. The Association therefore believes there may be benefit in examining whether different reporting requirements are appropriate depending of the project cost.

4.4 Assessment Processes

Given the importance of a community and regional infrastructure program, it is essential that clear processes exist around the assessing and approving applications. In developing the assessment process, it is essential the clear assessment criteria are articulated. The MAV submits that suitable criteria should be significantly based on the Victorian Small Towns Development Fund (with the exception of its restriction to rural and regional councils), particularly:

- that it will deliver on the program objectives, namely the overall objectives of the regional and community infrastructure fund
- that the project will revive or establish an important community asset, which has a long-term benefit to the community
- that the project has broad community support, which could be demonstrated through community and business support
- that it will leverage financial contributions from local government, state government, the private sector and/or the community
- that the project is consistent with the council and or/community strategic plans and policies. The project should be consistent with regional plans and policies, where possible
- that the project does not require recurrent funding from the Commonwealth or state government.

The MAV believes these assessment criteria would form a suitable basis for the project.

5 Conclusion

The MAV welcomes the commitment of the Commonwealth Government to establish a new community and regional infrastructure program for 2009-10. The MAV strongly believes a fund of this nature is required to ensure the delivery of appropriate community infrastructure to Victorian communities. Such a fund must focus on infrastructure not currently covered by Commonwealth programs such as AusLink and Roads to Recovery, particularly community and complementary economic assets.

The MAV contends there are several programs administered by the Victorian State Government which provide a suitable methodology to adopt for Commonwealth purposes. The most appropriate is modelling the program on the Small Towns Development Fund, with a removal of the requirement for funding to be limited to rural and regional councils.

The MAV would welcome the opportunity to further discuss the purpose and structure of the program.