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The Parliament of the Commonwealth of Australia

# A New Regional and Local Community Infrastructure Program

**Issues Paper**

House of Representatives  
Standing Committee on Infrastructure, Transport, Regional Development and  
Local Government

July 2008

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# Contents

Introduction .....	v
<b>1 A Framework for the Regional and Local Community Infrastructure Program</b>	<b>1</b>
What is the purpose and objectives of the program? .....	1
What eligibility criteria should apply? .....	3
How will the new funding program work with State government regional development funding programs? .....	5
How will the new funding program work with Local Government infrastructure funding and planning both at a regional and individual council level? .....	6
How will the new funding program work with the new Regional Development Australia Network? .....	8
How will the fund be promoted? .....	10
<b>2 Applications and Assessments .....</b>	<b>13</b>
Who should assess applications initially and who should recommend that the application progress? .....	13
Who should make the final decision? .....	15
What should be the timeframes for assessment and final decisions? .....	17
How should decisions be communicated and by whom? .....	18
How will projects be funded? .....	19
How should applications be submitted? .....	21
What assistance should be available to applicants? .....	21
What information should be contained in a funding application? .....	22
What skills and training might be required of staff involved in the application and assessment process? .....	23

3	Management of Funding Agreements.....	25
	What should be contained in a funding agreement? .....	25
	How should the funding agreement be monitored?.....	26
	Who should manage the funding agreement and how? .....	28
	Appendix A: Inquiry Terms of Reference.....	31
	Appendix B: Roundtable discussion program.....	33
	Appendix C: Joint Media Statement.....	35



## Introduction

On 13 May 2008, the Rudd Government announced a new Regional and Local Community Infrastructure Program to replace the previous government's Sustainable Regions and the Regional Partnerships Program.

The Regional and Local Community Infrastructure Program will commence from the 08/09 Budget and will focus on delivering 'major investments in regional and local community, recreational and environmental infrastructure initiatives'.<sup>1</sup>

The House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government is to make recommendations to Government by November 2008 on a possible framework and future administrative arrangements for the new program.<sup>2</sup>

The Committee will be making its recommendations on the basis of the Australian National Audit Office's Performance Audit of the Regional Partnerships Program and on the input provided by the Australian community through consultation and submissions.

To this end, the Committee has called for submissions (closing date 14 July 2008)<sup>3</sup> and will be conducting roundtable discussions throughout July and August 2008.

This issues paper has been developed to assist those making submissions to the inquiry and will form the basis for the roundtable discussions. The issues raised in this paper are not exhaustive and are designed to promote discussion that will assist the committee in forming a view on the new Regional and Local Community Infrastructure Program.

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1 A copy of the media release is at Appendix C.

2 The Inquiry's Terms of Reference are at Appendix A.

3 For an information brochure on preparing a submission to a parliamentary Committee contact the Secretariat or visit the Committee's website: <http://www.aph.gov.au/itrdlg>.

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# A Framework for the Regional and Local Community Infrastructure Program

## What is the purpose and objectives of the program?

- 1.1 A new Regional and Local Community Infrastructure Program requires clearly defined and documented objectives set by the Australian government.
- 1.2 The previous Regional Partnerships Program (RPP) was far ranging in scope with few limits on the type of projects it could fund. The RPP focused on four areas: strengthening growth and opportunities; improving access to services; supporting planning; and assisting structural adjustment.<sup>1</sup>
- 1.3 The intention of such flexibility was to make the program simpler to administer and more accessible.
- 1.4 In 2003, a strategic fund, later called the Strategic Opportunities Notional Allocation (SONA) was established to create even greater flexibility. With no specific guidelines or assessment the ANAO found that the broad nature of the criteria of SONA meant that it was difficult to demonstrate whether particular applications should have been considered for funding.<sup>2</sup>

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1 Department of Transport and Regional Services, *National Network of Area Consultative Committees' Report to the Community 2004-05*, p. 4 (Accessed at [http://www.acc.gov.au/docs/report\\_ttc.aspx](http://www.acc.gov.au/docs/report_ttc.aspx), 12 June 2008).

2 ANAO, *ibid.* p. 170.

- 1.5 A central issue for the development of the new Regional and Local Community Infrastructure Fund is to set objectives that are not too restrictive as to limit innovative regional development projects yet not so broad that they are essentially meaningless.
- 1.6 State governments regional development programs may provide some guidance, with varying objectives and levels of funding support. Some states have split regional funding programs into areas of focus, for instance, infrastructure, small towns, or industry and business support. Each sub-program has separate assessment criteria.<sup>3</sup>
- 1.7 Another idea may be to base the new program's purpose and objectives on a definition of regional. For example, the Department of Infrastructure, Transport, Regional Development and Local Government (the Department) used the ABS Remoteness Structure to summarise regions in the 2008 booklet *About Australia's Regions*. This classification groups Census Collection Districts into five broad classes of remoteness, which share common characteristics in terms of physical distance from services and opportunities for social interaction. The classes are: Major Cities of Australia; Inner Regional Australia; Outer Regional Australia; Remote Australia; and Very Remote Australia. Remoteness classes cut across state and local government boundaries.<sup>4</sup>

### Questions for discussion

- What should the overarching purpose and objectives of the new program be?
  - Where are the gaps in community infrastructure funding? How should community infrastructure be defined for the purpose of the new Federal program?
  - Should the Australian government's regional funding program be targeted? What are the benefits / disadvantages of targeting?
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3 For example see Regional Development Victoria programs including Regional Infrastructure Development Fund, Small Towns Fund, Community Regional Industry Skills Program (Accessed on web: <http://www.business.vic.gov.au/scripts/nc.dll?BUSVIC:LANDING:1001:pc=SEC12.htm> on 4 July 2008.)

4 Department of Infrastructure, Transport, Regional Development and Local Government, Bureau of Infrastructure, Transport and Regional Economies, *About Australia's Regions*, June 2008, p. 2, (Accessed on web: <http://www.minister.infrastructure.gov.au/gg/releases/2008/June/files/AboutAustraliasRegions2008.pdf> on 25 June 2008.)



- How should regional be defined?
- What outcomes should be met?
- What information needs to be included in an Australian government policy statement in order for the objectives of a regional development funding program to be clearly understood by all stakeholders?
- Should a new program be focused on providing funding for projects which promote the growth of regional communities (job creation) or the liveability of regional communities?
- Once specific funding objectives have been set is there scope for developing a program model which has in place, or allows for the creation of sub-programs which can be used to target specific areas of need as they arise?

## What eligibility criteria should apply?

- 1.8 Under the previous RPP, the *Regional Partnerships Guidelines* outlined the objectives of the program; how Area Consultative Committees (ACCs) and local government were to be involved; assessment criteria; eligibility for funding; accountability, budgeting and reporting requirements; and guidance on how to make an application or obtain further information.
- 1.9 Priority was to be given to
- ... those projects that demonstrated value for money by achieving their outcomes through the most efficient and effective means, securing appropriate funding from other sources and/or have exhausted other funding options.<sup>5</sup>
- 1.10 Value for money was determined by taking into account the total request for RPP funding and meeting the following assessment criteria:
- outcomes of the project's achievements or benefits to the community;
  - partnerships or community support; and

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5 Department of Transport and Regional Services, *National Network of Area Consultative Committees' Report to the Community 2004-05*, p. 4 (Accessed at [http://www.acc.gov.au/docs/report\\_ttc.aspx](http://www.acc.gov.au/docs/report_ttc.aspx), 12 June 2008).

- viability of the project and the applicant.<sup>6</sup>
- 1.11 In its report on the RPP, the ANAO found that over the course of the first three years of the RPP, funding was approved in respect of projects that did not satisfy the assessment or eligibility criteria set out in the Programme Guidelines.<sup>7</sup>
- 1.12 In 2006-07, the Australian government commenced articulating annual priorities for funding which the ACCs were encouraged to address in the projects they put forward for funding. The four priority areas were:
- small or disadvantaged communities;
  - Indigenous communities;
  - economic growth and skill development; and
  - youth.<sup>8</sup>
- 1.13 A second central issue to the development of the new Regional and Local Community Infrastructure Program is the development of eligibility criteria and priorities for funding.
- 1.14 To this end the Parliamentary Secretary for Regional Development and Northern Australia, the Hon Gary Gray, AO MP, has asked Regional Development Australia (RDA) committees to provide advice by 31 October 2008 on the priorities for the types of local community infrastructure that could encourage economic development. Advice will include consideration of:
- road, rail and air transport status;
  - health services – hospitals and rural doctors capacity;
  - access to welfare and support services;
  - communication services;
  - utilities;
  - water storage capacity;
  - sporting and recreational facilities; and
  - business services.
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6 Regional Partnerships Guidelines, pp. 3-6.

7 ANAO, *ibid.* p. 153.

8 ANAO, *Audit Report No. 14 2007-08: Performance Audit of the Regional Partnerships Programme: Volume 2-Main Report*, p. 550.

- 1.15 Some of the work requested by the Parliamentary Secretary of the RDAs will complement this Committee's inquiry.
- 1.16 The Parliamentary Secretary has also indicated he is disinclined to support for-profit organisations through public funds under the new funding program. Under the RPP, funds were granted to local government authorities, community groups, not-for-profit groups, private sector organisations, registered charities, and Co-operatives. Private enterprises and co-operatives that were considered commercial enterprises, could not apply for funding for planning, studies or research.

### Questions for discussion

- Who should be eligible to apply for the new Regional Funding Program?
- Should private for-profit enterprises be allowed to receive funding under the new program?
- Should the Australian government provide funds to less viable, risky projects?
- Should priorities be given to different types of regions eg. urban, rural, remote, water catchment areas, agriculture areas?
- Given the program will be a discretionary grants program, what expectations should applications have of the published eligibility criteria?

### **How will the new funding program work with State government regional development funding programs?**

- 1.17 Most States and Territories have developed programs to fund regional infrastructure projects. While these vary from State to State, they often require matching Federal funding. This has at times proved frustrating for applicants as they undergo several assessment processes.
- 1.18 On the other hand it has also provided a unique opportunity for projects to obtain, local, Federal, State and community funding for projects that would have been well beyond the capacity of the local community or local government authority to fund alone.

- 1.19 Any new regional development funding model should address the need to minimise administration costs and avoid duplication with other federal, state and local funding programs.
- 1.20 In assessing applications for the new regional program, consideration should be given to whether it is the appropriate Australian government program or whether another more appropriate funding program exists. Value for money and avoiding duplication can only be accomplished by coordination of regional programs between Federal, state and local governments.
- 1.21 There are also potential cost shifting implications if the Australian government puts forward funding without appropriate state, local or private sector funding. Cost shifting could occur where funding is approved for projects which are the responsibility of other spheres of government or the private sector.

### Questions for discussion

- In establishing the framework for a new regional development funding program, how does the government avoid duplication with other Federal, state or local funding projects; and how can a new program work in cooperation with other funding programs?
- What are the most effective ways to minimise administrative costs and avoid duplication to taxpayers when developing a regional funding program?
- What involvement should State regional bodies have in prioritising or assessing projects?

### **How will the new funding program work with Local Government infrastructure funding and planning both at a regional and individual council level?**

- 1.22 Funding ageing infrastructure has consistently been identified by local government as a significant cost pressure.<sup>9</sup> Some councils have been very successful at attracting funding whilst many smaller, rural

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9 For example see: ALGA, *Background Facts and Figures about Local Government*, Submission for Australia 2020 Summit, Accessed on web: <http://www.alga.asn.au/submissions/2008/Submissions2020.php>, 2 July 2008.

councils claim to have less resources to assist in attracting additional funding.

- 1.23 The RPP provided a flexible funding source for local government authorities to apply for community, sporting and cultural and arts infrastructure projects. However, the ANAO found:

... Regional Partnerships applications were received at a considerably higher rate from applicants located in electorates held by the Coalition parties than in electorates held by other parties. This was, in large measure, a reflection of the fact that, consistent with the Programme's focus on regional and rural communities, the largest proportion (73 per cent) of Regional Partnerships applications submitted over the first three years related to projects local in electorates categorised as 'rural'. ... However, applications from Labor-held electorates were under-represented in the applications received compared to the proportion of rural electorates held.<sup>10</sup>

- 1.24 Local government authorities through their strategic planning and budgetary processes develop their own priorities for local infrastructure development. From time to time adhoc projects also have emerged as priorities for local government authorities.
- 1.25 In some areas across the country local government authorities have developed regional organisations of councils (ROCs in NSW and QLD) as a way of developing regional priorities and combining resources to acquire funding. In other areas less formal structures have emerged between councils.
- 1.26 Local government authorities have also participated in the previous Area Consultative Committees and in some States and Territories Regional Development Organisations (originally established alongside ACCs) continue to exist albeit now funded by State, local governments, local business and membership fees.
- 1.27 Local government authorities play a significant role in regional development. Across the country there are many examples where regional coordination and resource sharing have delivered for local communities across service areas such as:
- catchment management;

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10 ANAO, *Audit Report No. 14 2007-08: Performance Audit of the Regional Partnerships Programme: Volume 1 – Summary and Recommendations*, p. 23.

- waste management;
- transport;
- community support services; and
- housing services.

### Questions for discussion

- How can the Australian government best engage with existing local and regional organisations on the new Regional and Local Community Infrastructure Program?
- In what way could a future program be structured to ensure that it was flexible enough to take into account the local needs in specific regions while maintaining clear parameters regarding objectives and outcomes?
- How can a new program best coordinate regional objectives between federal, state and local agencies?
- Are projects that cross ACC regional boundaries considered? Do ACCs get together to apply for funding? Can collaborative, multi-region projects be encouraged?

## **How will the new funding program work with the new Regional Development Australia Network?**

- 1.28 The former national network of Area Consultative Committees (ACCs) was an important link between the Australian Government and rural and metropolitan Australia. The Minister for Infrastructure, Transport, Regional Development and Local Government, the Hon Anthony Albanese MP announced on 20 March 2008 that as foreshadowed in the Government's key regional election commitments, ACCs would provide the basis for the creation of Regional Development Australia. Therefore ACCs will transition to become local Regional Development Australia committees (RDAs). As a first step, the ACC Chairs Reference Group forms the RDA Interim Board until 31 December 2008.
- 1.29 The Minister for Infrastructure, Regional Development and Local Government, the Hon. Anthony Albanese, MP outlined a range of issues on which the RDAs could provide advice and assistance to the Australian Government:

- Advise on community infrastructure,
- Advise on regional issues and opportunities,
- Advise on local implementation of specific Commonwealth initiatives in the region, as requested,
- Facilitate economic development planning and investment attraction,
- Identify any unique local attributes that would favour the development of new and innovative industries,
- Promote initiatives to retain and expand skills and local businesses and industries,
- Disseminate information about Commonwealth programs,
- Undertake ad hoc consultations on behalf of Federal agencies where a regional network is required,
- Advise on adequacy of service delivery in regions,
- Build networks and relationships with other levels of government and key stakeholders in the region,
- Advise government on social inclusion issues, and
- Advise on ways to improve the efficiency, effectiveness and coordination of Commonwealth regional initiatives.<sup>11</sup>

1.30 In the previous RPP, ACCs were assigned coverage of specific geographical regions within the states and territories. Each ACC met with local business, government and the community to identify opportunities, set priorities and develop strategies for growth for the region. This consultation process enabled each ACC to develop a three-year Strategic Regional Plan for its area. The ACC network provided knowledge and advice to the Australian Government about its region.

1.31 A core function of the ACCs was to be the primary point of promotion, project identification and application development for the RPP. The ACCs also performed an assessment function. Once an application had been submitted to DoTaRS, the usual procedure was for it to be assessed by the ACC which commented on a series of

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11 *Regional Development Australia*, Statement by the Hon. Anthony Albanese, MP, 10 March 2008.

standard questions including the extent to which the project aligned with its Strategic Regional Plan and the Program assessment criteria.

- 1.32 Ministerial decisions sometimes differed from ACC recommendations. The ANAO found that Ministerial decisions up to 30 June 2006:

... differed from the ACC recommendation in relation to 23.6 per cent of applications on which an Acc rating was obtained prior to the Ministerial decision.<sup>12</sup>

- 1.34 ACC Chairs and Deputy Chairs were appointed by the Australian Government. Other Committee members were volunteers from all walks of life in the community.

### Questions for discussion

- What will the role of RDAs be in assisting and assessing applications for the new Regional and Local Community Infrastructure Fund.
- How should future relations be pursued between new RDA Committees and state and local governments? What mechanisms could be utilised or put into place to enhance communication and cooperative between the RDA Committees and state and local government over project priorities?
- Will there be a requirement for Strategic Regional Plan to be developed by RDA Network? What consultation process should be followed in developing the plan? How will this interact with priorities for funding?

### How will the fund be promoted?

- 1.35 A key ingredient of a successful grant program is a high level of interest from potential applicants.
- 1.36 People received information about the RPP by:
- the ACC network,
  - government websites, including GrantsLINK, and
  - media releases announcing approval for funding applications.
- 1.37 Ways to regularly trigger applications could be via:
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12 ANAO, *Audit Report No. 14 2007-08: Performance Audit of the Regional Partnerships Vol. 2 – Main Report*, p. 62.



- media advertisements or media releases, and
  - mail-outs from Members or Senators encouraging people in their electorates to make applications.
- 1.38 Consideration needs to be given to whether a new regional development funding program has continuous funding rather than funding rounds. If it is to remain continuous, there may be a requirement for regular triggering mechanisms to attract applications.
- 1.39 The ANAO states that information supplied with application forms should set out:
- statement of the program objectives;
  - the information required to assess the application;
  - the appraisal criteria to be used when assessing applications for approval and their relative importance; and
  - information about the approval process including:
    - closing date for applications and likely decision dates, if applicable,
    - an outline of the selection process including who is responsible for making the final recommendations and approvals;
    - requirements for providing appropriate performance information;
    - a description of appeal and/or Freedom of Information mechanisms; and
  - acquittal requirements to make eventual recipients aware of their accountability obligations.<sup>13</sup>

### Questions for discussion

- Was information about the RPP adequately dispersed? How can we ensure all potential applicants have knowledge about and have access to the future regional development funding program?
- How should the objectives of the program be documented and communicated to all stakeholders? Were the objectives and criteria of the RPP easy to understand?

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13 Australian National Audit Office, *Administration of Grants: A Better Practice Guide*, May 2002, p. 31.



## Applications and Assessments

### **Who should assess applications initially and who should recommend that the application progress?**

- 2.1 Under the previous RPP, applications were assessed by ACCs which provided comments and recommendations to Ministers, based on its Strategic Regional Plan. The National Office of the Department of Transport and Regional Services (DoTaRS) also assessed applications, in accordance with the Program Guidelines, and provided recommendations to Ministers.
- 2.2 Prior to March 2006 Regional Offices of DoTaRS also provided an assessment role with the National Office providing a quality assurance role. The change to a single assessment model was intended to streamline assessments so that funding decisions could be made sooner and recommendations would be more consistent. Regional Offices continued to provide a coordination role and a direct line of information from the State and local level to the Department's National Office in Canberra. Recently, some Regional Offices have been closed (eg. Perth and Darwin).
- 2.3 The ANAO found that the features of the RPP design presented challenges for DoTaRS in its assessment and management of grants, including:
  - there were few limits on the types of projects that could be funded;

- the availability of funding under other grants programs did not preclude applications for funding being submitted under RPP;
- most types of entities were eligible for funding; and
- applications for funding under RPP were submitted at any time, therefore, each project was considered in relative isolation; the absence of funding rounds made it more difficult for consistent standards to be applied to risk assessments.<sup>1</sup>

2.4 The ANAO found that DoTaRS sometimes lacked the expertise in-house to properly scrutinise applications for funding.<sup>2</sup> In some circumstances DoTaRS sought external viability assessments.

### Questions for discussion

- What assessment process would you like to see for the Regional Funding Program?
- Who should be assessing applications initially – ACCs, Regional Officers, Federal Departmental Officers, other bodies, or a combination of these?
- When should external viability assessments be sought?
- In assessing applications, what should be the role of local Members and Senators? How should State Regional Development bodies be involved? How can local government be involved?
- What was the effect of removing assessment responsibilities from Regional Offices? What has been the effect of closing Regional Offices?
- What was the relationship between Regional Officers and the ACCs? Should Regional Officers be members of RDA? Should departmental staff be collocated with RDA?
- Under the previous RPP, the ACCs had a dual role:
  - promoting and facilitating projects, including application development; and
  - providing advice to the Australian Government on applications in their region.

Was there a conflict of interest with ACCs providing assistance for applications and being the assessor?

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1 ANAO, *ibid.* p. 386.

2 ANAO, *ibid.*, p. 412.

## Who should make the final decision?

- 2.5 The design of the RPP included considerable decision-making flexibility for Ministers. The RPP was a discretionary grants program with the final decision on which applications received funding being up to a Minister or Parliamentary Secretary (or a Ministerial Committee for applications received after March 2006).
- 2.6 Under the RPP, each Ministerial decision was taken in isolation from other applications. The rationale for a Ministerial funding decision related to the merits of the relevant application when considered against the program assessment and eligibility criteria. This is a differentiation from grants programs that involve funding rounds and comparative ranking of competing applications.
- 2.7 The ANAO found that the extent to which Ministerial decision-makers recorded the basis for decisions which disagreed with departmental assessments was variable.<sup>3</sup> The ANAO found that:
- The Ministerial discretion to approve funding for projects that the department has not recommended for funding has significant implications for DOTARS' assessment and arrangement of Regional Partnerships projects. In particular, DOTARS officials have not been authorised by Ministers to reject applications for funding that demonstrably do not satisfy one or more of the Programme criteria. Other than those that are withdrawn by the applicant during the assessment process, all applications must be submitted for Ministerial consideration and decision.<sup>4</sup>
- 2.8 Commonwealth discretionary grants programs involve the expenditure of public money and are subject to applicable financial management legislation. Many of the rules about how public money and property are to be dealt with are in the *Financial Management and Accountability Regulations 1997*. In particular, Regulation 9 requires that, when approving the expenditure of public money, the approver<sup>5</sup> must be satisfied, after making such inquiries as are reasonable, that the proposed expenditure:

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3 ANAO, *Audit Report No. 14 2007-08: Performance Audit of the Regional Partnerships Vol. 2 – Main Report*, p. 84.

4 ANAO, *ibid*, p.387.

5 An approver is defined in Regulation 3 as meaning a Minister, Chief Executive of a person authorised by or under an Act to exercise a function of approving proposals to spend public money.

- is in accordance with the policies of the Commonwealth; and
- will make efficient and effective use of the public money; and
- if the proposal is one to spend special public money, is consistent with the terms under which the money is held by the Commonwealth.

2.9 The ANAO reported on the importance of recording reasons for Ministerial decisions:

Given the fundamental importance of the approval process in relation to the expenditure of public funds, and for accountability purposes, it is critical that agencies have a clear understanding and record of Ministerial decisions. ...

... the underlying obligation of an approver when considering whether or not to approve a spending proposal is to make such inquiries as are reasonable in order to be satisfied that the proposed expenditure would satisfy the requirements of FMA Regulation 9. All such inquiries, and resulting conclusions, should be conducted in the context of the assessment criteria approved for the Programme and advised to potential applicants.<sup>6</sup>

2.10 However, there is no requirement under the FMA Regulations for approvers to record the basis for their decisions. Nevertheless, the ANAO stated that recording the basis for funding decisions enables decision-makers to demonstrate that the approval has been given in accordance with their obligations under the FMA Regulations. The documentation would also allow Ministers to demonstrate that the programme parameters were being met and all applicants treated equitably and fairly.<sup>7</sup>

2.11 The ANAO made seven recommendations to assist to further improve the RPP's application assessment and approval processes. Further, the ANAO recommended that:

... in the design and implementation of discretionary grants programmes, the Department of Transport and Regional Services further strengthen its administrative processes, and

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6 ANAO, *Audit Report No. 14 2007-08: Performance Audit of the Regional Partnerships Vol. 2 – Main Report*, pp. 82-3.

7 ANAO, *Audit Report No. 14 2007-08: Performance Audit of the Regional Partnerships Vol. 2 – Main Report*, p. 83.

provide relevant advice to responsible Ministers in relation to:

- (a) the statutory obligations relating to the approval and payment of grants arising under the applicable financial management legislation; and
- (b) options for implementing administrative arrangements that satisfy programme policy objectives while ensuring the efficient and effective compliance with all applicable statutory obligations.<sup>8</sup>

### Questions for discussion

- Who should be making final decisions on applications – Federal Departmental Officers, regional bodies, Ministers, or other bodies?
- How can the final decision be made more transparent?

## What should be the timeframes for assessment and final decisions?

- 2.12 One of the criticisms of the previous RPP was the length of time many applications took to assess. It is preferable for applicants if grants applications are processed and assessed within a short time-frame. This enables an applicant to develop a project further and secure partnership funding if required.
- 2.13 One of the expected benefits of a continuous assessment process over structured rounds is the potential to reduce the time between applications and announcements. This did not always prove to be the case under the RPP; the ANAO found that the period of the highest rate of application corresponded with a significant decrease in the average time to made assessments.<sup>9</sup> Also, the ANAO reported that truncated assessment on some projects showed inadequate due diligence.<sup>10</sup>

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8 ANAO, *Audit Report No. 14 2007-08: Performance Audit of the Regional Partnerships Vol. 2 – Main Report*, p. 59.

9 ANAO, *Audit Report No. 14 2007-08: Performance Audit of the Regional Partnerships Vol. 2 – Main Report*, p. 103.

10 ANAO, *ibid*, p. 411.

- 2.14 Under the RPP, DoTaRS performance measures were for assessment periods to be 12 weeks between an application being submitted and a funding decision being made. A performance measure of 8 weeks was identified for projects seeking \$25,000 or less.
- 2.15 The single National Office assessment process, introduced in March 2006, reduced assessment times by half for projects under \$25,000 (from 22 weeks to 11 weeks).<sup>11</sup>

### Questions for discussion

- If an assessment process is to be rigorous and transparent, can final decisions be made within shorter timeframes than the RPP?
- How can the timeliness of application assessments be improved?

### How should decisions be communicated and by whom?

- 2.16 It is important that all stakeholders understand why grants have been approved or not approved. The process should be able to discriminate between projects of varying merit in terms of the selection criteria and the objectives of the program.
- 2.17 The ANAO recommends that it is good practice for all decisions on approved or unsuccessful project be announced together, or within a short period of time. This enables applicants to begin implementing their projects or pursue alternative sources of funding. It also has the added advantage of avoiding any perception that the timing of the announcements is being used for party-political purposes.<sup>12</sup>
- 2.18 The ANAO found that under the RPP, local Member support of a project was viewed favourably in the assessment process. However, when it came to the public announcement of funding that was approved for a project, the approach differed depending on whether the local Member was from a Coalition party.
- 2.19 The ANAO also noted an escalation in the rate of grant approvals in the period leading into the 2004 election. However, there was a significant delay in announcing some of those grants.
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11 ANAO, *Audit Report No. 14 2007-08: Performance Audit of the Regional Partnerships Vol. 2 – Main Report*, p. 106.

12 ANAO, *Administration of Grants: A Better Practice Guide*, May 2002, p. 47.



- 2.20 Under RPP, it was common practice for funding to be approved for a project subject to certain conditions being subsequently satisfied. However, only on a few occasions did the public announcement of the grant make reference to the conditions attached to the funding approval.<sup>13</sup>

### Questions for discussion

- How can we improve the transparency of the assessment process?
- What information do applicants need to help understand the assessment process?
- Were reasons for the decision clear?
- Who and how should announcements be made about successful projects?
- How should successful and unsuccessful projects be communicated?

### How will projects be funded?

- 2.21 The ANAO outlines the different ways grants may be paid as:
- *Lump sum funding* paid at a set amount, irrespective of the project's costs. The main benefit is to minimise administration costs. Such funding can involve wasted expenditure, because some applicants may have proceeded with a payment that was less than the set amount.
  - *Standard percentage funding* is calculated as a standard percentage of the project's costs. This method has similar advantages to lump sum funding, but using percentages reduces the potential for wastage of funds. Standard percentage funding should normally be subject to a fixed upper limit in the grant agreement.
  - *Flexible funding*, where a financial appraisal of the project determines the amount and terms of the grant. In order to optimise program expenditure, this is normally preferred when large individual grants are anticipated. Funds should preferably be payable only on completion of work that represents a milestone defined in the relevant grant agreement. This strategy provides a greater degree of control over the recipient's use of funds. That is, if

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13 ANAO, *Audit Report No. 14 2007-08: Performance Audit of the Regional Partnerships Vol. 1 – Summary and Recommendations*, pp. 53-4.

project work is not completed satisfactorily, no further funds are forthcoming.<sup>14</sup>

- 2.22 There was no minimum or maximum amount of funding that could be sought under the RPP up to September 2007 when projects were to be restricted to less than \$1 million. An applicant was required to provide a detailed budget in accordance with the application form. This budget, once finalised, formed part of the Funding Agreement. The approved budget may have been different to the proposed budget in the application form. The application form and detailed budget was the basis for determining the final approved budget.
- 2.23 Successful applicants received funding for the agreed period of the project, subject to satisfactory compliance with the terms of the Funding Agreement. This included achieving any agreed milestones and outcomes detailed in the application form, and providing reports as specified in the Funding Agreement.
- 2.24 The RPP operated on a continuous stream of applications therefore the merits of the application were considered against the program assessment and eligibility criteria; each Ministerial decision was taken in isolation from other applications. Applications from private enterprises were to be streamed in two funding rounds per year after September 2007.
- 2.25 DoTaRS advised that the option of refocussing a Regional Funding Program as a competitive program with funding rounds would require more limited criteria. Also, frequent rounds would be required to avoid the number of projects becoming too large to manage or delays unreasonable.<sup>15</sup>
- 2.26 Partnership funding arrangements involve a project being financed by a range of different sources. Under the previous RPP, one of the assessment criteria was for the project to include partnership support.

### Questions for discussion

- What would make receiving grants easier? Would capital or recurrent grants be better?
- Should grants be capped or recurrent over the life of a project?

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14 ANAO, *Administration of Grants: A Better Practice Guide*, May 2002, p. 31.

15 ANAO, *Audit Report No. 14 2007-08: Performance Audit of the Regional Partnerships Vol. 2 – Main Report*, p. 34.

- How should the size of a grant be determined?
- Should the new fund require matching or partnership funding?
- What are the strengths and weaknesses of open and closed funding rounds?
- Would open or closed funding rounds make applications and assessments easier to manage more timely assessments?

## **How should applications be submitted?**

- 2.27 The application process should be as straightforward as possible. It is important that the most deserving projects receive funding rather than the applications prepared by the best grant writers.
- 2.28 On-line application systems have the potential to streamline the application and assessment process, reduce administrative costs and increase transparency of the administration.
- 2.29 Under the RPP, applications were submitted to ACCs or directly to the then Department of Transport and Regional Services (DoTaRS). Applications were submitted either electronically or in hard-copy form, and considered for funding at any time.

### **Questions for discussion**

- Do you prefer an on-line or hard-copy application process?
- Who did you submit your applications through?
- Who should receive the application?

## **What assistance should be available to applicants?**

- 2.30 Applicants need to know early whether their projects have the potential to achieve funding from the new Regional and Local Community Infrastructure Program. Dialogue is required at the beginning of application development so applicants can be told whether to proceed or to vary the application. In the past, applicants have sought clarification about the legitimacy and potential of their project from ACCs, DoTaRS Regional Officers and local Members.

- 2.31 Local people may be associated with projects worthy of support but are not equipped to prepare compelling applications. Applicants sought advice and assistance with making applications from their ACCs, Federal departmental officers, State government, local government and consultants.

### Questions for discussion

- How can the application process be made simpler?
- Were applicants happy with assistance they received in making applications to the Regional Partnerships Program?
- Was the process of making applications to the Regional Partnerships Program easy? What made it easy or difficult?
- To assist in making an application, what information should be available to you and in what form?

### **What information should be contained in a funding application?**

- 2.32 The objective of an appraisal process is to select those projects that best represent value for money in the context of the objectives and outcomes of the program. It is necessary, therefore, that applications address the criteria set against the programs objectives.
- 2.33 In the case of the RPP, applicants needed to demonstrate that their projects were in line with the regional plans developed by the ACCs. Applicants were also encouraged to provide evidence of endorsement of their project from appropriate local stakeholders.
- 2.34 An applicant was also required to submit a detailed budget for the project. There was no minimum or maximum amount of funding that could be sought up until September 2007 when projects were to be restricted to less than \$1 million.<sup>16</sup>
- 2.35 The program's guidelines stated that applications were subject to higher scrutiny if they were:
- from private sector or for-profit entities;

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16 ANAO, *Audit Report No. 14 2007-08: Performance Audit of the Regional Partnerships Vol. 2 – Main Report*, p. 33.

- seeking more than \$250,000; or
  - for projects to operation in a commercial environment.
- 2.36 Applicant and project viability was also an important part of the assessment criteria of the RPP. However, the ANAO found some projects within its study sample:
- were recommended and approved for funding despite identified viability risks; and
  - DoTaRS project assessment did not identify or rigorously assess viability risks.<sup>17</sup>
- 2.37 The ANAO claimed that the effective management of viability risks posed challenges to DoTaRS in terms of available resources and expertise to effectively manage the risks.<sup>18</sup>
- 2.38 Under the RPP, applicants were also required to demonstrate partnership support in the form of financial or in-kind contributions.

### Questions for discussion

- What should be the essential features of an application to the new Regional and Local Community Infrastructure Program?
- Should there be prerequisites that must be met before an application will be considered? for example, incorporation, planning permission, matching funding etc
- Should there be an opportunity at any stage in the process for applicants to submit additional information?

### **What skills and training might be required of staff involved in the application and assessment process?**

- 2.39 Departmental manuals and guidelines included:
- Internal Procedures Manual,
  - Procedures Manual for ACCs,
  - Strategic Regional Plans (produced by ACCs),

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17 ANAO, *Audit Report No. 14 2007-08: Performance Audit of the Regional Partnerships Vol. 2 – Main Report*, p. 381.

18 ANAO, *ibid*, pp. 388-9.

- Program Assessment Criteria, and
- Program Guidelines.

2.40 The ANAO acknowledged that by the completion of its audit in late 2007, DoTaRS had undertaken extensive staff training and developed the substantially revised Internal Procedures Manual.<sup>19</sup>

### Questions for discussion

- The Committee would be interested to know how effective the induction and training of members and staff of the ACCs were and how to make this process better.
  - ⇒ What type of training is required for ACCs, Departmental officers and Ministers?
  - ⇒ How can training and induction be improved?
  - ⇒ Could there be improvements made to a Procedures Manual for members and staff?
- Do you believe ACCs and Departmental officers were adequately skilled in:
  - ⇒ the administration of the program,
  - ⇒ strategic regional planning and capacity building,
  - ⇒ giving advice, or
  - ⇒ assessment procedures?

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<sup>19</sup> ANAO, *Audit Report No. 14 2007-08: Performance Audit of the Regional Partnerships Programme: Volume 1-Summary and Recommendations*, p. 14.

## Management of Funding Agreements

### **What should be contained in a funding agreement?**

- 3.1 The first issue to consider is the form a funding agreement takes. For example, should the agreement be an enforceable deed, contract or exchange of letters?
- 3.2 In either case, the ANAO recommends that Commonwealth funding agreements should be drafted in plain English and provide for:
  - a clear understanding between parties on required outcomes;
  - protection and accountability for Commonwealth funds;
  - legal protection for the grant giver and receiver;
  - agreed terms and conditions and well defined roles and responsibilities for all participants.
- 3.3 The content of a funding agreement should outline clear terms and conditions that will enable all parties to clearly determine whether a funding agreement is being complied with.
- 3.4 The RRP utilised Long Form Funding agreements with long lists of provisions, Short Form Funding agreements with smaller lists and MOUs. The ANAO found in relation to RRP funding agreements that problems arose involving:
  - the incorporation of partner contributions into funding agreements;

- the monitoring of various types of contributions in funding agreements; and
- the manner in which funding agreements allowed for performance management.

### Questions for discussion

- How prescriptive should a new funding agreement be?
- Are more guidelines helpful or do they confuse?
- What monitoring requirements should be outlined in the funding guidelines?

## How should the funding agreement be monitored?

- 3.5 Funding agreements can be monitored using performance and financial monitoring frameworks.
- 3.6 Smaller and voluntary organisations sometimes find it difficult to satisfy monitoring requirements because of a lack of resources. To avoid this, it is recommended that monitoring requirements be clearly outlined in the funding guidelines and that the requirements are easily satisfied.
- 3.7 It may be best to have a regular review process in place that occurs soon after payment of the grant; however, depending on the size of the grant and nature of the project, further monitoring may be required.
- 3.8 Possible techniques for monitoring could include:
- stratified sampling, where all grants over a certain value are monitored, together with a random sample;
  - batching so that projects in a certain area are chosen for monitoring;
  - withholding final payment until the grant recipient submits a report on project completion; and
  - agreement between grantor and grantee regarding the frequency and extent of monitoring.<sup>1</sup>

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1 ANAO, *Administration of Grants: Better Practice Guide*, May 2002, p. 59.



- 3.9 A monitoring process could look at the following:
- monitoring of budget targets; and
  - monitoring of aims and objectives reached and benchmarks along the way.
- 3.10 As part of the monitoring process, performance information should be maintained that indicates how a project is reaching its aims and objectives. This information should be laid out in a clear form and be easy to correlate.
- 3.11 The ANAO found that project delays often caused DoTaRS to agree to extensions to scheduled progress reports. This caused problems in assessing the progress of projects.<sup>2</sup>
- 3.12 The ANAO also found that at no stage in the RPP had DoTaRS set, or reported against, effectiveness targets.<sup>3</sup>

### Questions for discussion

- What kinds of performance monitoring mechanisms should be contained in a new funding agreement?
- Do different types of projects require different performance measures?
- Should a monitoring plan prepared by potential grant recipients be a required part of the funding application?
- What specific benchmarks, outcomes and outputs should a monitoring process measure?
- Should there be a regular audit program for projects and if so how often should that occur?
- Is there a need to have project audits presented to Parliament, either individually or a part of a volume of regular reports?
- How can performance monitoring overcome delays which might arise with a project?
- How can a project's effectiveness best be measured?

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2 ANAO, *Audit Report No. 14 2007-08: Performance Audit of the Regional Partnerships Vol. 2 – Main Report*, p. 584.

3 ANAO, *ibid*, p. 599.

## Who should manage the funding agreement and how?

- 3.13 Funding agreements should be monitored by staff whose responsibilities for monitoring individual grants are clearly defined and the staff responsible should possess the appropriate skills and knowledge to undertake the monitoring role.
- 3.14 The ANAO recommends that funding agreements are managed in the following way:
- establish clearly defined terms and conditions within legally enforceable funding agreements;
  - design and use a suitable management information system with shared information as appropriate;
  - ensure monitoring arrangements are linked to a fraud control plan;
  - review financial and progress reports regularly;
  - take appropriate action when necessary;
  - ensure procedures to acquit grants are developed, understood and effectively implemented;
  - ensure recovery or other procedures are adequate and applied where necessary in a timely and effective manner; and
  - ensure monitoring staff are adequately trained and have access to expert advice if required.<sup>4</sup>
- 3.15 Some submitters to this inquiry have suggested that funding agreements are best managed by local people with local and program specific knowledge who can make themselves available for consultation face to face.<sup>5</sup>
- 3.16 Funding agreements in the RPP were managed by DoTaRS employees in regional offices. The ANAO noted that at times the program suffered from a lack of administrative resources which impacted on the program's efficiency.<sup>6</sup> Recently, some Regional Offices have been closed (eg. Perth and Darwin).

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4 ANAO, *Administration of Grants: Better Practice Guide*, May 2002, p. 62.

5 Auscitrus, *Submission No. 17*, p. 2.

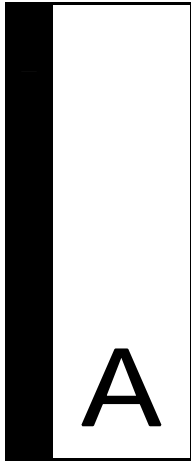
6 ANAO, *Audit Report No. 14 2007-08: Performance Audit of the Regional Partnerships Vol. 2 – Main Report*, p. 388.

- 3.17 In addition, DoTaRS initiated improvements designed to address the management of the program and the funding agreements:
- further staff training;
  - a revised Internal Procedures Manual; and
  - more clearly defined project reporting requirements.

### Questions for discussion

- What kinds of skills are required to manage a funding agreement?
- Are local people better equipped to manage a funding agreement or does it matter?
- What kinds of resources are required to manage a funding agreement?
- If a program is created that provides funds for a wide range of projects, are there generic processes for managing funding agreements which can address the varied nature of the program?





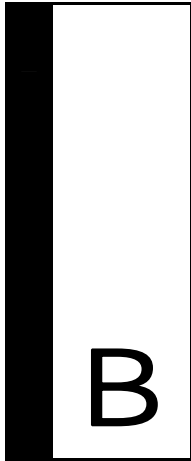
## Appendix A: Inquiry Terms of Reference

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.





## Appendix B: Roundtable discussion program

9.00 am      **Roundtable Discussion**

Theme 1:      A Framework for the Regional and Local Community  
Infrastructure Program

Theme 2:      Applications and Assessments

Theme 3:      Management of Funding Agreements

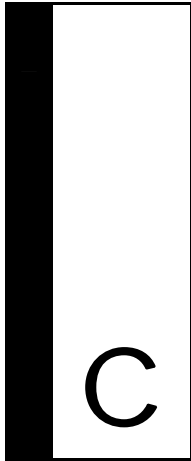
12.30 pm      **Open Session**

Comments from the floor on a future Regional Development Funding  
Program

1.30 pm      **Close**







## Appendix C: Joint Media Statement

13 May 2008

Joint Media Statement

The Hon Anthony Albanese MP

Minister for Infrastructure, Transport,

Regional Development and Local Government

The Hon Gary Gray AO MP

Parliamentary Secretary for Regional Development and Northern Australia

### **NEW DIRECTION FOR REGIONAL AUSTRALIA**

The 2008-09 Budget delivers a new direction for regional Australia, with a \$176 million Better Regions program and up to \$74 million for the Regional Development Australia network.

A new Regional and Local Community Infrastructure Program will supplement these programs from next year's Budget and fund major investments in regional communities.

The Rudd Labor Government's regional development initiatives in this Budget will help drive economic prosperity and growth in regional Australia, and engage with communities to meet their needs.

The Government understands that good community infrastructure supports towns and communities and attracts greater investment and job opportunities.

The new Regional and Local Community Infrastructure Program, and our Better Regions election commitments will replace Sustainable Regions and the Regional Partnerships program, which the Australian National Audit Office discredited last year as having "fallen short of an acceptable standard of public administration".

The Government will honour all existing contracts under the Regional Partnerships and Sustainable Regions programs; however, uncontracted applications will not be proceeded with.

### **BETTER REGIONS**

The \$176 million Better Regions program will deliver on the Government's election commitments and provide regional Australia with much needed community facilities and services.

The Better Regions projects encourage economic and community development and invest in local infrastructure such as:

- the revitalisation of towns' main streets;
- multi-purpose community and resource centres;
- major sport and recreational venues; and
- community transport infrastructure.

Critical community projects will be funded across Australia under the \$176 million Better Regions program including investments in the Hunter Region, Kempsey, Geelong, Townsville, Bendigo, Alice Springs, Mandurah, Sunshine Coast and northern Tasmania.

### **REGIONAL DEVELOPMENT AUSTRALIA**

The Government is committed to genuine engagement with regional communities. We are establishing Regional Development Australia (RDA) with an allocation of more than \$17 million this year to ensure effective engagement with communities.

The new RDA network across Australia will build on and replace Area Consultative Committees.

The Government's new body will take on a broader role to provide strategic input into national programs, improve the coordination of the Government's

regional development initiatives, link closely to local governments and other regional organisations.

The RDA's final structure will be developed over this year in consultation with regional communities and stakeholders.

### **REGIONAL AND LOCAL COMMUNITY INFRASTRUCTURE PROGRAM**

From next year's Budget, the new Regional and Local Community Infrastructure Program will be funded to deliver major investments in regional and local community, recreational and environmental infrastructure initiatives.

In line with the Rudd Labor Government's national approach to infrastructure investment, our new program will be accountable, transparent and based on community needs.

To make sure the program is developed properly and reflects the needs of regional communities, we will consult widely with the community. The public consultations are expected to be conducted by the new RDA network and the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government.

Through these major investments, the Australian Government will deliver infrastructure investments and promote sustainable economic growth in regional communities.

