

**SUBMISSION TO
HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON INFRASTRUCTURE,
TRANSPORT, REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT**

**FROM
MID NORTH COAST (NSW) AREA CONSULTATIVE COMMITTEE**

INQUIRY INTO A NEW REGIONAL DEVELOPMENT FUNDING PROGRAM

TERMS OF REFERENCE

1. **PROVIDE ADVICE ON FUTURE FUNDING OF REGIONAL PROGRAMS IN ORDER TO INVEST IN GENUINE AND ACCOUNTABLE COMMUNITY INFRASTRUCTURE PROJECTS**

Introduction

The Mid North Coast (NSW) Area Consultative Committee has prepared this submission following extensive engagement and consultation with over 90 regional stakeholders. Despite the diversity of individuals and organisations that provided input to this report, the common themes expressed are remarkable. The submission also reflects the ACC's extensive experience with regional programs including Regional Solutions, DRAP, RAP, Regional Partnerships and Sustainable Regions. Regional communities such as ours flourish – or decline – from changes to regional programs.

The Mid North Coast (NSW) region is one of documented disadvantage in a number of critical areas. Previous regional grant and assistance programs have failed to adequately address the region's strategic needs. Shortcomings include:

- Program guidelines not applicable to the region's evidence based economic development requirements and priorities;
- Complex, costly and protracted nature of the application and decision making process

Despite the good intent, previous programs became a negative for the Government in regional communities; even successful proponents, given their experiences, did not recommend the programs and the process to others. It was therefore difficult for the ACC to find good proponents to generate worthwhile projects that would make a real difference.

A new program must be cognisant of these issues; certainly meet good governance and accountability requirements outlined in the Australian National Audit Office's report but not lose sight of the program's overall objectives and the communities they are intended to assist.

A key message from all of our regional stakeholders is that it needs RDA to still be actively involved with Regional Programs.

Another key message is Regional Economic Development must involve engagement with the Industry sector. Despite the Minister's strong preference that the private sector not be funded through Regional Programs in his Portfolio, the region requires, at the very least, a program that includes Industry sector development.

The following detailed recommendations are therefore provided for consideration.

It's a regional program: keep it regional and listen to the locals

Regional and rural Australia needs assistance to develop and support its current and future population. This means that we have to more heavily provide for the financial development of these areas until they reach a stage in development that is basically self-supporting; which is probably a population of 60,000 in a local government area. Once at this size, these areas will largely develop through internal growth; yet will continue to need assistance with infrastructure into the future.

Unemployment and social disadvantage in most regional areas remains considerably higher than capital city levels. We shouldn't accept the existing differences but rather work to minimise the variation. We need to encourage the growth of balanced regional communities covering a broad range of socio-economic groups including ethnic diversity and diversity of all age groups. To achieve these aims regions need to have access to funds that are beyond the means of local government to maintain and improve local and regional infrastructure.

We also need access to funds to help facilitate the growth, diversity, skills base and innovation capability of business within our local communities with a view to making local and regional communities more self sufficient and sustainable.

The continual focus on urban areas and major cities around Australia will limit our diversity and economic base due to a lack of government expenditure in true future growth in regional Australia. The challenges are to ask for and respond to community requirements in real terms of financial investment and takes resolve and commitment by government.

A new regional funding program should therefore be restricted to remote, rural and regional areas and not include capital cities and significant urban areas; they do not have the same needs as regional Australia. They ultimately will benefit from regional programs from leakage of funds for expertise and materials.

Councils and communities need flexible funding options that fit the region and are closely aligned to local directions and strategic plans, not ones concocted by bureaucrats in a place far away. Community development driven from within (albeit with assistance from outside) is widely acknowledged as the most appropriate way to assist growth, providing communities with ownership and direction in their own futures.

A **genuine** partnership approach with the regions needs to be embraced and enabled. Furthermore, the significant disparity between the needs of different regions should be recognised because a "one-size fits all" approach does not take this into account.

RDAs: an essential ingredient

Who is local, independent, focused and delivering strategies that have a real outcome in regional Australia?

ACC Committees and staff (transitioning to RDAs) are based in, and derived from, their own community; are not tied to a political process or bureaucracy, and have an in-depth knowledge of their region, community and grant funding programs. ACCs are trusted and respected locally and are perfectly equipped to provide both assistance to proponents and advice to the government on regional priorities and projects. Removal of the relationship between ACCs and funding programs will seriously undermine the community's high opinion of the usefulness of ACCs and leave applicants ill-equipped to understand program guidelines and competently complete application

forms and projects. ACCs make the process of dealing with government less threatening and confronting for applicants.

The new RDAs should not be tied to State or Local government; they should maintain a balanced membership that embraces all sectors of their community. RDAs need to work with councils but also need to be independent of them so that they don't become parochial in their outlook.

RDAs should also be given a role in monitoring funded projects in their regions. Their proximity and relationship with proponents will ensure any issues arising can be managed effectively and efficiently.

What to fund?

- *Economic development is crucial in regional Australia: private sector growth and public/private sector collaboration needs to be supported through infrastructure and industry development grants*

The region does not care what **program or portfolio** funds come from, as long as it can meet an identified need.

Much of regional Australia faces major economic, workforce development, social and environmental challenges and depends on a limited range of industries such as aged care, tourism, small service-based businesses and agriculture. These are important industries but regional economies also need to look at new opportunities such as renewable energy, manufacturing, value-adding, innovation, new transport corridors and a vibrant creative sector.

Government has a role to provide competitive grant funding programs to provide matched seed capital for significant capability-building and growth-related business ventures in regional areas. Long-term benefits can be derived from the funding of local business development projects, such as “Economic Gardening”, and support to small local groups to provide shared use infrastructure such as hubs and community kitchens to support cottage industry.

Government also needs to address the debilitating skills shortages and workforce capability gap impacting on regional industry development. Seed funding private /public partnerships that support industry and workforce development can deliver long-term benefits in this area.

Funding should also be available for the conduct of region-specific research and the aggregation of current economic data on the major forces driving, and the challenges and opportunities confronting, the regional economy. This “evidence” can be used as the basis for developing and implementing options to grow employment and investment, and to focus government support on those industry sectors that have a genuine competitive advantage and offer high-value employment. Strategic regional planning influences others to adopt common goals and work collaboratively; and effectively communicates the region’s unique development needs and opportunities to governments and investors.

It is also recommended that government provide second tier revolving loan funds at low interest with a delayed repayment schedule. This will allow small businesses to accelerate growth and not be burdened immediately with loan repayments while the business grows. It will also allow the taxpayer funding to be returned to the government over time, and transfers risk to the financial sector.

- *Community development and the environment are vital issues*

Regional Australia also has a dire need for appropriate community infrastructure to suit the needs of our diverse population. We struggle with an ageing population, lack of health care, disadvantaged Indigenous communities, racial tensions, youth boredom and exodus, a lack of transport infrastructure and serious environment degradation.

A regional program must also be flexible enough to fund strategies which “fall between the cracks” and don’t fit other government programs. It must also be recognised that infrastructure can be “hard” (such as buildings and equipment) or “soft” (such as knowledge and skill development). The program also needs clear guidelines and selection criteria.

While long term, ongoing projects and outcomes have been historically favoured, there is a genuine risk of overlooking long term benefits that come from short term, one off projects. There is also the risk of a sensational project being rejected for funding when only the risk factor is considered and not the potential benefits. There needs to be a risk/benefit analysis of such projects.

Finally, it is recommended that election commitments are not funded through existing regional programs.

Simplify the application and the process

The initial submission of a short Expression of Interest form by an applicant can gauge a project’s prospects and reduce the workload for both applicants and assessors by culling unsuitable projects. Initial assessment would be based on conformity with funding guidelines as well the project’s capacity to meet local and regional infrastructure needs that supports and promotes local and regional economic development.

The application form needs to be simplified, particularly for smaller not for profit organisations and Local Government. The complexity of the application form and process has been a major deterrent for applicants, and exacerbated by the use of online applications.

Assessments and approvals should be completed within 60 - 90 days of the application being lodged, depending on the complexity, urgency and value of the project. Applicants should be advised truthfully and comprehensively of an application’s approval timeframe and its progress in the approval process.

Where DA approval is required, a letter from the appropriate local government authority attesting to the suitability of a site could be submitted rather than the applicant incurring the costs of DA approval “on the off chance” that the project receives approval.

Projects should include a contingency to cover rises in project costs and unforeseen events. This should be set at a minimum 10% increasing with the scale and risk of the project.

Where funding is to be approved for a specific project, but at a reduced amount, a process of negotiation with the applicant is appropriate. This should include provision of detailed reasons why the funding is to be reduced substantiated by economic arguments demonstrating the rationale behind such a decision. Because this is a negotiated process, the applicant should have the right to respond to these arguments before any final decision is made.

There should be no funding rounds. Applications should be submitted when a project is ready and it best suits the applicant.

Feedback to the applicant should be designed to enhance the project and where the application is unsuccessful, assessors should explain in detail why the application has failed. Applicants should be given the opportunity to revise an application rather than have the project rejected or the applicant required to reapply for funding.

Direct involvement by Ministers in the approval process should be avoided and election commitments should not override local and regional infrastructure priority needs.

Make the guidelines suit the circumstances

- *Co-funding: how much?*

Not-for-profit organisations should be able to apply for 50% of total project costs; private organisations could be limited to 33% of the project. There could be some consideration for lowering co-funding obligation based on either the size of the application or if it is a community project; and while collaboration should be encouraged, financial contributions from multiple project partners should not be a mandatory component, particularly if there is a significant overall industry or regional benefit that will result from the project.

It is vital that the current inquiry looks at the capabilities in States such as Queensland and Victoria to identify successful collaborative models. In the absence of any meaningful dedicated NSW State funding the Federal Government has been the main contributor to regional economic development in NSW through the Regional Partnerships and Sustainable Regions programs. If future Federal programs are predicated on matching (dollar-for-dollar) funding then NSW will continue to be constrained in terms of its capacity to access grants.

- *What is more important: cost shifting or community needs?*

Councils, particularly in high growth areas with populations under 60,000, do not have the means to maintain and improve local and regional infrastructure. There can also be a lack of “vision” as Councils lacking a substantial rate base need to prioritize “roads, rates, and rubbish” as their “core” business.

State governments are often predominantly city focused and not adequately funded. *The cold reality is State and Local governments are underfunded – whatever the political reasons.*

All three levels of government should clearly define what they can, and can't fund. State and Local Governments should not devolve these responsibilities to the Commonwealth, unless there are compelling reasons why an allowance should be made – and there often are.

Nevertheless, the outcomes of the proposed project should be far more important than who the applicant is.

- *Competitive neutrality: a barrier to regional growth*

A new realistic definition of competitive neutrality is required as it has been extremely difficult to gain approval for projects with strong regional value if there was anyone, anywhere in Australia who might be affected. By supporting business that creates or enhances competitive advantages in a

region where there is not an existing or competing service, the program can support new opportunities or opportunities for business to be done much more effectively.

Contractual arrangements

Local RDAs should be actively involved in contract management to ensure that government and taxpayers receive value for money and any issues arising can be dealt with quickly. Projects should also be monitored periodically after the funding contract is completed to ensure long-term outcomes for the region.

Projects should be tied to clearly definable and achievable outcomes. Funding for external project evaluation should be provided and performance management linked to an evaluation plan developed at the start of the project.

Depending on the scale of the project, all projects should include a 5% Project Evaluation allocation as a standard line item in the project budget. Formal project evaluations should form part of the overall project and be undertaken by a qualified and experienced external evaluator in accordance with recognised project evaluation tools and methodology. Where a project involves substantial funding or extends over a period exceeding 12 months, a mid term evaluation may minimise risk.

2. EXAMINE WAYS TO MINIMIZE ADMINISTRATIVE COSTS AND DUPLICATION FOR TAXPAYERS

RDAs should be appropriately funded to undertake tasks within the region to reduce the need for government resources. Delegate authority to regional RDAs and the proposed RDA National office, particularly for approval, monitoring and reporting of projects up to \$100,000

Information sharing on other regional projects being funded will aid in binding the RDA network and stop duplication of work on similar projects.

Funding could be allocated directly to Councils for small, local infrastructure projects such as “restumping halls”. RDA could provide advice and support for these projects and advise on (conflicting) regional priorities.

Simplify the administrative, application, assessment, reporting and management processes, particularly for Local Government and not-for-profit applicants.

Seek submission of Expressions of Interest before application to gauge the government response to a project proposal

Reduce both the size of applications and the information required in the application.

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

Any successful economic development program will need flexibility to allow it to meet the differing circumstances that occur in the many diverse regions around this country. Those flexibilities need to be ingrained in the program rather than applied by parliamentary discretion.

The distribution of Regional Partnerships funds tended to heavily favor regions which appeared to have specific political representation characteristics rather than economic challenges greater than less favored regions. Projects that were deemed eligible for some regions were not in others.

The boundaries of program eligibility were blurred. There were unstated benchmarks within the program guidelines. One applicant may be successful where another will fail.

Please also refer to Term Of Reference 4 below.

4. EXAMINE THE FORMER GOVERNMENT'S PRACTICES AND GRANTS IN THE REGIONAL PARTNERSHIP PROGRAM AFTER THE AUDIT PERIOD OF 2003-2006 WITH THE AIM OF PROVIDING ADVICE ON FUTURE FUNDING OF REGIONAL PROGRAMS

The key advantages of the Regional Partnerships program were that:

- It provided competitively based matched funding for community and business based projects
- It was available to all regions of Australia
- The projects were prioritised within the region by people with knowledge and skills as well as an awareness of regional needs
- The program had the capacity, through ACCs, to support clients in preparing their applications
- The program could support very large or quite small projects with a range of different needs
- The need to match funding meant there was project ownership and commitment from applicant organizations

The key disadvantages of the program:

- Unrealistically slow approval process for projects – costs go up, proponents become frustrated and angry, projects are stalled or withdrawn.
- Due to Ministerial approval of projects; regional programs have been seen as a political tool
- Moving guidelines – interpretations varied over time and there were concerns of bias in the process.
- Expectation that Local and State governments should pay – when often they have no funds and need seed funding to initiate collaborative projects with each other and with industry.
- No strategic relevance applied to ACCs; information sought but not used in policy development.
- Projects were approved for less funding than sought. The applicant should have been advised before approval was announced and given the opportunity to negotiate.
- Commitments to funding projects which followed the proper application process and received an outgoing government's approval, should have been honored by the incoming government.

- All election commitment projects should have been subject to scrutiny before funding was approved. A distinctly separate funding allocation for election commitments would avoid the sully of an otherwise respected and vitally important funding program for regional Australia.
- The application forms and chain of approval processes were complicated and difficult to understand.
- The Minister had opportunity and could veto projects and change priorities without recognition or knowledge of local circumstances
- It appeared that Departmental officers overseeing accountability measures had little understanding of projects, the applicants or the regions and their needs

As the Mid North/North Coast region also recently participated in the Sustainable Regions program, it is relevant to include the community's anguish and comments regarding this program.

There were also a number of negative aspects which impacted on the program's outcomes:

- It operated under 4 different Ministers; suffering Ministerial inertia therefore no continuity
- The region was not previously a "region" and regional planning was underdeveloped
- Change to Sustainable Regions program since inception from strategic intervention to excessive constriction; one of the main aims of SR was to give designated regions autonomy and significant control over the process and outcomes for their region. However, the program assessment criteria were too restrictive and mirrored Regional Partnerships' guidelines, making many exceptional projects ineligible, particularly in the areas of cost shifting, competitive neutrality and sustainability.
- Long and complex application process
- The program was meant to be a "bottom up" approach but 3 projects that were strongly supported locally were not approved for funding
- Incoming government halted the program and revoked approvals to over \$4m in regional projects which would have provided jobs to over 1300 people and trained hundreds more.

The Mid North Coast Regional Development Board submitted a regional economic planning project which had strong local support and was desperately needed yet, after several months delay, was rejected at Departmental/Ministerial level. State funding was provided on the basis of matching co-funding, and the denial of Federal funds put the project in jeopardy. Eventually the project proceeded but the scope was wound back significantly.

The Nambucca Shire Council area was particularly affected when the program abruptly ceased. Council staff had been encouraged to motivate and assist business and community organisations to apply for funds to assist with the future regional growth in a community with 10.4% unemployment. After hundreds of hours of hard work and financial commitment over 3 years, 4 applications were submitted for funding. The incoming government abandoned the program. All of the time and effort is now wasted, as well as the financial cost of engaging consultants to prepare business plans and detailed budgets. Expectations had been raised and they are now left empty handed with little or no explanation why. The current government's commitment to slow national spending, and subsequent removal of existing regional programs has badly affected regional areas which are already strongly disadvantaged and is not the fix for interest rates and fuel costs.

The result is the loss of trust and credibility of the new Government by the community and industry networks which had taken Council and the ACC years to develop. Council is now reluctant to spend time assisting businesses and community groups to seek Commonwealth Government funding as they have learnt that even when funding approval is given, it can be taken away. These projects had nothing to do with politics; they were about pulling the area up by its bootlaces.

Contact details:

Peter Milner

Executive Officer

Mid North Coast (NSW) Area Consultative Committee

P.O. Box W693, West Kempsey. NSW. 2440.

Phone: (02) 6562 1488

Email: accmail@mncacc.com.au