



**INQUIRY INTO A NEW REGIONAL DEVELOPMENT FUNDING  
PROGRAM**

**A SUBMISSION TO THE HOUSE STANDING COMMITTEE on  
INFRASTRUCTURE, TRANSPORT, REGIONAL DEVELOPMENT  
AND LOCAL GOVERNMENT  
JULY 2008**

**By**

**SHOALHAVEN CITY COUNCIL**

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## **Contents**

1. Introduction .....	4
2. Background.....	4
3. Federal Funding Direct to Local Government .....	6
3.1. Financial Assistance Grants (FAGs).....	6
3.2. Regional Assistance Program .....	6
3.3. Regional Partnerships Program.....	6
3.4. AusLink.....	8
3.5. Jervis Bay Territories .....	9
4. Regional Partnerships Program Eligibility .....	9
5. Regional Partnerships Program Application Process Feedback.....	10
6. Recommendations for Improvements to Application Process under a new Regional Funding Program.....	11
7. Process of Application Review for Regional Funding Programs .....	13
8. Recommendation for variation to Area Consultative Committee Model.....	15
8.1. Regional Development Australia Model.....	15
8.2. RDA Charter .....	16
8.3. RDA Program Funding Review.....	16
8.4. Shoalhaven RDA .....	16
9. Conclusion .....	17

## **1. Introduction**

This paper is submitted by Shoalhaven City Council (SCC), the recipient of approximately \$ 4.3 million in funding from the now defunct Regional Partnerships Program and a further \$23.3 million in other grants and allocations (excluding Financial Assistance Grants) paid directly by the Australian Government since 2002. It will address the Terms of Reference pertaining to the *Inquiry into a New Regional Development Funding Program*.

This submission will provide background as to the unique challenges facing the Shoalhaven that have made regional funding so vital for financing necessary infrastructure, the experiences of SCC in availing itself of the Regional Partnership Programs funding processes, a snapshot of the success the region has enjoyed as a result of the program and suggestions for improving the funding model and attendant application procedures.

Further, this submission will also recommend variations to the current Area Consultative Committee model as the conduit between the community and the Department of Infrastructure, Transport, Regional Development and Local Government.

## **2. Background**

Shoalhaven City Council (SCC) is located on the south coast of NSW covering an area of 4660 square kilometers and comprising 49 towns and villages. The LGA covers a long but narrow tract involving approximately 1000 kms of coastline. The LGA has an estimated resident population of 92 880 (ABS, 2007) however, during holiday periods, a three-fold increase is experienced.

The location and geographical configuration of the LGA has provided the Shoalhaven with its own unique attributes and challenges. The Shoalhaven's natural attractions partnered with its proximity to Sydney and Canberra has resulted in its claim as the pre-eminent tourist destination in NSW, however, the fluctuating population brings with it issues of providing and maintaining satisfactory levels of infrastructure and a labour market characterised by a significant proportion of casual and low skilled jobs.

The region is facing a number of challenges:

- The Shoalhaven is the 64<sup>th</sup> most disadvantaged area of 154 LGAs (ABS, 2006) with 58.4% of households receiving a weekly income less than \$1000 compared to the NSW figure of 42.6%
- The area has an unemployment rate of 7.7% (DEEWR, 2007) compared to the national rate of 4.3% (DEEWR, 2008)
- The Shoalhaven is home to a significant indigenous population – 3.3% of all residents compared to the NSW proportion of 2.1% (ABS, 2007)
- An older than state-average population with 41.9% of residents over 50 years compared to 31.3% for NSW (ABS, 2006) with slight aging of the population since 2001 when the over 50 years group accounted for 38.3% of residents
- The population is projected to grow by 27% by 2031 ( Census Applications P/L, 2008 )

These demographic statistics indicate the pressure put on the various levels of government to satisfactorily provide for a growing but seasonally cyclical, aging population characterized by significant pockets of disadvantage. The demographic profile of the Shoalhaven is consistent with the findings of research undertaken by the National Sea Change Task Force of non-metropolitan coastal regions that experience the combined impacts of high tourist demand and rapid population growth particularly in the older age groups.

While the challenges are evident, so too are the opportunities for growth. The Shoalhaven boasts:

- Significant key industry sectors – defence, avionics, manufacturing, health/ageing, retail, tourism, building and construction, education and agribusiness
- Transport routes including passenger and freight rail to Sydney (albeit, each requiring major upgrades)
- Industrial, light industry, and commercial land available at reasonable prices
- Ample water for domestic and industrial purposes
- Consistent power supply
- Abundant labour supply and excellent training facilities – Shoalhaven campus of University of Wollongong and Illawarra TAFE with campuses at Bomaderry, Mundamia and Ulladulla

It is these opportunities that SCC would like to exploit in order to deal with the demographic challenges mentioned.

### **3. Federal Funding Direct to Local Government**

SCC supports the allocation of funds directly to local government to provide budgets for new capital projects and maintenance programs of regional significance

Shoalhaven City Council acknowledges funding previously received through the Department of Infrastructure, Transport, Regional Development and Local Government. Most notably funds have been received under:

- Federal Assistance Grants
- Regional Assistance Program
- Regional Partnerships Program
- AusLink Programs - Roads to Recovery, Black Spot Funding and the Strategic Regional Program.
- Jervis Bay Territories

#### **3.1. Financial Assistance Grants (FAGs)**

FAGs are received directly by Council from the Australian Government. Other independent submissions have been made to the Grants Commission on this topic by this and other Councils.

#### **3.2. Regional Assistance Program**

The original program (RAP) was oriented strongly to regional economic development and jobs growth and was more conducive to projects proposed by local government. SCC had five projects approved to the value of \$933,000 under RAP. Many LGAs did not agree with the philosophy of RAP and did not propose projects, thus approvals were biased towards government electorates where councils embraced the program.

#### **3.3. Regional Partnerships Program**

In the amalgamation of RAP with several other regional funding programs in 2003, the newly established Regional Partnerships Program (RPP) took on a more community infrastructure focus and consequently, eligibility was extended to a broader range of community groups.

As a result, the application process became more rigid in its proposal stage (frustrating to Councils who work on a higher strategic and budget level) with a more cumbersome and lengthy assessment process and elongated approval timeframe. This placed pressures on delivery of projects, retention of council budget allocations and community expectations.

Notwithstanding these challenges, the funding has been provided through the RPP for a vast number of projects within the Shoalhaven under the guidance of the Shoalhaven Consultative Committee totaling \$6,548,487. This represents 17.5% of the total cost of the 33 projects.

SCC was the recipient of 65% of the funding coming into the Shoalhaven LGA. SCC acknowledges the efforts of the Federal Member for Gilmore, Joanna Gash MP, for the assistance she provided in seeking funding under the Regional Partnerships Program.

The table below details the funding provided to Shoalhaven City Council:

<b>Date Approved</b>	<b>Project Name</b>	<b>Total amount approved</b>	<b>Project Total Cost</b>
30/1/04	Shoalhaven City Arts Centre	\$150,000	\$1,480,000
11/2/04	Shoalhaven – an enterprising alternative	\$22,000	\$59,500
11/1/05	Tapstar	\$66,000	\$163,000
18/5/05	Blueprint Shoalhaven	\$20,000	\$77,500
13/3/06	Multimedia and Music Centre	\$400,000	\$926,200
29/3/06	Shoalhaven Multipurpose Cultural and Convention Center	\$3,000,000	\$23,490,000
4/4/06	Jervis Bay Aquaculture	\$25,000	\$115,000
8/5/06	Redevelopment of Rugby Park	\$190,000	\$539,000
12/06/06	Blueprint Shoalhaven	\$250,000	\$500,000+
14/5/07	Construction of the Voyager Park Amenities	\$195,000	\$525,265
	<b>Total</b>	<b>\$4,318,000</b>	<b>\$27,875,465</b>

Table 1: SCC projects funded by Regional Partnerships Program

The significant contribution of \$3,000,000 towards the Shoalhaven Multipurpose Cultural and Convention Centre, now called the Shoalhaven Entertainment Centre, has been brought to fruition very recently with the opening of the centre to an already overwhelming visitation of over 8000 in its first week of operation.



Photo: Shoalhaven Entertainment centre opened July 5, 2008

In addition to the projects where SCC was the proponent, it was also partner or stakeholder in the majority of the other approved projects.

From the first announcement of the Regional Partnerships Program, Shoalhaven City Council has availed itself of the program in order to undertake projects that easily fitted with its philosophy. Council always visualised the greater strategic need in its projects and sought to deliver catalytic change within its economy and community.

### **3.4. AusLink**

The introduction of Roads to Recovery Program (R2R) has allowed local government to address larger strategic maintenance issues. SCC has used its R2R grants for 2006/7, 7/8 and 8/9 to roll into one project, the sealing of Forest Road, Comberton to provide flood-free access to the communities on the northern side of Jervis Bay to the Princes Highway. The continuation of the R2R program is strongly supported by SCC.

Black Spot funding has been used by Council (in conjunction with the RTA) to improve safety, especially intersection treatments throughout the City.

The Princes Highway has received significant funding allocations under the Strategic Regional Program. This has been supported given the poor alignment of this vital arterial connector to the South Coast of NSW. The regional link, based on MR92, from the Shoalhaven to the inland highways (Monaro and Hume) has also been a recipient of AusLink funding to allow freight transport to eliminate the tortuous Kangaroo Valley link.



### **3.5. Jervis Bay Territories**

SCC receives direct payment from the Australian Government for services provided to residents of the Jervis Bay Territory.

## **4. Regional Partnerships Program Eligibility**

When first established the program had four objectives to meet the needs of regional Australia:

- Strengthening growth and opportunities
- Improving access to services
- Supporting planning
- Assisting structural adjustment

([http://www.fracc.com.au/publications/rp\\_factsheet.pdf](http://www.fracc.com.au/publications/rp_factsheet.pdf))

As noted in the ANAO Audit report (2008, p9) these essentially remained the same until the cessation of the program in May 2008. Although the stated objectives did not change there did appear to be a change in the types of projects that were proposed and approved. Where in the earlier RAP program projects seemed to be approved on the basis of the catalytic effect they might have on “jump starting” industries or providing significant aid to economic development in a community, RPP seemed to devolve into a pool of money for deserving but not economically-focused community facilities. While such funding is applauded for the improvements it might bring to livability, it perhaps does not bring the benefit of economic capability that regional communities require for sustainability and thus not actually meet the stated objectives of the program.

From an anecdotal perspective, under RAP the process seemed more streamlined and easier to navigate, however, once the smaller community infrastructure-type proposal became more common place, the process seemed to become clogged at each of the levels of review. Larger organisations such as LGAs were competing in the same pool as small community groups; the processing time grew exponentially and disadvantaged the LGAs as proposed cash contributions could not be held idle while the application was assessed. In the case of SCC, viable projects were either withheld or scuttled prior to the application process due to the anticipated waiting time and the effect that this would have in the organisation’s budget preparation.

## **5. Regional Partnerships Program Application Process Feedback**

From the experience of successfully applying for many projects and the aborted attempt at several others, the following aspects of the application process are offered as hindrances to efficient and effective assessment of project proposals:

### **5.1. Continuous, non-competitive application processes**

While there may be merit in the continuous availability of funding for worthy projects, the unstructured process of funding decisions under the RPP seemed to create problems for both proponents and assessors at all levels. As available funds were essentially finite, it was difficult for proponents to develop a compelling application to compete for the limited funds when applications were being received and assessed according to an ad hoc timeframe and manner. As noted in the ANAO's Audit Report (2008, p28), the introduction of competitive rounds would provide a number of benefits including improvements to access of consistent information, comparison of proposals and greater transparency.

### **5.2. Single pool of funds**

As aforementioned, the funding available to non-profit organisations of all sizes (from LGAs to small community groups) as well as private enterprise fell within one pool. This creates issues for both the prioritizing of funds as well as a bottleneck for applications of various sizes and complexity waiting to be assessed. For those with responsibility for funding decisions, the single pool creates issues in attempting to compare the value for money of small community infrastructure projects compared to significant capital works or development strategies.

### **5.3. Lack of firm timeframes**

An issue experienced by project proponents, the very loose timeframes meant that important projects and committed cash contributions had to be held in abeyance for considerable time, very different to the twelve weeks suggested by program administrators. For organisations such as SCC, the commitment of considerable funds on the basis of possible approval at some time in the future is untenable.

### **5.4. Application form**

Understandably, the application form for project funding required a considerable amount of effort and to a standard that was not necessarily within the abilities of volunteer community groups to provide. However, even for Council staff, it was a

sometimes onerous task to interpret the form with the number of changes made to program application guidelines. Councils operate at a macro and micro level and often the proposed project links with other Council works and services and the important elaboration of these linkages was difficult within the RPP application form.

### **5.5. Budget format**

The format of the budget created difficulties in developing a tool that was helpful in forecasting project cash flow requirements or providing a framework for project monitoring. Milestones related budgets may not be the most effective format for larger organisations.

### **5.6. Levels of review**

The experience of the SCC was that advice was ably provided by the Shoalhaven ACC, however, there were issues of obtaining timely and accurate assistance through the Regional Office. Assistance was often obstructive or unhelpfully pedantic.

### **5.7. Risk Management**

The risk management requirements of the Regional Partnerships Program were obviously necessary; however, the applications proposed by large organisations (LGAs) were subject to the same level of scrutiny as smaller community organisations or proponents from private enterprise. It is questioned whether LGAs or other quasi-government instrumentalities should be subject to the same requirements for reference checking or if this requires unnecessary administrative costs.

## **6. Recommendations for Improvements to Application Process under a new Regional Funding Program**

### **6.1. Program philosophy**

The development of a new regional funding model requires the clarification of the programs objectives. While the objectives of the Regional Partnerships Programs appeared unambiguous, the variety of approved projects indicated that the objectives were perhaps too broad and thus created competition for funds from seemingly non-conforming proposals. If a new program is to encompass the vast array of projects that Regional Partnerships Programs did, then as suggested by the ANAO (2008, p30) they should be classified into the “natural groupings” that emerged during the period of the program, such as:

- Community and public infrastructure
- Health and education related
- Regional and local government planning-related projects, (ANAO, 2008, p30)

rather than levels of funding from still disparate types of proponents.

Additionally, while the RPP's objectives gave the impression that there was an acceptable level of risk by the continual use of the term "investment", the risk management aspects of the program seemed to preclude projects that did not have an assured outcome. Perhaps there needs to be consideration for projects that include some risk but have the possibility of a many-fold benefit to the community.

**Recommendation 1:**

SCC recommends that the new Regional Funding Program be divided into the project / proponent classes and not by levels of funding.

**6.2. Separate streams of funding and commensurate levels of service to proponents**

In line with the concept of natural groupings (whether they be the ones suggested by the ANAO report or by some other classification) to take account of the obvious need in the community for funding of large and small projects, there is need to divide the groups into separate streams of funding. Additionally, the application process requires appropriate levels of assistance to the various types of proponents including appropriate guidelines, workshops, forms, and budget and reporting templates. These should be designed as tools to reduce administration time, encourage compliance in the monitoring of successful programs and ensure that funds are used in an effective and efficient manner.

**Recommendation 2:**

SCC recommends that the allocations available under the new Regional Funding Program be divided into separate streams according to the classification of project / proponent types.

**Recommendation 3:**

SCC recommends that an advisory service be available through the new Regional Funding Program that is tailored to meet the requirements of each class of proponents.

**6.3. Structured funding rounds**

Rather than the continuous application system, structured funding rounds must be devised to create a level, competitive and transparent “playing field”. These rounds may be annual, semi-annual or quarterly. These dates may vary from state to state to accommodate administrative requirements

**Recommendation 4:**

SCC recommends that applications be received under a system of competitive structured rounds with clear communication of funding timetables.

**6.4. Firm timeframes for assessment and announcements**

For the purposes of sensible project and budget preparation, firm and transparent timeframes are required with a pre-determined evaluation timetable.

**Recommendation 5:**

SCC recommends that applications be assessed and successful projects announced according to a pre-determined and firm timetable.

**6.5. Establishment of Key Performance Indicators**

The establishment of Key Performance Indicators (such as “jobs created”) would, for the purposes of the acquittal process, provide the administrators and policy makers with valuable quantitative and qualitative feedback on the benefit that the project has brought to the community.

**Recommendation 5:**

SCC recommends that establishment of Key Performance Indicators to assess the outcome of projects.

**6.6. Reporting and Acquittal requirements**

All reporting and acquittal processes, while compulsory, should be simplified to ensure compliance. Templates should be provided for streamlined monitoring and evaluation.

**Recommendation 6:**

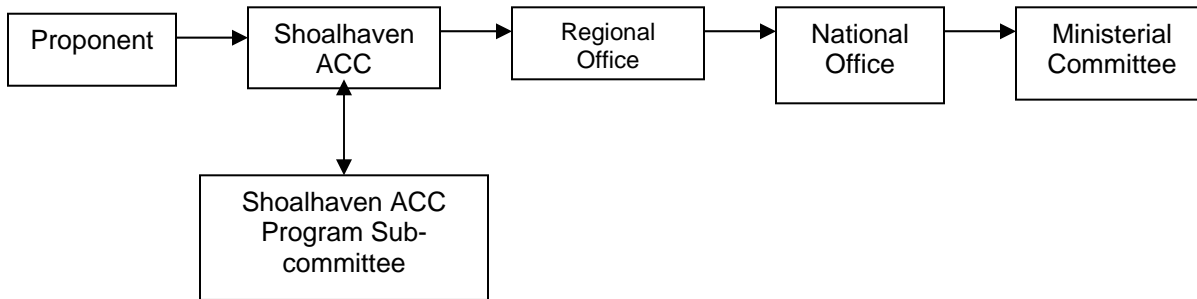
SCC recommends that a streamlined approach to monitoring and evaluation be developed to ensure compliance.

**7. Process of Application Review for Regional Funding Programs**

Below is a representation of SCC’s understanding of the review and assessment process under the auspices of the Regional Partnerships Program (A) (it is

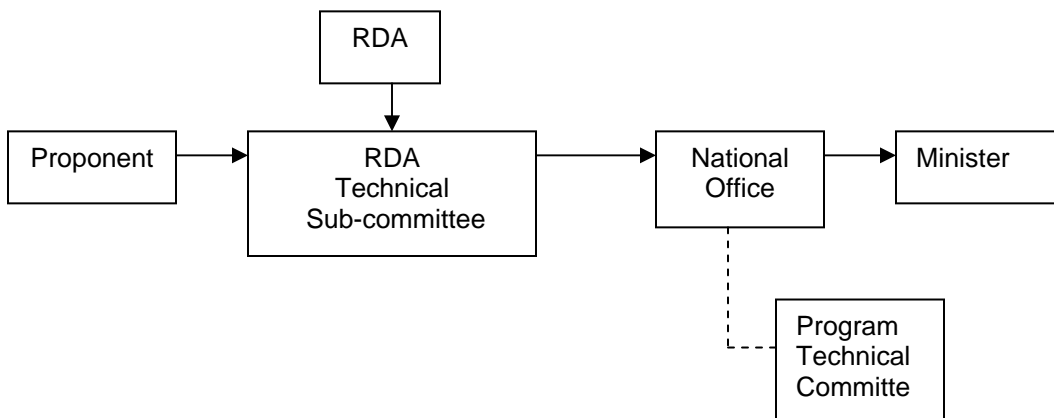
acknowledged that the Regional Office was removed from the process in early 2006). This can then be compared with the alternate review and assessment process as suggested by SCC for a new funding model (B).

**A. Representation of SCC’s understanding of the process and application review**



The model above indicates the number of levels within the process that, while having a role, resulted in bottlenecks and barriers to a timely and transparent assessment.

**B. Representation of SCC’s suggestion for the process and application review**



This alternate representation suggests the same relationship between the proponent and the RDA that has been historically enjoyed between proponent and ACC. Applications deemed to be of a suitable standard and successfully fulfilling the program criteria, would then be referred to National Office as an administrative centre for further referral to an apolitical, broad-based technical committee. The Technical Committee’s brief would be to assess and prioritise all conforming proposals and on this basis, make recommendation to the

Department and the Minister for ultimate program funding. For the purposes of transparency, there should be no deviation from this process.

**Recommendation 7:**

SCC recommends that the process of Regional Program Funding application assessment and recommendation for funding be undertaken by an independent Technical Committee appointed by the Department.

**8. Recommendation for variation to Area Consultative Committee Model**

**8.1. Regional Development Australia Model**

The ACC model has previously provided a strong conduit between the community and the Department as it has ensured a credible local perspective and understanding of community priorities. This relationship can be further enhanced in the conception and development of the new RDA model.

The RDA must be truly representative of the community and at all times above reproach in regards to the self interest of particular committee members.

It is suggested that the committee be comprised of ten members nominated from the following organisations:

- Local government (two members with expertise in engineering / economic development / planning))
- Chamber of Commerce (one member)
- Member of Parliament
- Community representatives (five members with a range of business and community service backgrounds)

**Recommendation 9:**

SCC recommends that the each RDA comprise a membership that is representative of the common interests of the community and can articulate a local perspective to the Department in the development of regional strategies.

## **8.2. RDA Charter**

As acknowledged in the Minister's Statement of 20 March, 2008 regarding Regional Development Australia, there is need for the RDA network to "...take on a broader role to develop strategic input into national programs to improve the coordination of regional development initiatives." A re-examination of the ACC's current charter may indicate that given an enhanced role, RDA may be in the position to eliminate the duplication of strategic planning, coordination and advisory roles currently undertaken by ACCs, State Regional Development Boards, and organisations such as SEATS,

### **Recommendation 10:**

SCC recommends that the charter of the RDA include a broader, strategic role to provide enhanced coordination of all significant projects within a region.

## **8.3. RDA Program Funding Review**

A sub-committee of the parent RDA should be formed to attend to the requirements of the new regional funding program (to replace the Regional Partnerships Program). This committee should be chaired by a member of the parent committee but have a membership independent of the parent committee. The sub-committee should be comprised of a total of five community and business leaders (including the Chair) with broad experience and demonstrated commitment to regional economic and community development. The sub-committee members should be appointed on the basis of expertise in such fields as planning, finance, economics, engineering and community development and thus, have the capacity to make technical evaluations of proposed projects.

### **Recommendation 12:**

SCC recommends that under the auspices of the RDA, a Technical Subcommittee be formed to assess the efficacy of project proposals at the local level, prior to submission to National Office. The Chair should be appointed from the parent committee, however, members should be appointed on the basis of knowledge and expertise, from business and community,

## **8.4. Shoalhaven RDA**



SCC has supported the ACC organisation since its inception. All banking, payroll and many other administrative functions of the Shoalhaven ACC are performed under the auspices of the Council due to its advantage of economies of scale.

The Shoalhaven ACC is unique in that it represents a single LGA. The strong linkages and appreciation by the ACC of the issues and challenges within the City have resulted in many successful projects and a valuable partnership. SCC supports this same geographic boundary under Regional Development Australia.

Should Government choose to amalgamate the Shoalhaven with another region, it would be Council's preference to join with Bega Valley and Eurobodalla LGAs to form a South Coast RDA.

**Recommendation 8:**

SCC recommends that the boundary of the new RDA remain as is presently under the Shoalhaven ACC. However, should amalgamation be required, that a South Coast RDA be formed comprising Shoalhaven, Eurobodalla and Bega Valley LGAs.

**9. Conclusion**

Shoalhaven City Council acknowledges the significant funding afforded to it under each of the regional funding programs. The Regional Partnerships Program has been of particular benefit in enabling works that have allowed the exploitation of opportunities for the economic growth and development of the area.

SCC is committed to future growth and development but recognises that assistance through such programs as Regional Partnerships is vital for achieving this. Such assistance will continue to ensure that many of the current demographic challenges may be addressed.