



INTERIM SUBMISSION

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

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

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EXECUTIVE SUMMARY

Provision of community infrastructure and facilitating regional economic development have become core activities of Local Governments through the direct investment of their own resources and the development of partnerships with investors from the public and private sectors.

The Federal Government has important roles and responsibilities in economic and community infrastructure development.

In formulating policy and arrangements to invest funding in regional economic development and community infrastructure the Western Australian Local Government Association (WALGA) requests that the Standing Committee on Infrastructure, Transport, Regional Development and Local Government consider the following recommendations that:

1. The Standing Committee on Infrastructure, Transport, Regional Development and Local Government convene hearings in Western Australia to provide Local Governments and communities the opportunity to directly contribute to the development of new regional development funding programs based on their understanding of their unique circumstances and practical experience in working with the previous funding programs.
2. The size and boundaries of the previous Area Consultative Committees (which generally align with State Regional Development Commission areas) be broadly maintained in the formation of Regional Development Australia Committees; with minor changes to optimise their alignment with communities of interest, cognisant of existing groupings of Voluntary Regional Organisation of Councils.
3. Local Governments representatives are included in the membership of the Regional Development Australia local committees and are supported in meeting their obligations to provide communication back to Councils.
4. Voluntary Regional Organisation of Councils and Local Governments are included among the key stakeholders that need to be engaged in the process of identifying priorities for community infrastructure and economic development strategies in each region.
5. "Community infrastructure" and "regional development" (which includes economic and social development) are clearly defined and the costs and benefits of separate programs targeting community infrastructure and regional development are evaluated.
6. Successful funding proposals to be clearly identified as regional (or local) priorities in a Strategic Plan, Plan for the Future or similar document and be supported by a business case, including a cost-benefit analysis where appropriate.

ABOUT WALGA

The Western Australian Local Government Association (WALGA) is the united voice of Local Government in Western Australia. The Association is an independent, membership-based group representing and supporting the work and interests of all 142 Local Governments in Western Australia.

The Association provides an essential voice for almost 1,400 elected members and over 12,000 employees of the Local Governments in Western Australia and Christmas Island and Cocos (Keeling) Island Councils. The Association also provides professional advice and offers services that deliver financial benefits to the Local Governments and the communities they serve.

WALGA welcomes this inquiry into a new Regional Development Funding Program. This interim submission will be considered by the WALGA State Council at the next opportunity. Individual local governments and Voluntary Regional Organisations of Councils have been encouraged to provide their own submissions, particularly as this allows them to highlight their specific perspective and draw on their experience in working with the previous programs in both seeking funding support and managing projects and government reporting requirements.

This submission provides a range of recommendations for consideration in the development of new regional development funding programs. WALGA looks forward to the opportunity of further consultation and discussions on this matter and would particularly encourage the Committee to conduct hearings in Western Australia to provide Local Governments the opportunity to present and discuss opportunities to ensure that Commonwealth Government support for regional development delivers the best possible outcomes for all Australians.

Recommendation

1. That the Standing Committee on Infrastructure, Transport, Regional Development and Local Government convene hearings in Western Australia to provide Local Governments and communities the opportunity to directly contribute to the development of new regional development funding programs based on their understanding of their unique circumstances and practical experience in working with the previous funding programs.

BACKGROUND

The Regional Partnerships Program was introduced by the Australian Government in mid-2003 to consolidate a number of existing programs and facilitate a wide range of groups to apply for funding support. The stated intent was that the program would support the development of self-reliant communities.

In Western Australia at least 225 projects have received funding totalling more than \$49.5 million since the program was introduced. Local Governments were the funding recipients in approximately 48% of these approved projects and received over 54% of the funding approved. Local Governments are also a participant in many of the projects

Consequently governments typically intervene through various policy measures to address these failures.

The Regional Partnership Program was designed to fund projects that help communities¹:

- Provide opportunities for economic and social participation;
- Improve access to services;
- Plan their futures; and
- Make structural adjustments.

The objectives of the program were to:

- Stimulate growth in regions, by providing more opportunities for economic and social participation;
- Improve access to services in a cost effective and sustainable way (particularly for small or disadvantaged communities);
- Support community planning; and
- Help communities make structural adjustments.

In 2006/07 there was particular focus on;

- Economic growth and skill development;
- Indigenous communities; and
- Youth.

From the Terms of Reference for this Inquiry it is not clear whether the scope is intended to cover the recently announced Regional and Community Infrastructure Program, the Better Regions Program, other yet to be announced programs, or some combination of these. The optimal administrative arrangements and guidelines for future regional funding programs depend on the purpose of the funding as well as the quantum of funding to be managed through the program.

LOCAL GOVERNMENTS AND REGIONAL DEVELOPMENT

Local Governments have a large and growing role in fostering economic development within their jurisdiction². Local Government has an implicit charter to serve local communities, which includes building the capacity required to help its community to adjust to economic dislocations and disturbances and to identify and capitalise on opportunities for growth and development as they arise. Local Government is a key player in its local (and regional) economy in a number of ways:

- it spends money on development infrastructure that facilitates business and community activity and sustains environmental quality including roads, sports grounds, libraries, swimming pools and public parks;
- it provides important community services that support economic activity and promote the health and well-being of the local population such as recreation services, child care and aged care. These assist in social cohesion and the development of local identity;

¹ Regional Partnerships Guidelines. Department of Transport and Regional Services. July 2006

² Facilitating Regional Economic Development. Local Government Perceptions and what it can do. S Lennon and W O'Neill 2003.

Committees; with minor changes to optimise their alignment with communities of interest, cognisant of existing groupings of Voluntary Regional Organisation of Councils.

3. That Local Governments representatives are included in the membership of the Regional Development Australia local committees and are supported in meeting their obligations to provide communication back to Councils.

4. That Voluntary Regional Organisation of Councils and Local Governments are included among the key stakeholders that need to be engaged in the process of identifying priorities for community infrastructure and economic development strategies in each region.

INVESTMENT CRITERIA AND GUIDELINES

The guidelines for the previous Regional Partnerships Program were broad and to some extent reflected both the wide ranging objectives of the program and its evolution over time. For future programs it will be necessary to clearly define "community infrastructure" and "regional development", which includes economic and social development. The eligibility of (rural) medical infrastructure for funding under the new program needs to be considered, particularly given the demonstrated benefits of co-location of a variety of community service providers.

In order to ensure that funds are invested wisely for maximum community benefit, the new program(s) must retain opportunity to apply for funding for investigations and feasibility studies, which are critical prior to developing proposals for a major community infrastructure project or other programs.

It is strongly recommended that all proposals are clearly identified as a regional or local priority in an Activities Plan, Plan for the Future. Each proposal should be supported by a business case, including a cost-benefit analysis and clearly illustrate the sustainability of the investment including operation, maintenance and renewal funding. There are examples of infrastructure being provided to communities, by public and private sector investment, that the community is unable to sustain operation and maintenance costs.

Recommendations

5. That the Government clearly define the terms "community infrastructure" and "regional development" (which includes economic and social development) and that the costs and benefits of separate programs targeting community infrastructure and regional development be evaluated.

6. That successful funding proposals to be clearly identified as regional (or local) priorities in a Strategic Plan, Plan for the Future or similar document and be supported by a business case, including a cost-benefit analysis where appropriate.

Recommendation

10. That the RDA's to support proponents establish projects including the development of tailored milestones and payment schedules.

The previous application and assessment process provided a truncated application and assessment process for project seeking funding of \$25,000 or less. Additional information was required for projects seeking funding of more than \$250,000. Increasing requirements in both information provision and assessment processes in line with the quantum of grant funding sought is considered appropriate. Given the wide range in size of funding applications, in order to focus resources on those projects with the highest risks it is recommended that an additional project size range be included, with a threshold of \$1 million. Projects seeking more than \$1 million in Federal Government funding would require additional analysis and support in project implementation.

Recommendation

11. That the information requirements, assessment process and project monitoring be tailored to project size and risk. In terms of size project could be grouped according to the quantum of funding sought:

- < \$25,000
- \$25,000 - \$250,000
- \$250,000 - \$1,000,000
- > \$1,000,000

The data provided in the ANAO Audit Report⁴ demonstrates that in broad terms the time taken for assessment and decisions is of the order of 20 weeks. Given that non-residential construction costs are increasing at approximately 1% per month, and have been increasing at higher rates than this in previous years, it is not surprising that significant cost increases relative to budgets have been noted. Retaining the availability of funding from other project participants may also be difficult if the assessment period is long. From the perspective of project proponents both a long assessment period, and the variability of time taken to complete assessments makes the process difficult.

Recommendation

12. That performance standards for assessment of project applications be established, with potentially different timeframes being applied to projects of varying size and complexity. For the majority of proposals assessment and communication of outcomes should be completed within 12 weeks.

13. That a contact person for the Department is appointed at the time of receipt of the project and all communication channelled to and through this person (or their alternate).

⁴ Australian National Audit Office, 2007, Vol 1: Summary and Recommendations, p52

Furthermore, the program requires proponents to finalise funding with a wide range of providers who often have similar requirements. From an administrative perspective the Department cannot over-allocate the Budget appropriation on the assumption that historically a certain percentage of projects will not adhere to their timetables. Thus the under-expenditure should not be regarded as a negative and the new arrangements need to be designed with sufficient flexibility in budget appropriations to recognise the reality of delivering these types of projects.

Recommendation

16. That programs be designed with flexibility to enable budget appropriations to be carried forward where delays in project implementation result in funds not being expended within the expected timeframes.

Communication between all parties and improved outcomes are likely to result from a partnership contracting approach (alliance contract), in preference to a funder – provider model. A partnership approach requires on-going dialogue and flexibility to changes and the empowerment of authorised officers to amend agreements within defined bounds.

The notional centralisation of all decision-making authority with the Minister or a Council of Ministers generally creates a more adversarial relationship with the project proponent applying to the Department for any changes in funding, activities, timing etc. In this case the Department, as representative of the Australian taxpayer largely seeks to make decisions based on the (at times) limited information that the proponent makes available.

Recommendation

17. That for projects exceeding a pre-determined size and complexity an authorised officer of the administering department (or RDA) is appointed in an alliance capacity to the team charged with delivering the project. This officer would be familiar with the project, issues arising and authorised to act on behalf of the Department to negotiate optimal outcomes and record the reasons and rationale for decisions made.

LESSONS LEARNED

In learning from the successes and failures of previous programs it is important to distinguish between individual cases where politicians have taken decisions and then allocated responsibility to deliver against those commitments to the Regional Partnerships Program, from systematic limitations to the structure and / or administration of the program.

Despite interpretation in some sectors that the ANAO report was highly critical of political interference, this case was not made strongly in the report. From the evidence presented, the Ministerial decision varied from the Departmental recommendation on less than 4% of decisions. Given a degree of subjectivity in the assessment of all proposals for funding, this level of disagreement is not surprising despite the implication of other motivations.