



# SMART CITIES AND SUBURBS GUIDELINES

The Council of Capital City Lord Mayors (CCCLM) appreciates the opportunity to provide feedback on the Draft Guidelines for the Smart Cities and Suburbs Program.

The CCCLM represents the interests of the Lord Mayors (and ACT Chief Minister) of Australia's eight capital cities. Australia's capital cities drive national economic growth, innovation and creativity, and are home to over 75% of our population.

The Council of Capital City Lord Mayors warmly welcome the Federal Government's renewed involvement in Australia's cities through the Smart Cities Agenda, and have been calling for greater Federal engagement in urban policy for over twenty years.

## KEY POINTS

CCCLM recommends that the program criterion be amended to encourage project applications that can demonstrate that their project can be replicated across other Australian cities and suburbs, without the need for the other cities and suburbs to obtain a start-up 'grant'.

Smart Cities and Suburbs projects are inherently costly. CCCLM believes that the focus of the program should be on supporting projects that could have an application across the whole country – this would provide a greater return on investment for both local and Federal governments.

CCCLM notes that the guidelines are focused on technology, however the generally accepted thinking around "smart cities" is that it is not the technology per se that makes a smart city but the way in which the citizens use and engage with that technology. Technology itself may not be the sole solution.

CCCLM believes that the guidelines must be explicit in encouraging projects, that while perhaps not technological advances, are a significant advancement for the locality in question and may lay a foundation that can be built upon in the development of smart cities and suburbs e.g. the IoT (Internet of Things) or relevant infrastructure.

CCCLM welcomes the \$50m funding for the Smart Cities and Suburbs Program, but notes that the number of quality applications submitted may well significantly outweigh the grant money available. CCCLM believes that the limited budget of \$10 million for the first round will severely limit the number of projects, and recommends an alternative of \$20 million being available for the first year to enable more pilots.

Given the nature of the program and the projects it will be funding, CCCLM suggests that it would be desirable to have representatives on the Smart Cities and Suburbs assessment panel with experience in local government.

The completion of a Smart Cities and Suburbs application that includes private sector and, potentially, multiple Councils (or the ACT), contributions is a complex process that requires time, dedication, and cooperation. The timeframes between application assessment, notification, required project start, and project completion are too narrow to be conducive to meaningful partnership building.

More specific feedback to the guidelines is provided below.

## COMMENCEMENT DATE

### **Projects must be able to commence within two months.**

This means applicants would need to have completed relevant procurement processes and entered into an agreement with any private provider prior to making a submission.

Local Government often lacks the resources to undertake the business case and 'up-front' work, so requiring projects to be 'deployment ready' would exclude many potential projects from applying for funding. Projects commencing within six months may be a better approach.

Also, a two month commencement date may not allow a local council to formally approve budget for the project, therefore the guidelines should provide for the potential to defer the execution funding agreement until such time as a Council is able to formally provide the budget for the Project.

## PROGRAM OUTCOMES

CCCLM recommends adding the following dot point to 2.2:

- *“Improves the financial sustainability of the municipality (or Applicant) and can demonstrate a strong return on the investment of public monies over the long and short term.”*

## PROJECT DURATION

CCCLM recommends that as part of the criteria it is stated that projects should not 'end' at the completion of the grant period, and that the applicant must be able to demonstrate the longevity of the Project beyond the grant period.

## PRIVATE SECTOR PARTNER

The requirement to have a private sector partner raises a number of timing and probity issues for local government, as local governments are required to undertake merit based processes in order to determine a private sector partner. This is particularly the case when there are multiple Councils involved in a project. Some Councils may not require a private sector partner due to existing internal expertise and capacity. CCCLM suggests that projects not be required to determine a private sector partner (if needed) unless their application for funding is successful.

## GRANT PERIOD

Limiting the maximum grant period of 24 months appears onerous. Some C may need a longer timeframe to provide funding over three successive financial year budgets in order to be able to make the financial contribution required, particularly for larger projects.

A 36 month grant duration is more appropriate. Provided prudent project management is employed by the project owner and the overall timeframe of completion 30 June 2020 is met there should be no issues with a longer project timeframe. The grant monitoring framework requiring regular progress reporting, the ability to request ad-hoc reports, independent audits and compliance visits should be adequate to address this.

There should also be an allowance for pro-rata payment of grant funds towards projects that, through no fault of the project owner, go past 30 June 2020.

Similarly, for projects that receive grant funding in later and final rounds of the program, there should be the ability for funding of a project that runs past 30 June 2020, with grant funding for the project dispersed prior to 30 June 2020. Such projects could have an increased positive impact, increase eligibility of projects and provide increased value outcomes for the grants program.

## INCUBATION PROGRAM

CCCLM believes that the incubation program could be beneficial, especially for those organisations or staff members who may require familiarisation with the specifics of the Smart Cities frameworks.

However, further information concerning program delivery is required in order to be able to make sound decisions about participation. Such information should include (for example):

- who will conduct the training, how many people or organisations from a particular application may participate, when it starts and finishes, the time commitment, cost (if any), location and mode of delivery, curriculum, and so on.
- In particular, there should be an explanation as to whether and how participating in the program has impacts on project timelines. Does time in the program count toward the two years available for project delivery?

## ELIGIBILITY CRITERIA

### SECTION 4.1

- CCCLM recommends that joint applications are accepted from separate councils where some of the requested funding would cover a joint activity (eg 'app' development) but the joint application may also be assessed as two separate applications for the rollout of the technology.
- This may be required if two (or more) councils require unequal sums of money or councils may want to implement the Project in a different manner due to topography, demographic or other differences in their council region.
- Given that the program is aimed at local government involvement it should be made very clear that the grant application must be strongly supported by the relevant local government.
- It is evident from information in later parts of the guidelines that while some parties may be ineligible to be an applicant for the grant this does not exclude them from being a partner in the project or consortium. This information should be brought forward in the document.

### SECTION 4.2

- It is not evident whether the requirement for support or involvement of a local government must extend to a cash contribution or could be limited to in-kind support. This should be clarified.

The guidelines should be amended accordingly to allow for these circumstances and provide clarification.

- It is recommended that private sector 'local content' be looked upon favourably. If a supplier is to 'sub-contract' work, such work must be declared in the funding application.

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## SECTION 4.3

- It is recommended that projects should be replicable across Australia and provide the opportunity for other Councils to study the Project and its outcomes with a view to being implemented in other areas without the need for grant money.

Projects must deliver a business case that delivers a return on investment to justify the borrowing of money or investment by a council.

- The draft guidelines state that projects must:

**Develop, apply or implement a solution that is new to the local government area, new to a city or defined region, or new to Australia, or**

**Deploy existing smart technologies in an innovative way**

This appears to indicate that projects that involve the augmentation, extension and/or expansion of existing solutions may not be eligible projects. In some cases, it may be that the augmentation, extension and/or expansion of existing smart technology in a local government area may allow a network or technology to reach a critical mass that allows the delivery of outcomes that are in keeping with the objectives and outcomes of the grants program. It is recommended that the draft guidelines be amended to allow for such opportunities.

The draft guidelines state that Solutions should be underpinned by direct citizen engagement and user-testing. Projects must be endorsed by local government leaders, supported by relevant service delivery areas and integrated with existing strategies and plans (e.g. Smart Cities Strategy or Digital Plan). Some smaller organisations putting forward grant proposals may not have a Smart Cities Strategy or Digital Plan. It is suggested that additional examples be added, such as Corporate Plans, Long-term community plans, Vision documents, economic development plans or similar.

The draft guidelines identify an explicit advantage will be provided to projects that represent a contribution to identified City Deals. While leveraging off other projects is advantageous to improve value for money it is noted that at the present time there are only two City Deals that have been announced. In addition, the City Deals also already represent catalyst and stimulus funding in an area or region and additional funding through this grants program in these areas may not necessarily represent the best value for money in terms of local economic initiatives. It is recommended instead that a reference be inserted to favouring grant applications where the project leverages off other projects using City Deals as one of a number of examples.

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## SECTION 4.5

- In line with comments on 4.3 above this appears to indicate that projects that involve the augmentation, extension and/or expansion of existing solutions may not be eligible projects. In some cases, it may be that the augmentation, extension and/or expansion of existing smart technology in a local government area may allow a network or technology to reach a critical mass that allows the delivery of outcomes that are in keeping with the objectives and outcomes of the grants program. It is recommended that the draft guidelines be amended to allow for such opportunities.

It is recommended that the description/types of projects supported under the Smart Planning priority project area be expanded to include community engagement and awareness of planning, access to information and visualisation of planning outcomes to increase community understanding of planning as well as to allow for greater community involvement and input to planning processes.

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#### SECTION 4.5 AND APPENDICES B AND C

- It is recommended that the line ‘you do so at your own risk’ be softened to articulate that if monies have been expended to accelerate the delivery of a project then such money will be acknowledged as a contribution, but will not be considered as part of the matching funding.

Nevertheless, the investment should carry some weight in the assessment of the application; any pre-project investment should be seen as a positive contribution. In some instances, smart technology and smart infrastructure planning can take considerable lead time to get to testing stage, discounting some projects if the planning and development cannot be included or be given credit in the application analysis.

- The eligible and ineligible expenditure guidelines require review and potentially some flexibility to be built in to cover the broad range of circumstances that will be encountered.
- It should be made clear that the ineligible costs in Appendix C relates to the grant funding component. It should be clear that the cash contributions provided by the project owners and other parties involved is able to include such costs in accounting for the contribution provided to complement the grant funding.

#### MERIT CRITERIA

It is recommended the government removes the sentence “The amount of detail and supporting evidence you provide in your application should be relative to the project size, complexity and grant amount requested.” Some of the more straight forward smart projects can indeed be simplistic in their design, production and implementation; however, they may attract a higher cost.

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#### MERIT CRITERION 1

- The criterion suggests a project may deploy existing technologies in a Local Government Area. It is questioned as to whether this is additional employment of existing technology. In some cases, a project may be making enhanced usage and increasing the utility of already deployed technology. Such an outcome would leverage off existing technology.

In addition the criteria should be framed to recognise that innovation does not need to be related to a product, process or commercial model but also the application of the solution in a scenario to improve citizen experience.

The criteria should be amended to allow such projects to occur.

It is recommended adding the following dot points:

- Describe the return on investment being made by the Applicant and Federal Government and the long term financial sustainability of the Project.

- Describe the capacity of the project to be replicated around Australia by other Local Government Areas.

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### MERIT CRITERION 3

Many areas have existing infrastructure that is not providing “smart functionality.” By enhancing the functionality of this existing infrastructure, projects are likely to create significant additional benefits. It is recommended that the criterion be modified to allow applicants to provide projects that leverage off existing infrastructure, e.g. providing an enhanced service using existing broadband, Wi-Fi etc., thereby providing better value for money.

It is recommended adding the following dot points:

- Potential ongoing revenue stream that this project will deliver for the Applicant
- Potential environmental benefits that this project may deliver and contribute to the Federal Government’s international commitment to reducing greenhouse gas emissions.
- The number of short-term and long term jobs that will be created by this project. If there are identified efficiency gains such as the decrease in the number of people employed as a result of the application of the technology, include a detailed plan on how displaced people will be supported.

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### MERIT CRITERION 4

It should be recognised that at the time of grant application some of the technical partners may not be on board, due to the need to go to tender for the provision of certain circumstances. For example some councils have a legal requirement to go to competitive tender and cannot do so until such time as the budget has been approved by Council. This is not a process that can be undertaken in a short time frame.

Allowances should be made for the fact that applicants may not have technical partners on board at the time of applying for the grant provided that a process for obtaining relevant technical support has been outlined in the grant.

Similarly, a detailed project plan may not be able to be provided with the grant application due to not having all partners on board. A detailed project plan should be in place before the grant agreement is executed.

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### COMMENTS ON MERIT CRITERIA GENERALLY

There is a need to ensure that the criteria are broad enough to ensure that meritorious and innovative projects are not excluded.

## APPLICATIONS

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### ASSESSMENT

There is the potential for projects to employ disruptive technologies and methodologies which could not be envisaged in the formulation of the Program Guidelines. Given this, the proposals put forward may be at or beyond the technical knowledge of the Advisory Committee.

Given this the selection process should be one where applicants are asked to clarify matters rather than the rejection of the grant outright to ensure that projects that could be truly disruptive or innovative.

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## ATTACHMENTS TO THE APPLICATION

It is recommended adding the following dot point:

- Evidence be provided that in the case of a council, the Elected Member body has approved the project and funding and the Project Application is not being made solely under the delegated authority of the Mayor or CEO.

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## JOINT APPLICATIONS

It is recommended that the government consider receiving 'joint applications' from more than one council, where a part of the project may be a collaboration, but another component of the joint application may require analysis of different implementation and different sums of grant money applied for by each council.

This allows for the project to proceed and for each council to take into consideration their local needs. It should be possible that two councils could make a joint application, with different councils able to receive different amounts of funding based on their need. This would encourage collaboration between larger and smaller councils.

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## SUCCESSFUL APPLICATION

- CCCLM seeks clarification of the proposal at Section 8.1 (Grant Agreement) that 'if you enter an agreement under the Smart Cities and Suburbs Program, you cannot receive other grants for this project from other Commonwealth granting programs', given that it also states under 4.3 that 'Projects that represent a contribution to identified City Deals will also be favoured'.
- Reports must be submitted to demonstrate that the project is ongoing and delivering as per the Applicant's long term financial plan for the project. It is recommended that this reporting be extended to Year 3 and Year 5 to encourage long term outcomes.

## APPENDIX A - DEFINITIONS

- It is recommended adding a term: Smart Technology can also refer to Smart Infrastructure, as often one cannot go without the other
- Exactly what constitutes 'innovation' and 'innovative solutions' is unclear. A concrete definition should be included in Appendix A.
- Merit Criterion 1 indicates such solutions use 'technologies new to the organisation and city/region of the country' that they 'deploy existing technologies in an innovative way', but there could be multiple understandings of novelty and unique methods of deployment.

The definition should include, at the very least, examples of acceptable technologies, including what would constitute innovative deployment of an existing acceptable technology. Other key terms, such as liveability, should also be defined.

## APPENDIX B – ELIGIBLE EXPENDITURE GUIDELINES

It is recommended that reference be made to Federal procurement guidelines being followed and that, where possible, local services or local expertise be sourced. That private sector partners or suppliers must disclose any possible sub-contracted work and that such sub-contracted work is carried out by local suppliers where possible.

It is recommended that the lowest price option need not necessarily win the work. An emphasis must be placed on quality and long term outcomes.

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#### ELIGIBLE COSTS

It is noted that costs for technical, but not administrative, project management activities are eligible labour expenditure but limited to 10 per cent of the total amount of eligible labour expenditure claimed.

It is acknowledged that while there is a need to focus the projects on delivering outcomes, the success or failure of projects will rely on a sound governance framework that should have a project management plan as a basis. Making administrative costs ineligible may jeopardise sound project management. Additionally, it is difficult in many cases to distinguish between technical and administrative project management activities.

It is also noted that costs for leadership and administrative staff are excluded. For similar reasons to those outlined above in respect of project management, this appears unnecessarily restrictive and could result in the exclusion of meritorious projects.

It is noted that legal costs (lawyers) are specifically excluded. Where collaboration, partnerships and consortia are established, legal costs could be a significant part of the project inception. This cost may be significant and need to cover off the liability of non-delivery by any of the participating parties. In order, not to discourage this collaboration legal costs should be an eligible inclusion.

The eligible expenditure includes contingency costs up to a maximum of 10% of the eligible project costs. While 10% is often a benchmark used for contingency costs this is possibly too low for projects of the nature likely to eventuate as part of this program. Further flexibility should be allowed around realistic contingency costs in the guidelines.

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#### INELIGIBLE COSTS

There are a number of exclusions that may require reconsideration in order that innovation and maximum benefits under the grant program are achieved. These include:

- Capital expenditure for the purchase of assets such as office furniture and equipment, motor vehicles, computers, printers or photocopiers and the construction, renovation or extension of facilities such as buildings and laboratories;
- Costs such as rental, renovations and utilities; and
- Infrastructure development costs, including development of road, rail, port or fuel delivery networks beyond the manufacturing site.

The exclusion of any *in-kind contributions* is of concern. Partners may bring intellectual property and other in-kind contribution to a project that have an inherent value. It is recommended that some ability to value in-kind contributions as part of a proposal be allowed, even if this might be at a discounted rate.

The administration costs associated with providing evidence based progress reporting (8.3.1) are not deemed to be an eligible expense. These costs may also be significant and consideration should be given to such expenses being an eligible cost.



## OTHER GENERAL COMMENTS ON THE GUIDELINES

- The sample documents provided are appreciated and useful. Having access to similar samples/templates for monitoring of the project such as progress, final, ad hoc and financial reports would also be helpful in the early stages of project planning. Examples of 'technical' as opposed to 'administrative' labour costs would likewise be useful.
- In order to assist applicants for the grant a pro-forma or structure for grant applications should be provided with the first funding round.
- Section 8.3 (progress reporting): intervals for should be determined at the project inception/ grant agreement execution.
- Section 8.3.3 (ad-hoc reporting): the need for ad-hoc reports is understood in the framework of good project management. It is recommended that when an ad-hoc report is requested, that the specific grounds that generated the request are identified in order to make the process efficient.
- Section 8.4 (Compliance visits): where compliance visits occur, as part of the notice provided, there should be an identification of any key matters that the visiting Federal officers may wish to specifically examine. This will help to make the process more efficient.
- Escalation process – No escalation process for disputes has been identified in the guidelines. This should be included.
- An additional appendix should be added to the guidelines that includes a basic framework for the grant application with an indication of the type and detail of information required to be submitted. This will assist applicants.
- Please note that where this submission refers to local government and councils, the ACT Government, encompassing the City of Canberra is also represented as a member of the CCCLM. The ACT Government as a self-governing Territory, a Capital City and a local government authority should not be excluded from this program.

CCCLM would welcome the opportunity to discuss the feedback to the Smart Cities Suburbs guidelines outlined in this submission in greater detail.

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