

The Establishment, Implementation and Administration of the Strategic Projects Component of the Regional and Local Community Infrastructure Program

Audit Report No.03 2010–11

Opening comments by Ian McPhee, Auditor-General

JCPAA Review 21 March 2011

1. Chair, Members of the Committee, the Regional and Local Community Infrastructure Program (RLCIP) was one of a number of economic stimulus programs introduced in late 2008 and early 2009. ANAO has already completed audits of other stimulus programs (such as the Building the Education Revolution and the Home Insulation Program – we shall be appearing before the Committee on this latter audit this coming Wednesday), and audits of other stimulus programs are underway.
2. The objective of the audit was to assess whether the Strategic Projects component of the RLCIP had been effectively designed and administered. Amongst other things, the audit examined the design of the Strategic Projects component; the processes by which applications were sought, assessed and successful projects approved for funding; and the extent to which timely economic stimulus has been provided through the funded projects.
3. Initially, the Strategic Projects Component of the RLCIP was announced with funding of \$50 million. This was increased in January 2009 by a further \$500 million so as to increase stimulus spending in local communities as part of the Government's response to the global financial crisis. In addition to the intention of providing timely economic stimulus, the Program was also expected to provide longer term community infrastructure investment by funding additional projects not already underway, or additional stages of projects that were already underway.

4. Key features of the Program were to be that:
 - Projects were to be allocated funding on a nationally competitive basis through an application process open to all local councils.
 - The Program Guidelines included a comprehensive suite of criteria addressing applicant and project eligibility, and emphasising that only complete applications would be considered compliant and therefore eligible for funding.
5. The audit tabled in July 2010, with preliminary findings having been provided to the department starting in December 2009 so as to inform the design and administration of the second application round of the Strategic Projects Component.
6. The audit concluded that the Strategic Projects component of the RLCIP was not designed and administered in a way that took on board the various lessons from Parliamentary and ANAO scrutiny of grants administration, and also was not consistent with key aspects of the enhanced grants administration framework. In particular:
 - Although open to all councils to apply, in shortlisting applications those from larger councils were considered to be more capable of delivering timely projects. Accordingly, no applications from a council with a population of less than 10 000 were to be shortlisted with the result that significant parts of rural and regional Australia were unable to compete for the available funding. This approach was inconsistent with the published Guidelines and councils were not otherwise informed either before or after funding decisions were made.
 - The published Program Guidelines included a list of the types of projects that were eligible for funding. However, in shortlisting applications it was decided that all projects from Councils with more than 100,000 would be considered

but for Councils with between 10, 000 and 100,000 people, only 8 of the 47 categories would actually be considered for funding. This removed from consideration 140 of the 244 applications from Councils with a population in this range.

- No version of the program guidelines outlined the assessment criteria that would be used to select the successful applications
7. The Minister informed the ANAO that he had asked Cabinet to endorse projects in the context of three objectives namely to: provide an equitable geographic distribution of funding; fund worthwhile projects where no alternative funding was available; and maximise the stimulus and community benefit. Nevertheless, the audit report observed that the reasons for the selection of 131 of the 188 shortlisted applications, and non-selection of 57 shortlisted applications, were not apparent from the Program documentation or subsequent advice.
 8. The resulting geographic and electorate distribution of funding under Round 1 of the Strategic Projects component of RLCIP is set out in Chapter 6 of the audit, commencing on page 181.
 9. Our assessment was that the procedural shortcomings adversely affected the achievement of desired outcomes. Although part of the Nation Building and Jobs Plan, the Strategic Projects component of the RLCIP has not provided the planned level of stimulus in the timeframe that had been budgeted. Program funding was to cease by 30 June 2010 but, by this date, Council's had only spent \$142 million of the \$550 million in funding (26%). The audit concluded that the relatively low level of program expenditure reflects the situation that a large proportion of the projects approved for funding were: not 'shovel ready'; planned to be delivered over a longer

timeframe (18 months plus) than that necessary to provide timely stimulus; and/or involved high project delivery risks that have been realised.

10. In conclusion, this report provides a reminder that the administration of grant funding requires care and effective oversight on the part of agencies and Ministers. This is particularly the case when circumstances dictate that programs need to be implemented in a short time period to meet government policy objectives whilst still treating applicants equitably and retaining public confidence in the selection process for the awarding of grants.

11. Guidelines have just been released for the \$1 billion Regional Development Australia Fund, the replacement for the RLCIP. Positively, those guidelines address a number of the more significant findings from our audit of the Strategic Projects component including:

- clear statements that incomplete or ineligible applications will not be considered for funding;
- outlining that an Advisory Panel will play an important role in the delivery of the program by providing the Minister for Regional Australia with independent advice and recommendations on the allocation of funds to projects;
- the department will assess all applications as to whether they are: eligible; represent efficient and effective use of resources; are in alignment with the relevant Regional Development Australia Committee's Regional Plan; and pass a risk assessment; and
- the Independent Panel will then rank, on a merit basis, all applications that have passed the department's assessment.