

Department of Infrastructure, Regional Development and Cities

Regional Jobs and Investment Package – Assurance Review

Final Report, July 2018

Yarrabee Consulting: Geoff Leeper and Dr Felicity Lawrence



Background and Approach

- We have been engaged by the Department of Infrastructure, Regional Development and Cities (the Department) to assess and provide assurance on the extent to which the Regional Jobs and Investment Packages program (RJIP) Round One was conducted in accordance with the Commonwealth Grant Review Guidelines (CGRGs), and better practice.
- RJIP represents a Government commitment made in the course of the 2016 election campaign.
- In undertaking this review, we have spoken with a number of officers in the Department, reviewed guidance available to Departmental staff and spoken to staff in the Business Grants Hub (the Hub) within the Department of Industry, Innovation and Science.
- All interpretations and conclusions are ours, based on interviews and the documentation that has been made available to us.
- The key focus of this assessment has been on the processes leading to the final decisions of the Ministerial Panel in relation to each of the ten RJIP regions*, noting that the Ministerial Panel was constituted differently for the first three Regions (Geelong, NSW North Coast and NSW South Coast) than for the remaining seven Regions.
- Key Findings, and any associated Recommendations, are set out in the following slides.



Key Finding	Related Recommendation(s)	Page reference in report
<p>The Department’s conduct of the RJIP funding round was largely compliant with the requirements of the Commonwealth Grant Review Guidelines, and the operation of the Ministerial Panel, while producing different grant outcomes in about 20 per cent of applications, produced the same average grant value to applicants with a marginally lower assessed average score.</p> <p>The form of recommendations to the Panel, and the provision of formal advice around the commitment of funds under the <i>PGPA Act</i>, conforms with the requirements of the Commonwealth Grant Review Guidelines.</p>	<p>Improvements in the clarity of the Guidelines (especially around cases where an applicant is a business and is incidentally a Registered Training Organisation) would help to ensure that only eligible applications are assessed.</p> <p>We recommend that the Department tighten the Conflict of Interest requirements in any future rounds, and also ensure that an appropriate “air gap” exists between members of the Local Planning Committee and the consideration of grant applications, specifically by ruling out any contact between the Panel and the LPC Chair in the Guidelines.</p>	<p>Page 15</p> <p>Pages 32 and 33</p>
<p>The process of making appointments to the Local Planning Committees seems to have taken longer than expected.</p>	<p>Given the Guideline and LPC delays, we recommend the Department consider, for any future RJIP rounds, setting out the expected timetable for actions, and the associated critical path, to educate and inform key stakeholders on key dates and requirements.</p>	<p>Page 9</p>
<p>In all cases it appears that each of the Local Investment Plans were finalised prior to the relevant grant application round being opened.</p>		
<p>The assessment of economic benefits, particularly ongoing jobs created by each proposed grant, appeared to have been made at face value.</p>	<p>We consider the Department could, in future, more robustly test applicants’ economic benefit claims, particularly as some of the associated employment claims for grants that were awarded are clearly substitutive, rather than additive, for employment in the Region concerned. We recommend that any future RJIP rounds give careful attention to how applicants are guided on the employment outcomes claimed from the proposed activity. The Department may also need to consider how it gives assurances to a Panel on the veracity of the employment claims ,made by applicants.</p>	<p>Page 31</p>

Key Finding	Related Recommendation(s)	Page reference in report
<p>The Ministerial Panel made final decisions on grants, based on recommendations made by the Department.</p> <p>No House of Representative Panel member made decisions relating to their own electorate.</p>	<p>We recommend that the Department include, in any future RJIP rounds, a process step where the Panel is informed as quickly as feasible of those applications that have been determined as Ineligible. The Department could also consider having the Panel formally note the Ineligible applications before receiving advice on recommended projects (similar to the decision making process for Exceptional Circumstances requests).</p> <p>The Department should consider how it can quickly gain assurance confidence from the Hub in the assessment process and its outputs, for any future RJIP rounds. This could be done either by the Department independently assessing a sample of early projects to confirm that the Hub was assessing accurately, or by reviewing a sample of projects prior to the Panel step for assurance purposes.</p>	<p>Page 15</p> <p>Page 18</p>
<p>The Department made its recommendations to the Ministerial Panel by matching the highest assessed score (from the Hub assessment process) against the remaining, available funding for each Region.</p>	<p>The Department could test with any future Ministerial Panel the form and content of the documentation it wished to receive, noting that it is important that any such advice conform with the CGRGs and the Guidelines.</p> <p>We recommend that the Department consider making compliance with the existing Criterion 1 an eligibility test ie either the proposed activity is consistent with the Plan or it is not, and is therefore Ineligible.</p>	<p>Page 19</p> <p>Page 26</p>
<p>The Panel overturned Departmental recommendations in 27 per cent of cases, and brought one grant, determined to have been Ineligible, into the process in the Wide Bay Burnett Region.</p>	<p>The relative frequency with which Departmental advice was overturned suggests that the Department could consider, in future, simply providing a rank ordering of projects (based on assessed scores) and advice about the available budget for each Region, and allow the Ministerial Panel to consider each proposal on its merits.</p> <p>Alternatively, the Department could seek to amend the Guidelines for future rounds to make more clear the basis on which it would recommend projects ie assessed score and available budget, grouped in bands*, noting that the Panel has the final decision power.</p>	<p>Page 8 and page 22</p>

Findings and recommendations

Overall assessment

- The Department's conduct of the RJIP funding round was largely compliant with the requirements of the Commonwealth Grant Review Guidelines, and the operation of the Ministerial Panel, while producing different grant outcomes in about 20 per cent of applications, produced the same average grant value to applicants with a marginally lower assessed average score.
- Improvements in the clarity of the Guidelines (especially to cater for circumstances where an applicant is a business and is incidentally a Registered Training Organisation) would help to ensure that only eligible applications are assessed. If Local Planning Committees are used in any future RJIP round, we recommend that conflict of interest declarations be required of Committee members and all grant applicants, and that the Committee members terms be concluded after the Region Report has been accepted. Committee members should have no role in the grant assessment and recommendation process.

Guidelines, Local Planning Committees (LPCs), Application Rounds:

- The RJIP program was originally expected to deliver financial benefits to grant recipients during the 2016-17 financial year, having been announced during the 2016 election campaign.
- The membership of each region's LPC was determined by the Minister and these Committees reported by Region between May and September 2017.
- The process of making appointments to the Local Planning Committees seems to have taken longer than expected. Given the time taken to finalise both the Guideline and LPC membership, we recommend the Department consider, for any future RJIP rounds, setting out the expected timetable for actions, and the associated critical path, to educate and inform key stakeholders on key dates and requirements.
- In all cases it appears that each of the Local Investment Plans were finalised prior to the relevant grant application round being opened. There was a significant amount of commonality in the priority investment areas identified across the 10 Regions by the separate LPCs*.
- The first round of grant applications did not close until August 2017. Noting that RJIP was an early example of the new Grants Hub arrangements, the Department could potentially speed up the design stage of any future RJIP round by engaging early with the Hub around design activities.

*Note: See slide 12 'Priority areas identified by Local Planning Committees for RJIP investment'



Findings and recommendations (2)

- Applications were received between August and October 2017, with some 634 eligible applications assessed by the Hub.
- Detailed guidance was provided to allow each application to be assessed in a reasonably consistent fashion against four criteria that were outlined in both the Guidelines and the application forms.
- The assessment of economic benefits by the Hub, particularly ongoing jobs created by each proposed grant, appeared to have been made at face value.
 - We consider the Department could, in future, require the Hub to more robustly test applicants' economic benefit claims, particularly as some of the associated employment claims for grants that were awarded are clearly substitutive, rather than additive, for employment in the Region concerned.
 - We recommend that any future RJIP rounds give careful attention to how applicants are guided on the employment outcomes claimed from the proposed activity. The Department may also need to consider how it gives assurances to a Panel on the veracity of the employment claims, made by applicants.
- The Ministerial Panel made final decisions on grants, based on recommendations made by the Department, based in turn on the Hub's assessment of applications against the published criteria.
- No House of Representative Panel member made decisions relating to their own electorate.
- The Department made its recommendations to the Ministerial Panel by matching the highest assessed score (from the Hub assessment process) against the remaining, available funding for each Region.
 - This meant that some projects with higher scores were not recommended for funding because the amount of funding they had requested was more than the balance that remained in that Region after earlier recommendations had been made.



Findings and Recommendations

(3)

Ministerial Panel (the Panel):

- We recommend that the Department include, in any future RJIP rounds, a process step where the Panel is informed as quickly as feasible of those applications that have been determined as Ineligible. The Department could also consider having the Panel formally note the Ineligible applications before receiving advice on recommended projects (similar to the decision making process for Exceptional Circumstances requests).
 - The Department should consider how it can quickly gain assurance confidence from the Hub in the assessment process and its outputs, for any future RJIP rounds. This could be done either by the Department independently assessing a sample of early projects to confirm that the Hub was assessing accurately, or by reviewing a sample of projects prior to the Panel step for assurance purposes.
 - The Department could test with any future Ministerial Panel the form and content of the documentation it wished to receive, noting that it is important that any such advice conform with the CGRGs and the Guidelines.
 - We recommend that the Department consider making compliance with the existing Criterion 1 an eligibility test ie either the proposed activity is consistent with the Plan or it is not, and is therefore Ineligible.
 - The Panel overturned Departmental recommendations in 27 per cent of cases, and brought one grant, determined to have been Ineligible, into the process in the Wide Bay Burnett Region.
- [Redacted]
- The form of recommendations to the Panel, and the provision of formal advice around the commitment of funds under the *PGPA Act*, conformed with the requirements of the Commonwealth Grant Review Guidelines, although we have noted two areas for attention in any future rounds.



Findings and Recommendations (4)

General comments:

- We recommend that the Department tighten the Conflict of Interest requirements in any future rounds, and also ensure that an appropriate “air gap” exists between members of the Local Planning Committee and the consideration of grant applications, specifically by ending the Committee appointments after the provision of the Region report.
- We note that successful projects were progressively announced from 17 January to 12 April across the 10 Regions.
 - Despite the time now elapsed since those announcements, as at 8 June 2018, 19 projects (8 per cent) were yet to execute their contracts and RJIP will most likely underspend significantly against its \$15 million estimate in 2017-18.

- Alternatively, the Department could seek to amend the Guidelines for future rounds to make more clear the basis on which it would recommend projects ie assessed score and available budget, grouped in bands*, noting that the Panel has the final decision power.

* For example, projects with scores of 80 or more could be grouped as Highly Suitable; projects with scores between 70 and 80 could be rated as Suitable; projects under 70 might be Adequate, and so on.



Development of the RJIP Guidelines

- RJIP was an election commitment from the 2016 Federal Election that was announced in June.
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- The process for developing the Guidelines extended over some five months, involving the Department, the Hub, the Department of Finance, PM&C, the Department of Education, and the Minister's office.
 - By late March 2017, the Guidelines were formally approved by the Minister, as the approving authority under the CGRGs, on 29 March 2017.
 - The Guidelines were formally released to potential applicants in May 2017.
 - **We recommend the Department consider, for any future RJIP rounds, setting out the expected timetable for actions, and the associated critical path, to educate and inform key stakeholders on key dates and requirements.**



Development of the RJIP Guidelines (2)

- The Guidelines make detailed provision for whether an applicant will be eligible for a grant, based on certain characteristics eg an applicant is not eligible under the Local Infrastructure stream if they are a for-profit organisation, an individual, a Government agency and so on.
- These eligibility conditions varied across the three streams of Local Infrastructure, Business Innovation, and Skills and Training. For the Business Innovation stream, the eligibility requirements are clearly oriented towards commercial operators, but Registered Training Organisations were not Eligible to apply.
- Among other things, the Guidelines as approved clearly state (page 5 of 51) that applications are first assessed for eligibility and that applicants would be notified if their application was ineligible.
- Only eligible applications would **then** be assessed by the Hub and the Guidelines also state (7.2.2 on page 11) that the eligibility criteria could not be waived under any circumstances.
 - In practice, the Department's policy of not advising applicants of the outcome of their grant, or its assessment status, until all decisions were made, appears to contravene the Guidelines themselves.
- **Operating practices that are inconsistent with the Ministerially approved Guidelines have the potential to undermine the standing of the Program. The development, and consistent use, of a current risk management plan with robust treatment options could help to identify, plan for and ameliorate these risks.**

Local Planning Committees

- The Government's policy intention for RJIP was that local communities would work together to identify key areas of focus for potential RJIP grants.
- This process was to be managed by a Local Planning Committee (LPC), comprised of nominees sought by local Members of Parliament, with the actual appointments to each Committee a decision by the Minister for Regional Development. Timely attention to the formation of LPCs would speed up the timelines for any future RJIP rounds.
- LPC members were required to provide a Declaration of Personal Interests. It is unclear whether the Department, or the Hub, had any capacity to test the veracity of these declarations. The Declarations were forwarded to the Minister's Office by the Department in the course of the consideration of nominees for the Local Planning Committees.
- Persons appointed to the LPCs were also required to execute a Confidentiality Agreement, which required them to keep information arising from their Committee membership confidential.

(*Note: Conflict of Interest issues are further discussed at Slide 31 "Managing Conflict of interest issues")



Local Planning Committees (2)

- The LPCs were charged with producing a Local Investment Plan (one Plan per Region), which was required to be submitted to the Department, and subsequently to the Minister for approval, prior to the opening of the applications round for that Region.
- The 10 Region Local Investment Plans were provided to the Department at various times over the period from May to September 2017.
- In all cases it appears that each of the Local Investment Plans were finalised prior to the relevant grant application round being opened.
- While the Local Investment Plans are generally consistent in layout, there is also a reasonable degree of divergence in the level of detail provided on the Region itself.
- We noted that the membership of the LPC is identified in only three of the ten published Region Plans, although the names of Committee members were available online. This information is important in the context of the issue of COI (see slide 31).
- A summary table of the key investment priorities identified by the Committees is set out in the table overleaf.

Priority areas identified by Local Planning Committees for RJIP investment

INVESTMENT SECTOR	Bowen Basin	Geelong	Goulburn	Latrobe Valley	NSW North Coast	NSW South Coast	Regional Tasmania	Tropical North QLD	Upper Spencer Gulf	Wide Bay Burnett
Aged Health Care (Ageing economy)	✓	✓	✓		✓	✓	✓		✓	
Allied Health (disability, community services)	✓	✓		✓		✓	✓	✓	✓	✓ *
Social Assistance (MedTech & Insurance)	✓	✓		✓		✓				
Education & Training	✓			✓	✓	✓	✓	✓	✓	✓
Manufacturing ¹		✓	✓	✓	✓	✓	✓	✓	✓	✓
Energy (& Resources)	✓	✓		✓					✓	
Bio Futures	✓									
Agriculture (food, wine, fishing)	✓	✓		✓	✓	✓	✓			✓
Agribusiness	✓	✓	✓		✓		✓			✓
Tourism ³	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Acquaculture		✓				✓				
Professional services ²				✓						
Digital Economy					✓		✓			
Infrastructure e.g., property						✓			✓	
Antarctic & Southern Ocean							✓			

* Noted within the Tourism Sector section

Feedback from Local Planning Committees (LPC)

- The Department sought feedback from 6 of the Local Planning Committees, around the role and instructions given to the LPCs, the support provided, and their satisfaction with the output they produced. With 26 individual responses across 6 Regions, the following is reasonably clear:
 - The LPCs were clear about their role and what they were expected to do;
 - The LPCs considered they had sufficient time to develop their Local Investment Plans;
 - The LPCs were satisfied with the quality of their Local Investment Plans;
 - Access to advisory support from Commonwealth and State government representatives was helpful; and
 - Professional support to prepare the Local Investment Plan would have been less valued.



The application processes

- In total, 634 assessable applications were received – that is, these applications were eligible under the criteria announced for RJIP and were assessed by the Hub.
 - Eleven applications were determined to be Ineligible, or around 2 per cent of applications.
 - Determination of eligibility was a Hub responsibility.
 - There is an issue that needs to be resolved for any future rounds of RJIP. Nolan Meats, a proprietary company, applied for Business Innovation funding to expand their meatworks production line, anticipating that 200 ongoing jobs would be created as a result. However, they also recorded on their application that they were a Registered Training Organisation (RTO) and as a result their application was deemed Ineligible.
 - It is arguable that the Nolan Meats application ought to have been allowed to proceed to assessment, on the basis that being an RTO was *incidental* to their operation. This is the view that the Ministerial Panel took in making a grant to that applicant.
 - This element of the Guidelines needs to be clarified for any future rounds of RJIP.
 - The Ministerial Panel was advised of the Ineligible applications at the time that recommendations on grant funding were made, through an attachment to the Ministerial Submission covering the recommendations.
- We recommend that the Department include, in any future RJIP rounds, a process step where the Panel is informed as quickly as feasible of those applications that have been determined as Ineligible. The Department could also consider having the Panel formally note the Ineligible applications before receiving advice on recommended projects (similar to the process step for considering Exceptional Circumstances requests).**



The application processes (2)

- The Hub process for grants generally provides 6 weeks for applicants to prepare their proposal.
- The first round of grant applications, involving 6 of the 10 RJIP Regions, was released in June and, while initially targeted to close on July 31st, was extended by the Minister to close on 15 August 2017.
 - As a result of this extension, an additional 66 applications (23 per cent of the total for these Regions) were received for consideration.
- The remaining four Regions received some 277 applications, with well over half of these (151 applications) received for Regional Tasmania.
- It is important that any decision to extend the timing of submission of applications be carefully considered, including against the Guidelines that have been released for that round.



The RJIP assessment and recommendation processes

- AusIndustry, as the convenor of the Business Grants Hub, assessed the applications according to an agreed process and scored applications against the following criteria:
 - The extent to which the project addresses the Local Investment Plan investment sectors and strategic priorities (assessed as either 1, 10 or 20 points out of 20);
 - The level of net economic benefit delivered during and beyond the project period (assessed for employment benefits (minimum score of 3 to a maximum of 15 points) and other economic benefit (minimum score of 3 points, to a maximum of 15 points) giving a total score out of 30;
 - Value for money offered by the project, assessed against four slightly differently weighted sub-headings to give a total score out of 30; and
 - The applicant's capacity, capability and resources to carry out the project, assessed against four equally weighted sub-headings to give a total score out of 20.



The RJIP assessment and recommendation processes (2)

- Aggregate scores were calculated by adding each of the component scores. A “Pass” of at least half the score in each of the four components was needed in order for the project to be considered further ie the minimum score overall had to be at least 50/100 points for the Department to be prepared to recommend a project to the Ministerial Panel.
- AusIndustry had internal moderation and quality control processes in place to increase confidence in the overall consistency of the assessment process.
- Some minor but obvious quality control issues in Hub outputs presented to the Minister’s Office reduced confidence in the Hub product, but this did not appear to go to the quality or consistency of the assessments themselves. [REDACTED]
- **The Department should consider how it can quickly gain assurance confidence from the Hub in the assessment process and its outputs, for any future RJIP rounds. This could be done either by the Department independently assessing a sample of projects early in the assessment process to confirm that the Hub was assessing accurately, or by reviewing a sample of projects prior to the Panel recommendation step for assurance purposes.**



The Department's assessment and recommendation processes (3)

- The output from the Hub assessment process was used by the Department to develop the list of Recommended projects.
- This output comprised a table that showed, for each grant application: the Region, the Project title and location, grant amount sought and total project cost, other associated Commonwealth funding, reference number and brief proposal description, the scores against the four criteria, a total score for the application, a ranking, and whether or not the applicant was seeking special circumstances exemption from the requirement to at least match the grant value being applied for, with funding of their own*.

• [REDACTED] The Department could test with any future Panel the form and content of the documentation it wished to receive, noting that it is important that any such advice conform with the CGRGs and the Guidelines.

* The Guidelines for the Program required the applicant to at least match the grant being sought (ie the grant funding would not exceed 50 per cent of the estimated project value) unless the applicant sought special exemption from this requirement.

The Ministerial Panel was required to approve any such exemptions prior to making decisions on grants. Only 14 such applications appear to have been made (less than 3 per cent) and 2 received funding.



The Department's assessment and recommendation processes (4)

- The Department's documentation to the Panel made recommendations on eligible projects, Region by Region, on the basis of their assessed score from the Hub process, matched against the available funding for each Region.
 - Thus, in some Regions a project that was recommended by the Department had a lower score than one that was not simply because the latter project would not "fit" within the funding that remained for that Region, assuming the grants recommended above it were agreed by the Panel.





The Department's recommended applications

- Overall, using the methodology described above, the Department recommended 232 out of 634* applications, ranging from 7 projects in the Upper Spencer Gulf Region to 37 projects in Regional Tasmania.
- The Panel endorsed 168 of the Department's recommended projects, and approved a further 65 projects to be included in the announced lists:
 - Thus, 64 of the Department's recommended projects were not endorsed by the Panel, and a further 65 were brought into the final list.
 - This represents 129 decisions by the Panel which were at odds with the Department's advice, around 20 per cent of the total applications.
 - However, this number includes decisions where the Panel decided not to accept the Department's recommendation, as well as grants that were now "affordable" **because** the Panel had rejected a Department-recommended grant.
 - Thus, while some of the 20 per cent is attributable to the Panel disagreeing with the Department's recommendations, the remainder is an artefact of the Department's decision methodology described above.

* A total of 11 applications were assessed as being Ineligible and are not included in the above figure



The Department's recommended applications (2)

- In our examination of RJIP, we have focused particularly on 5 Regions with high numeric, or proportionate, decisions that went against Departmental advice – NSW North Coast, Wide Bay Burnett, Bowen Basin, Regional Tasmania and Upper Spencer Gulf, covering 49 of 65 Panel decisions to bring a *not recommended* project into the funding list.



Ministerial Panels

- RJIP final decisions were taken by the relevant Ministerial Panel.
- For Geelong, NSW North Coast and NSW South Coast, the Panel was:
 - The Hon Darren Chester MP (Gippsland)
 - Senator the Hon Michaelia Cash
 - The Hon Michael McCormack MP (Riverina)
 - Senator the Hon James McGrath
- For the remaining RJIP Regions, the Panel was:
 - The Hon Dr John McVeigh MP (Groom)
 - Senator the Hon Bridget McKenzie
 - The Hon Michael McCormack MP (Riverina)
 - Senator the Hon James McGrath
- In taking decisions on the 10 RJIP Regions, there were no occasions where a Minister, as a member of a Ministerial Panel and as a Member of the House of Representatives, took a decision in relation to their own electorate, as none of the House of Representative Panel members electorates overlapped in any way with an RJIP Region at the time of decisions being taken by the Panel.
 - For clarity, while LaTrobe Valley is an RJIP Region the Member for Gippsland was only a Panel member for the decisions on Geelong, NSW North Coast and NSW South Coast. At the time of the decisions for LaTrobe, The Hon Darren Chester was not a Panel member.



Outcome of the Panel's decision making processes

- As noted above, there were two differently constituted Panels, changing when relevant Ministers changed roles or left Ministerial positions.



Outcome of the Panel's decision making processes (2)

- The Panel recorded reasons for not accepting the Department's recommendation on an individual basis, and also where it brought into the approved list a grant that was not on the Department's recommended list.
- While recording reasons for overlooking the Department's advice may be good practice for providing feedback to unsuccessful applicants, it does not seem to be a requirement of the CGRGs.
- None of the grants were overlooked, or brought in, on the basis of Criterion 1 – consistency with the Local Investment Plan. On that basis, **we recommend that the Department consider making compliance with the existing Criterion 1 an eligibility test ie either the proposed activity is consistent with the Plan or it is not, and is therefore Ineligible.**
- Nearly half of the reasons for overlooking a recommended grant, or bringing another grant into the approved list, related to Economic Benefit. Criteria 3 (Value for Money) and 4 (Delivery capability) were about equal in explaining the remaining variations.
- The reasons given for changes to the grants list varied in detail and also in consistency – for example, at least two recommended applications were passed over on the basis that the applicant was putting in “only minimal funding” ie 50 per cent of the total project cost.
 - We note that across all approved grants, 64.4 per cent of grants by number proposed only matching the grant funding, so this basis for removing a recommended grant from the list is at least unusual.







Assessing the employment claims made by applicants under RJIP

- Across the 233 RJIP projects that were formally approved by the Ministerial Panel(s), some 7796 total ongoing employment outcomes were identified by applicants as arising from those projects.
- The Merit Assessment Scoring Guidance issued to Hub assessors appears to have accepted the employment claims made by the applicants at face value.
- The main guidance provided to the Hub assessors is focused on the average grant value per ongoing job in scoring the application.
 - In our view, this is a significant weakness in the Hub assessment process, especially given the policy objective of RJIP.



Assessing the employment claims made by applicants under RJIP (2)

- We reviewed the twenty grants approved that claimed the highest number of jobs created across the total list of projects. Those 20 grants claim 3,935 ongoing jobs (just over half the jobs claimed to be created across the 233 approved projects).
 - A number of these projects sought funding for feasibility studies; others sought funding for enabling infrastructure that is then assumed to unlock other capital investment. A significant proportion of projects assume additionality of employment as a direct result of the grant, without assessing possible substitutive effects in the local economy.
 - In part, this lack of clarity is attributable to the application forms, which simply ask the applicant to indicate the total expected full time equivalent long term employment generated following the project period. No guidance is given as to how to estimate the employment effects and as a result it is highly unlikely that the employment claims made are either robust, or comparable across applications.
 - This is a material issue because the claimed employment effects feature in media announcements for RJIP Regions, and also go to the cost effectiveness of the Program itself in generating jobs in regional Australia.
- **We recommend that any future RJIP rounds give careful attention to how applicants are guided on the estimation of employment outcomes claimed from the proposed activity. The Department may also need to consider how it gives assurances to a Ministerial Panel on the confidence level associated with the employment claims made by applicants.**



Managing conflict of interest issues

Local Planning Committee members

- People applying to be considered as members of the LPCs were required to complete Conflict of Interest (COI) declarations. It is unclear how or whether the Department or the Hub confirmed the veracity of these declarations through the RJIP development and consideration period.
- Declarations of Personal Interests completed by potential Committee members were forwarded to the Minister's Office by the Department as part of the appointments process.
- Detailed guidance was provided to the LPCs on identifying and managing COI issues, for example in the Terms of Reference and via the Declaration of Personal Interests.

The Guidelines and the Application Process

- The Guidelines state (section 13) that applicants will be asked to declare, as part of their application, any perceived or existing conflicts of interest.
- However, the Sample application forms we examined for each of the three RJIP streams do not make provision for, or require, any conflict of interest declarations by the applicant.
- Nevertheless, the Guidelines make clear (page 30, Section 13.1) that an applicant has an ongoing responsibility to advise the Department, in writing and immediately, if an actual, or perceived, conflict of interest arises during the course of the grant.



Managing conflict of interest issues

- However, once a project has been selected for funding, the funding agreement provided by the Hub seeks information on any COI and requires the funding recipient to declare any conflicts that arise in the course of the agreement.
- In our view, the key conflict of interest exposure is not addressed by the existing arrangements ie that an applicant has a real or perceived conflict of interest arising from a personal or business link with a member of the Local Planning Committee – particularly the Chair, noting that the Department’s guidance to the Panel in deciding on successful grants included suggesting that the Panel consider contacting the LPC Chair.
- The absence of a specific conflict of interest question in the application form means that it would have been very difficult for RJIP applicants to credibly submit a satisfactory conflict of interest statement in the RJIP 2017-18 round.
- **We recommend that the Department tighten the conflict of interest requirements in any future rounds, and also ensure that an appropriate “air gap” exists between members of the Local Planning Committee and the consideration of grant applications, specifically by ending the Committee member appointments after the Region Report has been provided.**

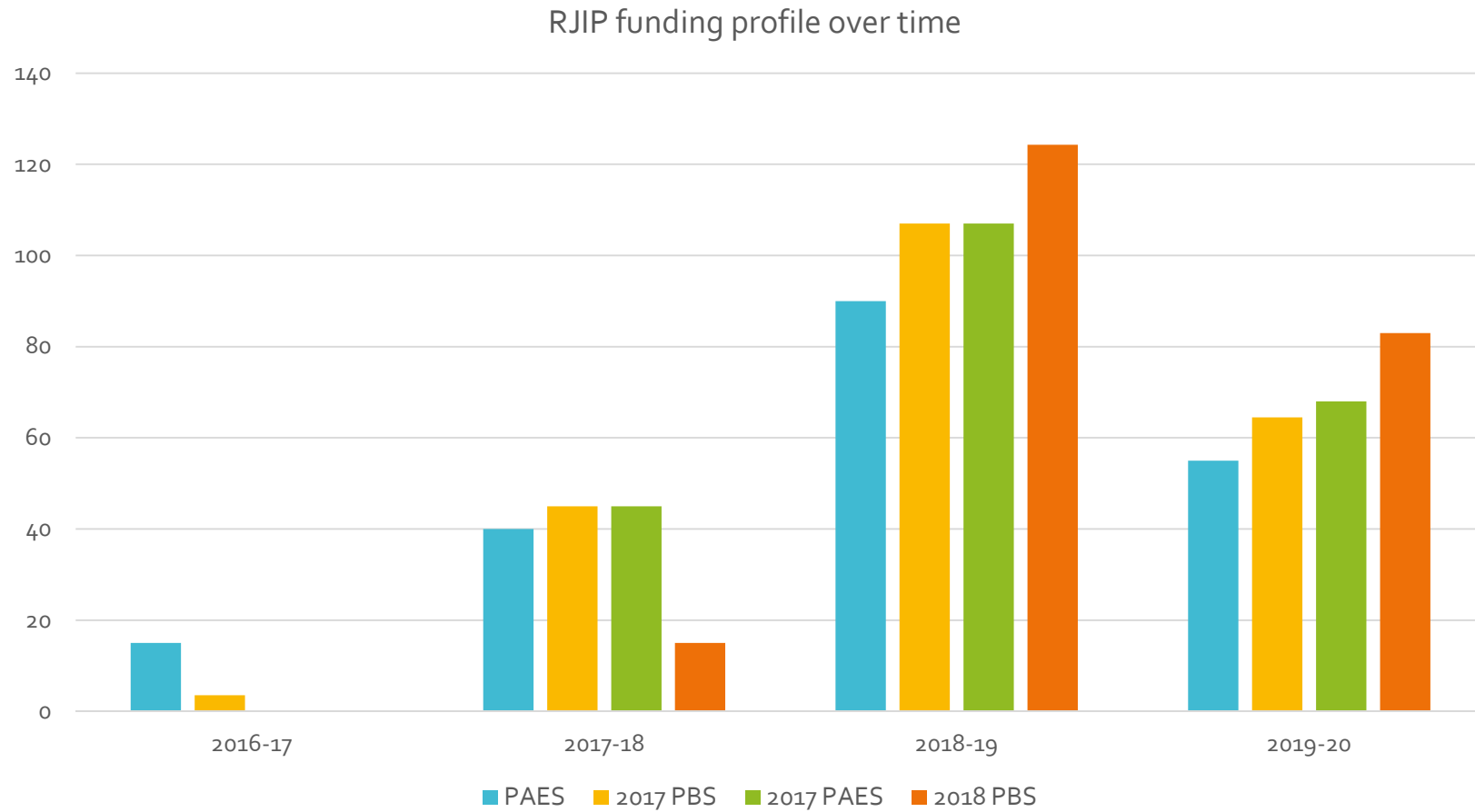


RJIP current state of play

- The Department and the Hub prepare a weekly status report on progress with RJIP.
- As at 8 June, of 231 grants that have been offered, there are still 19 contracts that are yet to be finalised, noting that 12 of these relate to the 2 Regions announced most recently.
 - Two of these contracts (Tropical North Queensland) are outstanding 4 months after announcement
 - And contracts in all Regions are now outside the period specified in the Service Agreement with the Hub for contract execution.
- Taking action to finalise and execute these contracts should be a priority for both the Hub and the Department.
- RJIP funding has been reprofiled at each Estimates update, and will require further adjustment if underspent 2017-18 funds are not to be lost.
 - We estimate that RJIP will spend around \$5 million in 2017-18, around one-third of current estimate.
 - The following slide shows how RJIP's funding profile has changed since early 2017.



RJIP funding is drifting out to the later years of the program, noting the intended June 2020 completion date for projects



Assessment of the consistency of RJIP processes with the CGRGs

- We have made an assessment of the degree to which the Department's processes (including those of the Hub) have been consistent with the requirements of the CGRGs.
- In large part the Department appears to have met both the spirit and the requirements of the Guidelines and has followed the CGRGs and its advice to Ministers, both at the recommendation stage for the Panel and for the final approval of funding under the *PGPA Act*. There are two key exceptions (see also the table on the next page):
 - The Department's established practice of not advising applicants of the status of their grant application is at odds with the published Guidelines, most particularly for grants deemed Ineligible to be assessed. None of the Ineligible applicants were advised of that fact until the round was finalised.
 - The decision to award a grant to Nolan Meats appears to be at odds with the RJIP Guidelines as drafted, unless it is inferred that its RTO status was incidental to the company's operations and therefore did not render it Ineligible. This needs to be clarified in any future Guidelines.



Mandatory components of the Commonwealth Grant Review Guidelines

Relevant CGRG Requirements*	Nature of requirement	Assessed compliance	Comments
There must be legal authority for the proposed commitment of funds	Clear authorisation under the <i>PGPA Act</i> for the commitment of funds	Green	Formal minutes to Ministers clearly sought approval under the relevant <i>PGPA Act</i> sections prior to grants being announced and contracts being negotiated
Accountable authorities and officials must act in accordance with the CGRGs	Requires officials and accountable authorities to ensure that the CGRGs are adhered to in the grant process	Red	The approval of an Ineligible grant (advised to Ministers in the formal financial approval Minute) contravenes the RJIP Guidelines that were approved by the Minister
Approved commitments of public money must be recorded in writing as soon as practicable	Documentation of approved commitments by the Department following Ministerial Panel decisions	Green	The Department provided formal Minutes to the Ministerial Panel seeking final approval of the funding to be committed to each grant, by Region.
Officials must advise Ministers of the CGRG requirements	Requires officials to ensure that Ministers are informed of the CGRG rules and requirements	Green	There is clear evidence that the Department provided the necessary advice to Ministers, even if it was not followed in at least one case
Where a Minister is the approver of a grant, the Department must provide written advice to the Minister	Requires the Department to clearly set out the criteria against which a grants was assessed, and the extent to which it is value for money	Green	Minutes to the Minister are clear and cover the essential points as required by the CGRGs. Even though the Minister approved a grant that was not eligible, the Department's advice clearly pointed this out in the final approval Minute.
Minister must not approve use of public money unless it is for a proper purpose	Proper purpose includes the test that the funding be efficient, effective, economical and ethical	Amber	The Nolan Meats approval (\$4.98 million) raises issues about the ethical test as the guidelines approved by the Minister in April 2017 clearly state that Ineligible applications would not be assessed or further considered
Ministers must record reasons where they approve a grant against the Department's recommendation	Requires Ministers to document brief reasons for decisions made against the Department's recommendations	Green	There were 80 occasions in 5 Regions that we sampled where the Panel disregarded a recommended grant, or brought forward a grant not recommended by the Department. All decisions were documented.

Note that the Commonwealth Grant Review Guidelines were updated in August 2017 – the table above assesses the early stages of the RJIP process (up to the close of applications) against the 2014 Guidelines and the latter stages, including assessment, against the August 2017 Guidelines.



Lessons learned from the RJIP Round

- As a result of the research, interviews and discussions that we have undertaken, we offer the following lessons learned for consideration by the Department:
 - Significant levels of staffing turnover, especially at SES and Director level, impeded the Department's continuity, capability and process improvement in this exercise.
 - The Department should reach out to a sample of RJIP applicants and seek feedback on how the process operated, and co-design those features of the process for future rounds that do not cross probity or Ministerial authority lines. For example, the extension by 2 weeks of the initial application round suggests that the time allowed was too short (ie awareness of round and/or application preparation), but this could be tested.



Lessons learned from the RJIP Round (2)

- A road map or a *fully* populated simple project plan with detailed timelines may have helped to illustrate the minimum journey time from Cabinet Decision to funding approvals. This would have been useful in the DIRDAC/Hub relationship, as well as assisting to manage the Ministerial Office relationship around timing for RJIP.
- While a formal risk management plan was undertaken, there is limited evidence that it foresaw the issues that actually arose ie Ministerial decisions to award a grant to an applicant initially assessed as Ineligible and the subsequent administrative process required to manage these potential requests.
- We could see no evidence the risk assessments and treatments were updated after March 2017 and the risk document did not appear to focus senior attention on strategies needed to reduce the Department's reputational exposure. It is important that risk assessments be kept up to date and that actions are taken to mitigate Very High and Extreme risks back to acceptable levels, or that otherwise these risks are accepted by the Department and/or the Minister.



Lessons learned from the RJIP Round (3)

- Noting that RJIP took place early in the Department/Hub relationship, the Department could continue to frame internal expectations (eg detailed Monitoring & Evaluation) on how grants processes need to work when taken through the Hub arrangements.
 - This could include early engagement between the Hub and the Department from the EL level to SES Band 2, to establish relationships and build trust through the grants assessment process.
- Given the Department's reliance on the Hub's application process, a systemic quality assurance process would help ensure that the Hub's assessments met the Department's requirements, and would help ensure any consistency and/or quality issues are identified and resolved early.
- Given the level of RJIP Taskforce staff turnover, a running sheet of events would assist in maintaining and enhancing corporate knowledge, lessons learned, and enrich similar future program activities (reference Risk 5 of the Risk Management Plan).

