

Regional Communities Development Fund Round 1

Process Evaluation

Economic Appraisal and Evaluation
Economics Branch
Strategy and Delivery Group
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Executive Summary

The Regional Communities Development Fund (RCDF) is a fund established by the NSW Government, which forms part of the NSW Government's \$2 billion Regional Growth Fund. The Fund is administered by the Department of Regional NSW (DRNSW). The objective of the RCDF is to 'realise local social, economic, cultural or environmental benefits for regional NSW communities through State Government funding for infrastructure projects with demonstrated high levels of community support'.

Round 1 of the RCDF awarded approximately \$80 million to 14 projects in regional areas through a competitive grants process. Project funding decisions for Round 1 were announced in February 2019 with projects targeted to commence operations within two years.

The scope of this Process Evaluation is Round 1 of the RCDF, covering program design and planning, grants administration implementation and contracting of grant recipients by funding deed. This evaluation also includes preliminary evidence on the project infrastructure built and consideration of the program's effect on the scale or timing of this built infrastructure.

This Evaluation was undertaken by the Department of Premier and Cabinet's (DPC) Program Evaluation Unit. It is the first in a series of planned evaluation reports on the RCDF, including an Outcome Evaluation and an Economic Evaluation.

This Evaluation will be used to inform DRNSW of key findings and recommendations on the performance of the program and provide an evidence base to improve the design and performance of future NSW Government funded grant programs.

The main findings of this process evaluation can be summarised as:

- The RCDF had a clear rationale and a clearly stated and simple objective
- The program was generally well planned and implemented
- Project application and assessments undertaken by program managers were mostly in line with eligibility and assessment criteria
- Project funding decisions were in line with assessment guidelines, although published information on the funding criteria and process was somewhat limited
- The program had effective governance arrangements and managed risk and probity issues well

Summary of Findings and Recommendations

1. Was the program appropriately planned?

Finding 1

The RCDF was generally well planned. Program establishment was supported by the development of a timeline, good program documentation and well-planned project nominations.

Assessment processes, guidelines and criteria were generally well planned. Risk and probity processes were also well planned. Program managers identified risks, developed a probity plan, conflicts of interests were managed and roles were well defined.

The approach to evaluating outcomes had elements of good planning and adaptive management, and although outcome reporting could have been better planned, mitigating actions have subsequently been taken. The manual grant management system for application assessment created inefficiencies in information management and communication. This system was replaced with an online management platform for Round 2 of the RCDF.

Recommendation 1: Program planning should comprehensively detail outcome identification, measurement and reporting activities to evidence achievement of program objectives. These measures could inform program level KPIs and provide metrics for internal reporting.

2. Did the program have clear and consistent objectives?

Finding 2

The RCDF had a clear rationale and a clearly stated objective, which was communicated consistently throughout program documentation. The policy intention was to deliver infrastructure projects with high levels of community support, rather than a specific level of benefit.

Program objectives were clearly communicated and understood by applicants. Choice modelling was an appropriate assessment methodology for the program as it aligned with the program objective of community support.

3. Was information about eligibility, the application process and project reporting requirements well communicated to the target audience?

Finding 3

There was limited public RCDF information documentation because applications were by nomination only. Application documents provided clear, relevant and useful information to applicants. Information on milestone reporting requirements was clear but specific outcomes reporting requirements were not clearly communicated to applicants initially. This was addressed with the inclusion of reporting requirements in the funding deed and the collection of a statement of project benefits for successful projects.

Recommendation 2: Outcome reporting obligations should be communicated to applicants during application process, as part of the program guidelines and FAQs.

4. Were project application assessment decisions transparent and in line with eligibility and assessment criteria?

Finding 4

Project application and assessment decisions undertaken by program managers were in line with eligibility and assessment criteria. Project funding decisions were also in line with assessment guidelines, although published information on the funding criteria and process was somewhat limited.

Recommendation 3: Program transparency measures should include clearer applicant information on assessment criteria and more transparent information on final funding decisions.

5. Did funded projects identify specific and measurable outcomes in their proposals?

Finding 5

Many applications identified project outcomes, although these were often not stated clearly or concisely. Some applicants were not asked to nominate measures of project outcomes. Subsequent actions by the program manager confirmed project outcomes and measures for funded projects, to enable a future program outcome evaluation.

Recommendation 4: Applicants should receive more guidance on why and how to identify specific and measurable outcomes.

6. Were mechanisms in place for outcome achievement to be assessed and appropriate KPIs identified and monitored?

Finding 6

The application process had certain mechanisms in place to identify outcomes, although many applications did not define outcomes at all, or included long, confusing or vague responses which detracted from the clarity of stated project outcomes.

At the time of program establishment, the program design did not include an overarching framework to explain how project outcome achievement would relate to program objective achievement and this prevented the development of KPIs in the early assessment phase.

Subsequent to project funding allocation, project reporting requirements were specified within the funding deed with successful applicants, and project outcomes and measures for funded projects were confirmed to enable a future outcome evaluation.

There are no mechanisms beyond the final milestone payment that require applicants to report on project outcomes.

Recommendation 5: Strengthen mechanisms to capture, monitor and report on project outcomes at each stage of grants administration.

Recommendation 6: KPIs should be developed for programs to assess outcome achievement against performance targets. This approach would also provide useful data for internal reporting purposes and could contribute to outcome monitoring frameworks.

7. Was the program adequately resourced to undertake its planned activities?

Finding 7

The RCDF had adequate staff numbers, experience and operational budget to deliver the program within the planned timeframe. The RCDF administration cost appears to be an efficient use of resources.

8. How effective were the program's governance arrangements?

Finding 8

The program had effective governance arrangements and managed risk and probity issues well. While program risks were potentially increased when application documentation requirements were not applied in-line with assessment guidelines, these potential risks were managed through conditions placed on funding.

9. Did the project funding deliver the infrastructure as specified in the funding deeds?

Finding 9

Projects are not sufficiently advanced to provide definitive evidence on this question. However, project variation data highlights that projects are largely on track to deliver the infrastructure specified in funding deeds. Stakeholder interviews advise that all projects will be constructed as specified in the funding deeds. A number of funded projects will not be delivered in line with the timeline as detailed in the original funding deed, however processes are in place to ensure that any approved variations are well justified and documented and the projects will still deliver on the program outcome.

10. Did the funded projects realise infrastructure that would not otherwise have been built or significantly improve the scale or timing of a project?

Finding 10

The RCDF realised many infrastructure projects that would not have otherwise been built and positively impacted on the scale and/or timing of some projects. Of the recipients interviewed from nine projects, five projects would not have been built without the RCDF, one project would have been built on a smaller scale, and three would have been built at a later date. One community organisation would have been shut down without funding for their project.

Process Evaluation

About Regional Communities Development Fund

Round 1 of the Regional Communities Development Fund (RCDF) was an \$80 million fund established by the NSW Government, which forms part of the government's \$2 billion Regional Growth Fund to support growing regional centres, activate local economies and improve services.

The objective of the Fund is to 'realise local social, economic, cultural or environmental benefits for regional NSW communities through State Government funding for infrastructure projects with demonstrated high levels of community support'.

The RCDF was developed to provide an opportunity for projects that were highly valuable to their communities, but may not have a NSW benefit-to-cost ratio above one, to be considered for funding. State-wide cost-benefit analysis may not always be appropriate for assessing projects that provide important local or regional services or community amenity. Social, environmental and cultural benefits are often difficult to quantify and can result in locally significant projects not being funded.

Approximately \$80 million was awarded to 14 projects in regional areas through a competitive grants process. Project funding decisions for Round 1 were announced in February 2019 with projects targeted to commence operations within two years. The Fund is administered by the Department of Regional NSW (DRNSW).

Further detail of the RCDF can be found in Attachment A – RCDF Document Review.

About this Evaluation

Process evaluation assesses whether the program was implemented as intended and the effectiveness and efficiency of activities that are implemented with the expectation that they will produce the desired program outcomes. These activities link the program's objective(s) and expected outcome(s) in the program "logic" that underpins the program evaluation plan. Process evaluation helps to understand program successes and/or to determine if failure to achieve a program's objective arises from an error in the program logic (i.e. an error in "the theory of change") or from the implementation of the planned program activities.

The scope of this Process Evaluation report is Round 1 of the RCDF, including program design and planning, grants administration implementation and contracting grant recipients by funding deed. The Evaluation includes preliminary evidence on the project infrastructure built and consideration of the effect that the program had on the scale or timing of this built infrastructure.

This Process Evaluation was undertaken by the Department of Premier and Cabinet Program Evaluation Unit (PEU). The Process Evaluation is the first in a series of evaluation reports on the RCDF, including an Outcome Evaluation and an Economic Evaluation.

The Process Evaluation will be used to inform the DRNSW of key findings and recommendations on the performance of the program and provide an evidence base to improve the design and performance of future NSW Government funded grant programs.

This document review sought to answer ten evaluation questions included within the RCDF Program Evaluation Plan. Findings and supporting evidence for each question are outlined within this report.

Evaluation Approach

This Evaluation was conducted in three parts:

1. Document Review - A review of publicly available and internal program documentation conducted by the PEU
2. Interviews – Staff and applicant interviews conducted by an independent evaluation consultant
3. A synthesis analysis comparing, considering, and integrating the results of the document review and the staff and applicant interviews, drawing out the overall “learnings” (conclusions) from this report

Evaluation Questions

Evaluation Questions are the high-level questions that an evaluation is designed to answer. This Evaluation seeks to answer the following questions:

1. Was the program appropriately planned?
2. Did the program have clear and consistent objectives?
3. Was information about eligibility, the application process and project reporting requirements well communicated to the target audience?
4. Were project approval decisions transparent and in line with eligibility and assessment criteria?
5. Did funded projects identify specific and measurable outcomes in their proposals?
6. Were mechanisms in place for outcome achievement to be assessed and appropriate KPIs identified and monitored?
7. Was the program adequately resourced to undertake its planned activities?
8. How effective were the program’s governance arrangements?
9. Did the project funding deliver the infrastructure as specified in the funding deeds?
10. Did the funded projects realise infrastructure that would not otherwise have been built or significantly improve the scale or timing of a project?

The PEU undertook this RCDF process evaluation in accordance with the evaluation questions and evaluation methods outlined in the Program Evaluation Plan (PEP) for RCDF Round 1.

The PEP was developed by the PEU with involvement of RCDF program managers. The PEP was independently endorsed by the Executive Directors responsible for the PEU and the RCDF program respectively.

The following section outlines relevant evidence identified against each Evaluation Question.

Evaluation Findings

1. Was the program appropriately planned?

Finding 1

The RCDF was generally well planned. Program establishment was supported by the development of a timeline, good program documentation and well-planned project nominations.

Assessment processes, guidelines and criteria were generally well planned. Risk and probity processes were also well planned. Program managers identified risks, developed a probity plan, conflicts of interests were managed and roles were well defined.

The approach to evaluating outcomes had elements of good planning and adaptive management, and although outcome reporting could have been better planned, mitigating actions have subsequently been taken. The manual grant management system for application assessment created inefficiencies in information management and communication. This system was replaced with an online management platform for Round 2 of the RCDF.

Most elements of the RCDF were well planned, including probity, timelines, project nominations by MPs and documentation

The development and execution of the Fund's probity management, development of a risk register and mitigating strategies, project nominations by MPs and project timeline were all well planned. Program documentation was largely well planned with clear and well-articulated program assessment guidelines. Survey feedback supported this, with the program team advising that the planning activities and documentation were clear and useful for staff to manage the program.

The implementation timeline was clear and program delivery mostly met the planned timelines

The implementation timeline for the program included the application window, time for assessing applications, recommendations to the Deputy Premier and final funding decisions. Program timelines were achieved, although there was a small delay in finalising funding decisions and the negotiation of funding deeds. This delay was not considered to be a material issue in relation to planning. Program staff stated that the timeline for delivery was clear, appropriate and achievable.

Assessment criteria provided a sound framework to assess and recommend projects in-line with program objectives

Assessment criteria provided a clear and consistent framework for assessing and recommending projects for funding. These criteria were well aligned with the program objective.

The planning process established that project applications and business cases would be required to detail community support. Projects would then be ranked by community support utilising data outputs from a community choice modelling survey. The projects with the highest levels of community support would be recommended for funding.

The grants management system was segregated and inefficient

One output of the planning process was a system for grant management, which includes the management of all grant information from application, eligibility checks, incorporation of choice modelling data, assessment panel recommendation, and management of milestones and payments for funded projects. In Round 1 the program team managed the assessment process using Excel and the milestone payment system using SmartyGrants.

Program team members involved in implementation indicated that the biggest area for improvement for Round 1 was the disparate Excel-SmartyGrants system of grants management. In response, the program has switched to SmartyGrants for the entire process (application, assessment and post-funding) for Round 2. The program team highlighted some of the benefits of this system that were not realised during Round 1:

- Streamlined the process for sharing documentation for the eligibility checks
- Provided an automated end-to-end system for managing projects during the assessment stage and post-approval stage rather than a manual system
- Enabled the program team to mark application questions as 'required' and force applicants and local members to address all questions needed for decision-making

The approach to evaluation had elements of good planning and adaptive management, although certain aspects could have been better planned

The approach to evaluation had elements of good planning and adaptive management, although certain aspects could have been better planned. Key aspects of evaluation planning for the RCDF were as follows:

- Managers approached the PEU shortly before program inception (mid 2018) to develop a PEP. Applicants were invited to submit completed applications by 12 October 2018.
- It took some time (mid 2019) before agreement and approval of the PEP.
- Clear and concise statements of project outcomes and measures were not gathered through applications.
- Remedial actions were undertaken whereby project outcome statements and measures were developed for approval by proponents, which included a commitment to undertake measurement activities.
- Key performance indicators have yet to be developed for program outcomes.

Ideally, a PEP (including a program logic) would be completed prior to inception, outcomes and measures identified in applications and incorporated into funding deeds, and a clear plan would be developed for KPIs that relate to the program's achievement of its objective.

2. Did the program have clear and consistent objectives?

Finding 2

The RCDF had a clear rationale and a clearly stated objective, which was communicated consistently throughout program documentation. The policy intention was to deliver infrastructure projects with high levels of community support, rather than a specific level of benefit.

Program objectives were clearly communicated and understood by applicants. Choice modelling was an appropriate assessment methodology for the program as it aligned with the program objective of community support.

The rationale for the program objective was articulated

There is a clear policy rationale for the RCDF, which is to fund projects in regions that struggle to develop projects that deliver a net benefit for the NSW referent group, but nonetheless deliver local value and have strong community support. The funding of such projects has an equity objective, as smaller regional towns also need infrastructure investment to provide a basic level of amenity.

The RCDF had a clearly stated objective and program logic

The objective of the RCDF is to 'realise local social, economic, cultural or environmental benefits for Regional NSW communities through State Government funding for infrastructure projects with demonstrated high levels of community support'. Of note, under this objective, projects (and the program) need only achieve some benefit, not a net benefit, and there is a qualifier that projects must have high levels of community support.

The RCDF has a simple program logic to achieve this objective. Projects with high levels of community support are funded by the RCDF. Visitors and the local community engage with this infrastructure, resulting in one or more social, economic, cultural or environmental benefits.

However, given the broad intent and design of the program, the reference to the types of program benefits in the objective appears to be unnecessary.

Objectives were clearly communicated and understood by applicants

Program staff advised that the program objective was communicated consistently and clearly, in line with their understanding of the program. This was supported by the responses from the majority of applicants.

The RCDF objective was communicated in program guidelines, web content, fact sheet, communications with Members of Parliament, and through the PEP. The audience for these documents included departmental program and evaluation staff, Members, Councils and other applicants.

The program objective was stated consistently throughout program documentation

A comparison of RCDF documentation was undertaken to consider if the program's objective was consistently stated across internal and external documentation. Of the available documentation, it is found that the stated RCDF objective was consistent for program staff and applicants.

Choice modelling was an appropriate assessment methodology as it aligned with the program objectives

A choice modelling methodology was used to gauge community support for the eligible projects. Respondents were asked to rate nominated projects in their area, perceived project benefits and were asked for their preferences for project funding against other spending priorities. These scores were combined into a final score for each project, for ranking purposes. These scores reflected community support and perceived benefits, which aligns with requirements in the program objective.

The value of choice modelling was confirmed by program managers who believed choice modelling directly linked to the criteria for community support. All three interviewed program managers indicated it was a reliable method for assessing this support.

“There was a real emphasis upon community support for these programs. They were largely community supported projects not economic development projects – therefore community preferencing allowed us to validate the community support independently.”
(Program manager)

3. Was information about eligibility, the application process and project reporting requirements well communicated to the target audience?

Finding 3

There was limited public RCDF information documentation because applications were by nomination only. Application documents provided clear, relevant and useful information to applicants. Information on milestone reporting requirements was clear but specific outcomes reporting requirements were not clearly communicated to applicants initially. This was addressed with the inclusion of reporting requirements in the funding deed and the collection of a statement of project benefits for successful projects.

There was limited public RCDF information documentation because applications were by nomination

The RCDF had a unique application process, whereby only applicants nominated by regional MPs could apply for funding. This approach limited the need for extensive public program documentation. This resulted in relatively few public documents developed to provide information on application procedures, eligibility and reporting requirements.

Application documents provided clear, relevant and useful information to applicants

Stakeholder interviews found that information about the program was communicated to applicants through their local member or grant networks they were monitoring. Information about program design and eligibility criteria were well communicated because most applicants reported clearly understanding both elements, and those that were unclear indicated they were able to contact the program team for clarification. Feedback from program managers and applicants found that communications regarding the application process rated four out of five on average. The document review found that publicly available program documentation covering application procedures and eligibility were mostly clear, relevant and useful.

Milestone reporting obligations were well communicated

The document review identified that RCDF project milestone reporting requirements were clear, adequate and appropriately communicated to funding recipients in their deeds. Milestone reporting requirements were detailed in the deeds signed by applicants and generally required recipients to report to Regional NSW on project delivery periodically in order to have funding acquitted and released.

The deeds required that milestone funds can only be acquitted on evidence that a certain percent of RCDF funds have been expended, with evidence provided to prove that the project activities specified in the deed have been completed. Locally based DRNSW Regional Development staff play a key role in validating the progress and completion of projects.

Outcome reporting obligations were not well communicated prior to funding, but were clarified subsequent to project funding

Outcome reporting is to be undertaken by project proponents once projects have been completed and the infrastructure has been in place long enough to identify and report on outcomes. Dealt with under question 5 of this report, some applicants were not asked to nominate measures of project outcomes and no applicants were advised they would be expected to undertake measurement of these outcomes. Subsequent to the funding of projects, actions were undertaken by program managers to confirm project outcomes and measures for funded projects. This suggests that reporting obligations were not well communicated to applicants prior to funding.

Stakeholder interviews suggest that outcome reporting was well understood by recipients. Grant recipients indicated that they gained a clear understanding of the outcomes reporting requirements after they were notified they had been successful, which means that requirements could have been more clearly communicated during the application process.

4. Were project application assessment decisions transparent and in line with eligibility and assessment criteria?

Finding 4

Project application and assessment decisions undertaken by program managers were in line with eligibility and assessment criteria. Project funding decisions were also in line with assessment guidelines, although published information on the funding criteria and process was somewhat limited.

Projects were assessed in line with eligibility and assessment criteria

RCDF program staff advised that the recommendations from the Assessment Panel were in line with the assessment criteria. This is corroborated by program documentation, which illustrates that project nominations, eligibility criteria and project viability were assessed in line with assessment guidelines.

The program guidelines required a CBA assessment for projects with a value greater than \$5m, although this was not an assessment criterion. A small number of applications with a project budget in excess of \$5m did not submit business case documentation and/or undergo a CBA, contrary to assessment guidelines. Discussed under question eight of this report, this oversight is not likely to have a material impact on program risks.

Project funding decisions were in line with assessment guidelines, although published information on the funding criteria and process was somewhat limited

The RCDF Fact Sheet published and provided to applicants, provided limited detail on how the results of choice modelling (stated preference techniques) would be used in project assessment and funding decisions. The document also advised that, after the Assessment Panel undertook project assessments, 'projects are submitted to the Deputy Premier for consideration with final funding approval made by ERC'. However, the document does not make it clear what role the assessment process/criteria had in shaping funding decisions by the Deputy Premier and the ERC.

It appears that projects were not funded in line with choice modelling rankings. It is unclear on what basis final funding decisions were made.

The RCDF assessment and funding decision making process was not wholly transparent

The limited detail around assessment criteria and processes in the *RCDF Fact Sheet* impacted on the transparency of the program. This was confirmed by stakeholder interviews, where some applicants expressed concern that final funding decisions were not transparent. Four unsuccessful applicants that received feedback noted that there could be greater transparency regarding how the final funding decisions are made. Some applicants had been frustrated or disappointed by the process and were confused about how their application had not competed with some successful applications. Transparency can be improved by providing clearer and more accurate information to applicants on the assessment criteria and processes, and on how final funding decisions have been made.

5. Did funded projects identify specific and measurable outcomes in their proposals?

Finding 5

Many applications identified project outcomes, although these were often not stated clearly or concisely. Some applicants were not asked to nominate measures of project outcomes. Subsequent actions by the program manager confirmed project outcomes and measures for funded projects, to enable a future program outcome evaluation.

Many applications identified project outcomes, although these were often not stated clearly or concisely

Many project proponents described project outcomes in RCDF application forms and business case documentation. However, these statements were not clear or concise and often included significant explanatory and background text that detracted from the clarity of the statement of project outcomes. Furthermore, most projects identified numerous benefits, including some benefits that seemed minor and/or tenuous. On this basis, significant reading, analysis and interpretation was required by program and evaluation staff to summarise project benefits.

Some applicants were not asked to nominate measures of project outcomes and no applicants were advised they would be expected to measure these outcomes

A key impediment to understanding project outcomes is that application forms (for projects below \$5m) did not ask applicants to nominate measures of their project outcomes. Business case templates provided space for projects to detail indicators that their project was achieving its outcomes, however, the applicant feedback on this question was often not well defined or targeted. Furthermore, applicants were not initially advised that they would be expected to undertake these measurements to inform an evaluation.

Applicants could have received better guidance on how and why to identify specific and measurable outcomes

Of those that did receive advice to nominate outcomes, interview feedback from applicants supports documentary evidence that many applicants struggled to identify specific and measurable outcomes. This suggests that applicants may have lacked proper guidance to understand project outcomes and develop data measures of these outcomes.

Reporting requirements were identified in funding deeds. Following the signing of the deed, actions were taken by the program managers to confirm project outcomes and measures for funded projects to enable a future outcome evaluation

Noting that there was difficulty in summarising project benefits, program managers undertook remedial action for projects that were funded under the RCDF to summarise project benefits, develop agreed measures of these benefits, and to garner agreement from proponents that they would undertake these measures. To this end, program managers worked with the PEU to develop these statements, which were shared with project proponents for endorsement. This process was completed in February 2021.

6. Were mechanisms in place for outcome achievement to be assessed and appropriate KPI's identified and monitored?

Finding 6

The application process had certain mechanisms in place to identify outcomes, although many applications did not define outcomes at all, or included long, confusing or vague responses which detracted from the clarity of stated project outcomes.

At the time of program establishment the program design did not include an overarching framework to explain how project outcome achievement would relate to program objective achievement and this prevented the development of KPIs in the early assessment phase.

Subsequent to project funding allocation, project reporting requirements were specified within the funding deed with successful applicants, and project outcomes and measures for funded projects were confirmed to enable a future outcome evaluation.

There are no mechanisms beyond the final milestone payment that require applicants to report on project outcomes.

Some mechanisms were in place for project outcomes to be identified, although this process did not work well

The RCDF application process negatively impacted on applicants defining project outcomes, insofar as different projects were required to provide different project outcome information (projects above the \$5m threshold were required to provide a business case, which had different information requirements than the application form for projects under \$5m). Furthermore, some applicants (projects under \$5m) were not asked to nominate measures of project outcomes and no applicants were initially advised they would be expected to undertake measurement of these outcomes.

All funding deeds included conditions requiring the supply of outcome data. Baseline project data was requested prior to the initial milestone payment and the supply of outcomes data was required before the final milestone payment.

Noting that the final milestone payment occurs prior to outcome data being generated, future outcome evaluation is potentially impacted. There are no mechanisms beyond this that require applicants to report on project outcomes.

The program did not have an overarching framework to explain how project outcome achievement would relate to program objective achievement and this prevented the development of KPIs

The RCDF did not have an overarching framework before commencement to explain how project outcome achievement would relate to program objective achievement. RCDF program managers engaged the PEU to develop a PEP at the inception of the program. The PEP provides an agreed program logic, illustrating the expected relationship between project inputs, outputs and outcomes. It also sets out the methods for assessing and evaluating the program's achievements.

However, a shortcoming of the PEP document is that it did not describe the mechanism/framework for how project outcomes will be translated into program outcomes that illustrate whether the program has met its objective. This shortcoming is being addressed through the development of an Outcome Evaluation Framework that will detail this framework.

The approach taken to RCDF data gathering (developed after project funding) is for outcome monitoring to focus on infrastructure usage. This approach enables the program to collect this data from projects as they are completed and become used. Such information would readily support

reporting as a program KPI, with embedded tracking towards a target based on initial estimates by successful applicants.

Subsequent to project funding, actions were undertaken to confirm project outcomes and measures for funded projects, to enable a future outcome evaluation

As described under question 5, many projects did not have a clear and concise statement of project outcomes. Subsequent to project funding, program managers undertook remedial action for projects that were funded under the RCDF to summarise project benefits/outcomes, develop agreed measures of these benefits, and to garner agreement from proponents that they would undertake these measures and report on outcomes. This included a request for baseline usage data for projects that were upgrading existing infrastructure and where baseline data was available. This data will enable a future evaluation of project and program outcomes.

The outcome evaluation framework document currently being developed, will identify and explain how project outcome achievement relates to program objective achievement.

7. Was the program adequately resourced to undertake its planned activities?

Finding 7

The RCDF had adequate staff numbers, experience and operational budget to deliver the program within the planned timeframe. The RCDF administration cost appears to be an efficient use of resources.

Program staff had relevant experience and the operational budget was appropriate

Program staff indicated that the level of staff experience and the operational budget were adequate for the program. Program team members had mixed experience with grants programs, but the aggregate experience and skills were sufficient to deliver the program.

Staffing levels were appropriate, although accessing program administration support was challenging at times

Program staff indicated that the program was delivered according to the timeframes, staffing levels were appropriate and the workload peaks were manageable, due partly to the network of support staff and business development managers available.

The RCDF administration appears to be an efficient use of resources

Budget data was provided by Regional NSW for administration activities relating to the RCDF. Comparing this program expenditure with budget data from the administration of other NSW Government regional funds, it appears that the RCDF administration was relatively efficient.

8. How effective were the program's governance arrangements?

Finding 8

The program had effective governance arrangements and managed risk and probity issues well. While program risks were potentially increased when application documentation requirements were not applied in-line with assessment guidelines, these potential risks were managed through conditions placed on funding.

Probity and governance were supported through well-defined stakeholder roles

Well defined stakeholder roles reduce confusion and overlap, increase efficiency and is good practice in grant management. With regard to probity, well defined stakeholder roles mean that projects are assessed, and recommendations made by individuals with relevant expertise and authority, to enable confidence in the process. The RCDF assessment guideline defined relevant stakeholder roles which supported probity and governance in the management of the RCDF.

Record keeping was clear but could have been improved through better utilisation of grant administration software. This software was adopted after project funding was approved.

Previous PEU evaluations have found online program management portals to be an effective, transparent and efficient method for capturing data and managing projects/proponent relationships. The PEU understands that subsequent to the project funding decisions being made, program management activities were moved online onto the SmartyGrants portal.

Program management activities up to the point of funding decisions were managed through files in the Objective database. While RCDF files were well organised and clear, this can be an inefficient and complex way to manage administration processes. This finding was confirmed through stakeholder interviews, which found the filing and management system used in Round 1 was segregated and inefficient.

Program risks were identified and managed

A range of program level risks were identified in a risk register and reasonable mitigation activities were identified and undertaken. Stakeholder interviews found that the program team regularly revisited the risk register, and that the risk register was appropriate and useful as the team was aware of the key risks to the program during delivery. The finding of successful risk mitigation is supported by the fact that few operational risks have yet to be realised.

The management of project risks was the responsibility of the grant recipients.

The probity framework assisted the delivery of the RCDF

Program managers engaged an independent probity to develop a probity plan and assist in probity decisions and oversee key meetings to help ensure sound governance. There is documented evidence of probity advice being sought and given, and no probity issues were found through the evaluation.

Inconsistent application of assessment guidelines may have increased the risk of potential project failure

The assessment guidelines required RCDF applications with a total project value over \$5m to submit a business case, whereas projects under this value were only required to submit an application form that required significantly less detail about the project. Following receipt of project applications, program managers undertook work to assess projects, manage risks and understand

potential impacts. This included an assessment of planning and budget issues by Public Works Advisory (PWA) and a CBA undertaken by the Investment Appraisal Unit (IAU).

Contrary to assessment guideline rules, five applications seeking funding of \$5m or less for projects with a total value above the \$5m threshold did not provide full business case documentation, or in some circumstances, did not have a CBA. Of these, two had PWA assessments that suggested the applications did not provide adequate detail on project deliverability. These two projects were ultimately funded.

There is no documentary evidence to explain why project documentation was not in line with program assessment guidelines. However, given that all projects that requested funding equal to or less than \$5m did not have a business case, a potential explanation is that the 'total project value' rule was interpreted incorrectly and only projects with a total funding request of more than \$5 million were requested to provide business case documentation.

Incomplete program documentation has the potential to increase risks to individual projects and the achievement of the program objective.

Where application documentation was less robust, the funding processes appeared to mitigate risks

As discussed above, five applications above the \$5m threshold did not provide full business case documentation, or in some circumstances, did not have a CBA conducted. Of these, two had PWA assessments that suggested that the applications did not provide adequate detail to assess deliverability.

Documentation suggests that both the latter projects were funded, but had conditions placed upon them to rectify planning shortcomings identified by PWA. On this basis, whilst assessment guideline rules concerning business case and CBA requirements were not followed, it appears that potential risks were managed and mitigated elsewhere in the funding process.

While a preliminary CBA was undertaken for some projects to provide some insight into economic benefits of projects, there was no requirements for a minimum benefit cost ratio and the CBA was not considered an assessment criteria. Program documentation does not indicate that the CBA had any significant impact on the final funding decision.

9. Did the project funding deliver the infrastructure as specified in the funding deeds?

Finding 9

Projects are not sufficiently advanced to provide definitive evidence on this question. However, project variation data highlights that projects are largely on track to deliver the infrastructure specified in funding deeds. Stakeholder interviews advise that all projects will be constructed as specified in the funding deeds. A number of funded projects will not be delivered in line with the timeline as detailed in the original funding deed, however processes are in place to ensure that any approved variations are well justified and documented and the projects will still deliver on the program outcome.

Projects are not sufficiently advanced to provide definitive evidence on this question

The RCDF program timeline in this report highlights that RCDF projects were announced and funding deeds developed in February 2019. As these are large infrastructure projects, these projects will understandably take time to gain planning approvals, contract builders and start construction. Most projects are still in this phase and confirmation cannot be provided that the delivered infrastructure will be the same as specified in the funding deeds.

Project variation data highlights that projects are largely on track to deliver the infrastructure specified in funding deeds

Most RCDF projects are still in planning, procurement and construction phase. The RCDF program has a robust milestone system to ensure that funding is released at specified intervals where projects have provided evidence that they are delivering against their funding deed.

Under this system, there is potential for projects to be altered, by way of a contract variation. Contract variations are required whenever a project will not meet its agreed milestones, either in timing or the agreed infrastructure that will be delivered.

RCDF data contained in the online program management platform, SmartyGrants, has been analysed for contract variations to see if projects are on track to deliver the agreed infrastructure. SmartyGrants data highlights that four of 14 projects have applied and been approved for a contract variation. In all four circumstances, variations related to an extension of time, were recorded as low-risk and the extension did not go beyond the length of the program.

This suggests that the RCDF appears to be on track to deliver the infrastructure specified in funding deeds.

Stakeholder feedback suggests that all projects will deliver infrastructure in line with the funding deed although many projects are running behind schedule

Stakeholder interviews found that all recipients indicated their project will be constructed in line with the funding deed. No interviewees reported any changes to the physical infrastructure or the planned use of space post-construction.

Many projects are running behind schedule. Two program team members indicated that many projects have run behind their planned timeline. This matches the responses from recipients when asked about their construction timelines:

- Four recipients have required a contract variation for running behind schedule
- Four recipients reported that they had not required a contract variation and their projects were running as planned

- One recipient said their project was ahead of schedule

“There are significant variations in place for a number of projects. The scope and deliverability will remain the same, but the timeframes have changed for around 50% of the grants.” (Program team member)

10. Did the funded projects realise infrastructure that would not otherwise have been built or significantly improve the scale or timing of a project?

Finding 10

The RCDF realised many infrastructure projects that would not have otherwise been built and positively impacted on the scale and/or timing of some projects. Of the recipients interviewed from nine projects, five projects would not have been built without the RCDF, one project would have been built on a smaller scale, and three would have been built at a later date. One community organisation would have been shut down without funding for their project.

This question seeks to understand the extent to which the RCDF realised infrastructure that would not otherwise have been built or significantly improve the scale or timing of a project. This 'additionality' relates to the extent that RCDF funding created benefits in addition to what would have occurred without funding.

Stakeholder interviews suggest that most, but not all, RCDF funded projects were 'additional'

Of the nine stakeholder interviews undertaken, most projects funded by the RCDF involved at least some additionality:

- One applicant would have funded the project on a smaller scale. This applicant indicated that the co-funding from this program allowed them to increase the number and scale of 'mini-projects' under one banner.
- Three applicants would have continued to apply for other funds and were reasonably confident they would be successful elsewhere.
- Five applicants said their projects would not have received funding without this program. One of these five indicated their organisation would have been shut down without the funding.

Documentary evidence supports stakeholder evidence that the RCDF delivered 'additional' projects

Applications for funded projects were assessed for evidence of additionality. The analysis found that 12 of the 14 RCDF funded projects would likely not have proceeded without these funds.

Analysis of co-funding arrangements provided additional evidence to suggest many projects would not have proceeded without funding. Based on the assumption that projects that received in excess of 50% of its funding from the RCDF would not have proceeded, it was found that eight of the 14 funded projects would not have proceeded.

The RCDF induced significant infrastructure expenditure

Co-funding arrangements were analysed to understand the potential amount of infrastructure expenditure the RCDF induced. Projects funded under the RCDF are co-funded to the amount of \$136 million. A significant proportion of this is 'additional' funding would not have been realised without RCDF funding.