

VICTORIA

Victorian
Auditor-General

Audit summary
of
The Community
Building Initiative

Tabled in Parliament
26 May 2010

Audit summary

The Community Building Initiative (CBI) is a \$10 million, four-year program running from 2006 to 2010 that aims to strengthen small rural Victorian communities, and assist them to take control of their futures. It is managed by the Department of Planning and Community Development (DPCD), and provides funding and support for 19 diverse community projects covering 102 towns.

The CBI targets areas of socio-economic disadvantage, communities with declining populations, and rural areas experiencing growth. It relies on partnerships with business, all levels of government, philanthropy, the community sector and volunteers to attract additional funds to deliver outcomes and achieve success.

The partnership approach adopted for this community strengthening initiative is a new approach to traditional modes of service delivery. According to Victoria's 2005 social policy statement, *A Fairer Victoria*, a key aim of such programs involves adopting innovative approaches to service delivery to address inequality and make it easier for people to deal with government. Actions identified in *A Fairer Victoria* relevant to community building include:

- a focus on capacity building and enabling individuals, families and local communities to make decisions for themselves
- cutting bureaucratic red tape, making guidelines and business rules more flexible and providing a streamlined, single 'face' for dealing with government.

This audit considered how effective the framework for managing the CBI has been, and whether the intended outcomes of the program are being achieved. We examined DPCD's planning for and oversight of the CBI since 2006, and a sample of three CBI projects with grants administered by:

- East Gippsland Shire Council
- Golden Plains Shire Council
- Terang and Mortlake Health Service.

Conclusions

DPCD adopted a flexible approach to managing the CBI in order to better support and simplify the way it works with disadvantaged communities, but has not effectively balanced this approach with sufficient transparency and accountability for decisions and actions.

While a degree of flexibility is appropriate for empowering local communities, and in principle is consistent with the government's policy *A Fairer Victoria*, DPCD did not apply this judiciously to the CBI and has allowed 'flexibility' to at times inappropriately override prudent management practice. This has compromised its capacity to enforce compliance with funding agreements, to take timely action to address issues between project partners, and to maximise value from the government's investment in the CBI.

Notwithstanding this, the CBI has created significant opportunities to strengthen the capacity of funded communities and to improve local infrastructure and skills. The above issues, however, coupled with limitations in the CBI evaluation and reporting framework mean that the extent to which these opportunities have translated into positive outcomes cannot presently be reliably assessed.

Findings

Balancing 'flexibility' against the need for accountability

Consistent with the aims of *A Fairer Victoria*, DPCD actively encouraged funded communities to resolve local performance and governance issues themselves. In so doing, DPCD sought to foster partnerships between stakeholders and empower them to address common challenges.

While this may be appropriate in principle, in practice DPCD did not effectively moderate its 'flexible' approach with timely and appropriate intervention when needed, or through appropriately holding communities to account for the use of public funds.

More timely action from DPCD to mediate ongoing issues between project partners at the Golden Plains and East Gippsland CBI projects could have improved local outcomes. For a period of time, both projects had substantial delays and difficulties due to strained relationships between project partners.

At Golden Plains, DPCD maintained ongoing negotiations with the council to address its concerns. However, it did not engage the other project partners in mediation until almost two years after the issues first emerged, and only after the project was in hiatus for 11 months due to poor progress.

Similarly, while there is evidence that DPCD attempted to assist project partners at East Gippsland to resolve their difficulties, local issues nevertheless persisted for several months and it was at council's own initiative that the project partners eventually came together to determine how to move forward cooperatively following the resignation of the facilitator. The fact that the local partners managed to resolve their issues is a positive outcome, but this occurred almost 18 months after the project was initiated. More timely and direct intervention by DPCD to mediate issues between the project partners would likely have resolved the issues sooner.

Funding agreements with CBI grant recipients contain sound accountability mechanisms. However, DPCD did not enforce them consistently thereby defeating their purpose, and thereby establishing an undesirable precedent in some cases of accepting and funding inadequate performance. These deficiencies prevented DPCD from effectively discharging its responsibility to enforce accountability requirements and to promote efficiency in the use of public funds.

DPCD advised that enforcing strict compliance with funding agreements is counter-productive for achieving community strengthening objectives and is contrary to *A Fairer Victoria's* pursuit of flexibility and innovation in service delivery.

However, this advice is at odds with DPCD's own terms and conditions of funding for the CBI. Funding agreements with CBI grant recipients do not provide for flexibility with compliance with agreed performance measures and requirements. DPCD's advice is also inconsistent with its own governance responsibilities as defined within its *CBI Implementation Guidelines*, and with public sector accountability standards.

CBI funding was provided in two phases, with phase-two funds being conditional on satisfactorily meeting phase one requirements. The aim of this approach was to drive performance at the project level and to maximise the effectiveness of the government's investment.

However, despite this intention second phase funding was provided to each of the three projects examined without critical analysis of their past performance, and before all phase-one requirements had been fully acquitted. This is not good practice and resulted in the objectives of the phased funding approach not being achieved.

Furthermore, persistently late reports from grant recipients and deficiencies in DPCD's own performance monitoring meant that the progress of individual projects could not be accurately assessed.

Assuring transparency in funding decisions

The CBI was launched in September 2005 and received 67 expressions of interest (EOIs) for funding from various communities. Of these, 19 were successful. However, the basis for DPCD's recommendations to the Minister in support of funding the 19 CBI projects is unclear. While DPCD assessed all funding applications and gave them a score, it was unable to demonstrate how the scores in each case were determined and how it had evaluated and applied its assessment criteria to formulate its priorities for funding. DPCD advised that EOIs were extensively scrutinised, however this is not adequately documented.

It was also unclear how DPCD assessed the readiness of some communities to undertake a CBI project—a critical success factor for community building activities. While for some applications the strength of community support was clear, there are indications it was not adequately considered for some CBI projects, particularly for those arising from negotiated grants. Such grants arise outside of the usual application process and follow negotiations by DPCD with multiple applicants or other parties on the arrangements for administering a funded project.

Five of the 19 CBI projects, including the Golden Plains and East Gippsland CBI, were the result of negotiated grants. There was no evidence, however, that these negotiated grants were systematically assessed against the selection criteria, or that DPCD had sought assurance from prospective partners that they held a common vision of what the program would achieve and that an effective partnership could be formed.

In the case of Golden Plains, DPCD established a memorandum of understanding (MOU) between the project partners that assured it they understood and were committed to their respective governance roles. This was a positive step. However, while the MOU meant that they understood their governance roles, it did not provide assurance that they shared a common vision of what the CBI would actually achieve.

The Golden Plains CBI is an example where there was clear evidence that some project partners were not ready to successfully implement a CBI project. The council was initially reluctant to participate in the CBI, and ongoing differences between the project partners adversely affected achievement of project outcomes.

Evaluating CBI outcomes

Evaluating community strengthening programs is generally recognised as a highly challenging task. Many of the outcomes sought, such as increased capacity, social capital, including community resilience and partnerships are often intangible, difficult to measure, and hard to attribute to specific initiatives—especially in the short-term.

In the case of the CBI, the task is even more difficult as the initiative is being implemented by 19 different communities—each of which has its own issues, needs and priorities.

DPCD developed an evaluation framework for the CBI at the outset of the program, but its capacity to provide meaningful insights into the impact of local projects is limited by its focus on activities rather than outcomes. It is further limited by the lack of regular monitoring and reporting on both the progress of individual CBI projects, and the performance of the CBI overall.

While recent reviews of the CBI have inherent limitations, they nevertheless indicate that it has created substantial opportunities for participation and involvement in local decision making, for skills development and volunteering, and for leveraging funds from other sources. These are encouraging results, however further work is needed to explore their impact on achieving desired outcomes.

Recommendations

Number	Recommendation	Page
1.	<p>DPCD should strengthen the grant assessment and selection processes for the CBI to provide sufficient assurance that:</p> <ul style="list-style-type: none"> the rationale and criteria for funding priorities are adequately documented, appropriately and consistently applied to all funding decisions risks relating to partnership issues are assessed and mitigated prior to recommending funding. 	21
2.	<p>DPCD should further develop its oversight of CBI funded projects by:</p> <ul style="list-style-type: none"> developing a more effective and transparent decision-making framework for intervening in local matters when partnership issues affect project outcomes enforcing accountability requirements established in funding agreements with grant recipients. 	21
3.	<p>DPCD should strengthen the CBI evaluation framework by:</p> <ul style="list-style-type: none"> developing effective arrangements for assessing the medium- and long-term outcomes of the CBI regularly monitoring and reporting publicly on the progress of CBI projects against their Community Action Plans and the CBI objectives. 	30