

**Submission
No 6**

**EXAMINATION OF THE AUDITOR-GENERAL'S
PERFORMANCE AUDIT REPORTS SEPTEMBER
2013 – JULY 2014**

Organisation: Roads and Maritime Services

Date Received: 16 September 2015

CE15/1324

Mr Bruce Notley-Smith MP
Chair, Public Accounts Committee
Parliament of New South Wales
Macquarie Street
SYDNEY NSW 2000

Dear Mr Notley-Smith

Thank you for your letter seeking a response to the Auditor-General's *Report on Regional Road Funding – Block Grant and REPAIR Programs*, tabled 8 May 2014.

I note that Roads and Maritime Services previously provided a formal response to each recommendation. This was published as part of the final report.

Since May 2014, Roads and Maritime established a working group to review the Auditor-General's recommendations. The group included representatives from the Office of Local Government, Local Government NSW, the Institute of Public Works Engineering Australasia (NSW Division) and three local councils.

The working group has reached consensus on the recommendations considered. Roads and Maritime is taking action to implement 13 recommendations and three are now complete. The implementation of 10 of the 13 recommendations require further consideration and consultation in the context of Local Government and Fit for the Future reforms, particularly as Joint Organisations are implemented from September 2016.

The recommendation to incorporate the Block Grant funds currently distributed on the basis of the discontinued 3x3 road funding program into the Block Grants roads component was considered outside the terms of the working group. As such, Roads and Maritime is considering the recommendation and notes that any proposal to change the funding model for Regional Roads, agreed with Local Government, will require the concurrence of the Minister for Roads, Maritime and Freight.

I have enclosed a summary of the status of each recommendation, including measures already implemented by Roads and Maritime.

I hope this has been of assistance. If you have any further questions Mr Mike Cush, Network General Manager NSW, at RMS on (02) 02 8588 5650 would be pleased to take your call.

Yours sincerely



Peter Duncan
Chief Executive

16 SEP 2015

Attachment B – Regional Road Funding – Block Grant and REPAIR Programs

Table 1 – summary of implementation actions

RMS understands that Joint Organisations are expected to be implemented from September 2016 as part of Local Government reforms. The implementation of recommendations 7, 9 and 10 (below) require further consideration and consultation in the context of these reforms and as such, are expected to be completed on a similar timeframe.

#	Recommendation	Accepted or Rejected	Action Status and Comment	Responsibility
1	RMS should require councils to certify that they spend Block Grant funds in line with priorities established through the Integrated Planning and Reporting framework with some risk-based, desk-top assurance of this certification.	Partially accepted	Complete. Roads and Maritime has updated the 2015-16 Block Grant Agreement based on outcomes of the Working Group where appropriate. This includes a requirement for councils to certify that Block Grant funds are spent in line with Integrated Planning and Reporting plans as recommended by the Auditor-General	Journey Management Division
4	RMS should work with Transport for NSW and local councils to account for the impact of heavy vehicles in allocating Block Grants to rural councils.	Accepted	Complete. Investigation has shown that heavy vehicle data currently available is not appropriate for use in the calculation of Block Grant allocations. RMS intends to consider any data improvements available at the next Block Grant program review.	Journey Management Division
7	RMS needs to ensure all RMS regions and their RCCs comply with the REPAIR program objective that project selection is carried out on a merit basis from a regional perspective.	Accepted	In progress. The Working Group recommended that RMS ensure all RMS Regions comply with existing REPAIR program guidelines, noting that RMS has established dedicated Local Government Programs Coordinators in most Regions to this effect. The continuing rollout of	Journey Management Division

#	Recommendation	Accepted or Rejected	Action Status and Comment	Responsibility
9	<p>RMS should ensure that:</p> <ul style="list-style-type: none"> - RCCs give adequate weight to whole-of-life costs and economic benefits when selecting REPAIR projects - The model scoring system in the REPAIR program guidelines gives adequate weight to whole-of-life costs and economic benefits when selecting REPAIR projects. 	Partially accepted	<p>Local Government reforms is expected to support this recommendation by providing greater information about regional priorities.</p> <p>In progress.</p> <p>The Working Group considered that requiring councils to certify that REPAIR projects are selected in line with Integrated Planning and Reporting priorities would be a more appropriate option. RMS is considering this recommendation and how it could be implemented.</p>	Journey Management Division
10	<p>RMS should:</p> <ul style="list-style-type: none"> - Do more to encourage joint council funding applications - Require all RCCs and regions to adopt four year rolling programs. 	Partially accepted	<p>In progress.</p> <p>The Working Group considered that implementation of this recommendation should be considered as part of the next program review in the context of the continual rollout of Joint Organisations as part of Local Government reform. A four year rolling program was not considered feasible under the current operating environment.</p>	Journey Management Division
13	To allow the necessary analysis and consultation, RMS should consider continuing its 2013-14 approach of indexing the previous year's allocations for a further year.	Accepted	<p>Complete.</p> <p>Roads and Maritime implemented the recommendation to continue its approach of indexing the previous year Block Grant allocations for 2014-15.</p>	Journey Management Division

Table 2 – status of recommendations undergoing further consideration

RMS understands that Joint Organisations are expected to be implemented from September 2016 as part of Local Government reforms. The implementation of the following recommendations require further consideration and consultation in the context of these reforms and as such, are expected to be completed on a similar timeframe.

#	Recommendation	Accepted or Rejected	Action Status and Comment	Responsibility
2	RMS should publish benchmarking information on regional road maintenance costs and outputs.	In progress	The Working Group recommended that RMS should consider capturing high level work types for reporting purposes in an administratively simple manner. This is expected to include consideration of recent IPART publications related to this matter. RMS is considering this recommendation and how it could be implemented.	Journey Management Division
3	RMS should improve the integrity and reliability of the traffic information it uses to allocate Block Grants to councils.	In progress	The Working Group considered methods to improve the integrity and reliability of traffic information used to allocate Block Grants to councils. RMS is considering the impact of the proposed methods on the program.	Journey Management Division
5	RMS should consider incorporating the Block Grant funds currently distributed on the basis of the discontinued 3X3 road funding program into the Block Grant roads component.	In progress	RMS is considering this recommendation, noting that any proposal to change the funding model for Regional Roads agreed with Local Government will require the concurrence of the Minister for Roads, Maritime and Freight.	Journey Management Division
6	RMS should evaluate the Regional Roads Block Grant program in the next two years, and then every five years in line with good practice in grants administration.	In progress	The Working Group considered that an independent program review should be undertaken after June 2016 in the context of Local Government reform. This is to allow the review to harness improvement opportunities created by the reforms. RMS is considering this recommendation.	Journey Management Division
8	Following any amendment to the Block Grant allocation method flowing from RMS' review, RMS should apply the revised allocation method for distribution of REPAIR	In progress	This recommendation is dependent on preceding recommendations. RMS will consider this recommendation and how it could be implemented once preceding recommendations are finalised.	Journey Management Division

#	Recommendation	Accepted or Rejected	Action Status and Comment	Responsibility
11	<p>program funding to individual RMS regions.</p> <p>RMS should ensure that REPAIR project works use technical standards which comply with the RTA manual "Arrangements with Councils for Road Management".</p>	In progress	The Working Group recommended that RMS should require councils to certify that projects are undertaken to a work standard deemed appropriate by council in its capacity as the roads authority for Regional Roads. RMS is considering this recommendation and how it could be implemented.	Journey Management Division
12	Evaluate the REPAIR programs in the next two years, and then every five years in line with good practice in grants administration.	In progress	The Working Group considered that an independent program review should be undertaken after June 2016 in the context of Local Government reform. This is to allow the review to harness improvement opportunities created by the reforms. RMS is considering this recommendation.	Journey Management Division

