

Peer review of RDV's Steelvision Pty Ltd's (Steelvision) Latrobe Valley Economic Facilitation Fund (LVEFF) grant

Project Title: Establishment of a Precast Concrete and High Security Building Fixture Factory in Existing Workshop at Morwell

Grant Value: \$650,000

Project timeline: 1 April 2018 -- 31 July 2021

Review Summary

A peer review conducted on Steelvision's LVEFF grant acknowledges that RDV followed the correct administration processes and risk evaluation in managing the company's application and legal agreement. While the reviewer suggests RDV might consider expanding grant deliverables in future, it is acknowledged that in this specific case additional deliverables would not have changed the outcome. The review was conducted through perusing the entire grant agreement and application documentation, including supporting information such as the FRA and ASIC report, as well as discussion with the relevant RDV players.

The Application Process

FRA and ASIC/Bona Fides check

- ASIC/bona fides check dated 24 November 2017 revealed the company and sole director had clear credit histories – no court actions, collections or defaults.
- An FRA was performed on 12 December 2017, with company and project risk rating assessed as Medium/High.
- The FRA reported the company operates with marginal profitability, high gearing and is heavily dependent on its Bank to maintain its working capital

Briefing, Letter of Offer and Assessment against LVEFF eligibility

- A briefing and letter of offer was signed by Minister Carroll on 7 March 2018.

Reviewer's comments: RDV followed the correct process and the FRA and bona fides report raised no extraordinary red flags, nor any payment issues with SRO or other creditors. Historically, a risk rating of Medium/High is generally deemed acceptable for funding support. No recommendations to mitigate project and financial risks in the grant agreement were provided in the FRA.

Management of the Grant Agreement

Grant Agreement

- A grant agreement was prepared with four milestones payments and signed by the Department on 16 July 2018.
- The grant was announced prior to the legal agreement signing.
- Payment deliverables were based against employment activity.

- No requirement to provide current financial accounts over project period was encompassed into the grant agreement.
- The final grant agreement did not include the Investment Committee's recommendation regarding retention of 50 employees at Steelvision's Braeside factory.

Reviewer's comments: The inclusion of capital expenditure deliverables in a grant contract and the required lodgement of annual financial accounts assist the department to better monitor the financial health of a grant recipient over the life of a project. It is acknowledged that in the case of Steelvision, additional grant deliverables would not have changed the outcome. RDV reports that Steelvision's inclusion in a group funding announcement prior to finalising a legal agreement was out of its control. It also acknowledges its oversight in not contracting in the legal agreement the retention of 50 staff at Steelvision's Braeside facility.

Final (and sole) Payment

- On the receipt of all documentation as per contracted a payment of \$400K was made to Steelvision.
- The payment was made against a signed audit opinion and statutory declaration for 20 employees.
- The initial payment of \$400K represented 62 per cent of funding (\$650K) against 38 per cent of deliverables (53 jobs).
- Funds (approx. \$135K) from the first payment were reportedly used to pay tax creditors.

Reviewer's comments: RDV were unaware of Steelvision's financial issues until after the first instalment of the grant was paid, meaning limited risk mitigation options were available to the department. It is also noted that prior to making this payment an RDV representative toured the Morwell facility and was satisfied with project progress and employment count.

RDV attempted to support the project via approval of a second grant for \$25,000 to provide corporate advisory services for Steelvision, with no payment made as the company went into administration.