

**Submission
No 52**

**INQUIRY INTO INTEGRITY, EFFICACY AND VALUE FOR
MONEY OF NSW GOVERNMENT GRANT PROGRAMS**

Organisation: Kyogle Council

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Contact: Graham Kennett

August 21, 2020

Mr David Shoebridge MLC
Committee Chair
Public Accountability Committee
Parliament of New South Wales
Macquarie Street
Sydney NSW 2000

Re: Submission to the Inquiry into the integrity, efficacy and value for money of NSW Government grant programs

Thank you for the opportunity to make submission to the Inquiry into the integrity, efficacy and value for money of NSW Government grant programs.

Kyogle Council is a small rural council (pop. 9,550) that covers a large geographical area (3,584m²) with a complex road and bridge network (1,216km roads and 340 bridges) and a high proportion of the Local Government Area (LGA) is dedicated for National Parks and State Forests (approx. 30%).

Being a small rural Council, we are heavily dependant on external grant funding to ensure we can deliver an equitable level of service to the local community. As such, we are always appreciative of any and all funding that comes our way. However, there is significant room for improvement in the manner in which grant funding is allocated and distributed to local government in NSW.

You will often hear NSW State Agencies raise concerns about the capacity of local government to deliver on grant funded programs and projects. In our experience, Council doesn't struggle to deliver programs or projects because of capacity limitations. We struggle because the grants programs are not designed with the delivery partner or the communities needs in mind. At present the grant programs are essentially an ad-hoc collection of programs operating in isolation from one another, with little to no consideration of the impacts on other state and federal programs, the delivery partners within local government, or the priorities of the individual communities or regions.

The highest impact issue is the doubt about securing funds, due primarily to the competitive nature and relatively narrow focus of many grant programs. If each Council was to be given a 3-5 year allocation of funding and a long list of "eligible" projects, then the determination of priorities and the planning for project delivery would be much more strategic and effective. This could be very effectively done by pooling grant funding from a range of programs, and distributing to Councils in much the same way the NSW Governments Stronger Country Communities Fund and the

Australian Governments Roads to Recovery Funding and recently released Local Roads and Community Infrastructure Program are distributed.

When the Councils know how much they are going to have available to spend over the medium to long term, and the range of purposes that the funding can be used for, then a more strategic approach to resourcing the delivery of these projects can be taken. For example, if we know that we will have \$3m worth of projects to deliver over say 5 years, then we would be very likely to put on an additional project management staff to help deliver them.

If some of the funding can also be used to plan and design projects to have them ready for delivery, this becomes even easier to justify. But when you can't be sure from one year to the next what will be available, putting that extra staff member on is too big a risk to take, particularly for us smaller Councils.

There is also a need to allow funding to be used to improve and renew existing infrastructure, rather than having a focus on building new infrastructure. For us, we have enough of the basic things we need to service our community, but we just need to improve their standard a bit, and add on the odd bit of extra functionality. Grants that give preference for building new over fixing up old first, are not going to produce sustainable outcomes in the future, with increased asset maintenance and renewal costs coming on top of those related to the already existing assets.

These issues are compounded through some programs that require often significant co-contributions from local government. This requirement for matching funding turns away many potential applications for important projects, and again favours those Councils with the funding available to match, and further limits those who are most in need of external funding.

Then there is the drive for a positive Benefit Cost Ratio for a number of programs. Whilst this is supported for programs such as funding direct to industry, this is completely unnecessary when dealing with government to government funding programs that deliver basic and essential services, particularly to rural and remote communities. The numbers will just never stack up. This issue has been previously raised, and changes have been made with the Safe and Secure Water Program to remove the BCR, and similarly with the Fixing Local Roads program in response to this. These are very much appreciated, but both programs can still be improved upon.

The current system essentially results in skewed and inequitable outcomes where the main funding recipients are the larger more resourced Councils, which only serves to further emphasize the social inequity between the larger metropolitan areas and the reminder of the communities living in regional and remote areas in NSW.

This is further exaggerated by the reluctance of the larger metropolitan Councils and the Local Government representative bodies to lobby the Australian Government to remove the minimum per capita component of the Federal Financial Assistance Grants (FAGs), which currently acts totally against the objective of horizontal fiscal equalization that it was intended to address.

While ever this continues, those that can least afford to help their communities will continue to fall further behind, while those with the highest capacity to pay for their own communities' needs will continue to take advantage of the grants that, at the end of the day, they don't really need, at least not as much as others.

The impact of this funding on job creation and growth in rural and remote areas is of much greater significance than in metropolitan and regional centres, where there is more competition in the market place and stress caused by high growth rates. For many of our rural and remote communities these grants may be the only mechanism to stimulate job growth and population retention.

There is also some concern around the newly created Joint Organisations (JOs) becoming an additional competitor in the area of local government grant funding. In the context of grant funding, the JOs could be better utilised in a more high-level strategic manner, whereby the JO is working to develop details of the priority needs across each region, in order to advocate for funding for a range of projects at both a local and regional scale.

At present, projects are generally developed to respond to grant programs, rather than grant programs being developed to respond to projects that serve the community's needs. The JO could be used here to develop regional priorities for consideration in partnership with the NSW Government agencies, through Regional NSW. In this way, the regional strategic body would be informing the NSW Government of the needs specific to the region, for their consideration when developing grant programs.

In summary, the main points that need to be made are;

- Stop making us compete against each other all the time
- Give us a medium to long term funding commitment that we can plan around
- Give us more flexibility in what we can use the funds for to suit the needs of our local community.
- Allocate funding based on the principle of horizontal fiscal equity, to help those who need it the most and don't have access to economies of scale or large growing rate bases

It is great to see that the Committee is looking into this essential aspect of the financial sustainability of our rural and regional communities, and opportunity to contribute is very much appreciated. I would also be happy to provide further information or answer any questions you may have through being a witness at one of your hearings or through any other means you have at your disposal. Should you have any further enquiries please do not hesitate to contact me during business hours or

Yours faithfully

Graham Kennett
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