

**Submission  
No 67**

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

**Organisation:** The Hills Shire Council

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Sydney's Garden Shire

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21 August 2020

The Director  
Public Accountability Committee  
Parliament House  
Macquarie House, Macquarie Street  
SYDNEY NSW 2000

Our Ref: 18963199

**Email: [Public.Accountability@parliament.nsw.gov.au](mailto:Public.Accountability@parliament.nsw.gov.au)**

Dear Director

## **Inquiry into the integrity, efficacy and value for money of NSW Government Grant Programs**

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Thank you for the opportunity to contribute to the above mentioned enquiry. This letter is given from an operational perspective as it is not possible in the timeframe to have a Council endorsed resolution.

NSW Government grant programs are undeniably important sources of funding to Council. There are well documented limits and constraints on local government financing which makes grant funding arrangements important for two reasons;

- 1) The funds do provide much needed works and service that would not happen through Councils normal revenue improving residents quality of life and
- 2) The grants received needs to be considered through both capital expenditure and also recurrent opex to ensure the grant services sustainable activities and not those that can be sustained without continuing grants.

### **Grants for Asset Recurrent Costs**

While there are various capital grant programs in place for Council to apply for, there is a need for more grants to give consideration to the recurring costs of the project funded in terms of maintenance and replacement.

Given recurrent costs are not covered by developer contributions, Council needs to seek alternative funding to sustain the higher ongoing costs associated with its growing asset base. As noted in The Issues Paper 'Review of Infrastructure Contributions in NSW' issued by the NSW Productivity Commission, 'Rates revenue funds service delivery for the existing community including recurrent costs that cannot be recovered through infrastructure contributions. The rate peg in NSW, acts as a financial disincentive for councils to accept development or higher level of service for work provided

be developed. In its presence, rates revenue does not rise as population and land values increase. This contrasts with the both State and the Commonwealth, which are both able to expand their revenue with rising population and asset prices'. This position is strongly supported.

As was mentioned within Council's submission on the NSW Productivity Commission's Discussion Paper – 'Kick-starting the Productivity Conversation', in the long term Council will continue to face challenges in funding increased levels of service unless an adjustment to Council's income base is achieved with certainty. For any Council, the process of seeking a Special Variation is onerous and time consuming with no certainty that favourable consideration will be given by IPART. In light of this, grants funding programs addressing asset recurrent costs would be an advantage to Councils.

### **Onerous Grant Acquittals process**

While the need for grant acquittals is recognised to ensure integrity of grant allocation, processes and workload involved can be cumbersome and onerous to Council. Some acquittal processes can take a few days of Council staff time to complete due to the complexity of information requested. It is not practical for Council to implement system to expedite the process as the format and criteria of information required by funding bodies change regularly. The requirement to report expenditure based on financial year packages also complicates the process as expenditure incurred in the same financial year for the same project need to be split and reported in separate acquittal forms based on funding packages. A review to streamline acquittal processes will help reduce Council's costs associated with grants administration.

### **Grants Timeline and Criteria**

Timeline and criteria attached to grant programs can be difficult to meet. Initial timelines do not necessarily take into account of Council's procurement and decision approval requirements. Lengthy land acquisition process can also prevent Council from meeting project timelines. Whilst it is possible for Council to apply for extensions (and they are often granted), there are still administrative work involved in preparing variation requests and risks faced by Council that variations may not be granted in full.

Criteria on claimable expenditure may exclude direct costs relating to grant projects. For example a grant program might exclude Council's internal costs such as costs on design, supervision, plant hire and construction. To ensure deadlines are met it is common practice for Council to utilise internal resources to work on grant funded projects and to supervise progress of external contractors. These internal costs however are not always recognised and covered by grants.

I hope this information is of assistance to your and your inquiry.

Yours faithfully

**Michael Edgar**  
**GENERAL MANAGER**