

**Submission  
No 82**

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

**Organisation:** Cr Darcy Byrne, Mayor of Inner West Council

**Date Received:** 23 August 2020

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Please find attached copy of the correspondence I sent to Greg Warren, Shadow Minister for Local Government, raising my concerns about the administration of the Stronger Communities - Tied Grants Round.

This has led to the NSW Auditor General indicating that she will investigate these concerns, however I also wish for the committee to consider these same concerns as part of this Inquiry



Inner West Mayor **Darcy Byrne**

Artwork: Mulga

Monday, 6 July 2020

Mr Greg Warren MP  
Member for Campbelltown  
Shadow Minister for Local Government, Shadow Minister for Veterans, and Shadow Minister for Western Sydney  
PO Box 895  
CAMPBELLTOWN NSW 2560

Dear Mr Warren,

Re: NSW Stronger Communities Tied Grants Program

I am writing to you in your capacity as Shadow Minister for Local Government to request that you refer the maladministration of the NSW Government's Strong Communities Fund (SCF), to the NSW Auditor-General for investigation.

I have set out below new information and analysis which demonstrates very clearly that the administration of this fund was lacking in basic probity and transparency. I know that this is an issue that deeply concerns you and that you have raised the matter in Parliament.

It has recently come to my attention that the Inner West Council and many other amalgamated councils have been deliberately excluded from and not even informed about the second round of project funding under the SCF, a program that was specifically established to assist amalgamated councils.

By way of background, this program was established in May 2016 with the stated purpose of assisting Councils that were merged as a result of the NSW Government's forced amalgamations policy.

The responsible agency for assessment of potential projects and distribution of monies from the SCF is the Office of Local Government (OLG).

In phase one of this fund Inner West Council received some funding, as did all merged councils.

However, in September 2017 the Government augmented this fund with an additional \$252 million, ostensibly intended for new councils that had been created as a result of the Government's policy. This second program was called the "Stronger Communities Fund – Tied Grants Program". ("New Council Implementation Fund and Stronger Communities Fund Funding Agreement", page 2. Attached). It is this scheme that is the subject of my complaint.

As a result of evidence taken at the Budget Estimates Committee on 4 March 2020 it is now apparent that monies from this fund were massively skewed towards councils that are located within state electorates represented by Liberal and National Party members. In fact, of the 238 projects funded under this program, 208 were located solely within the boundaries of Coalition seats (87 per cent of all projects that received funding). The amount earmarked for these 208 projects was \$241 million out of the total amount of \$252 million. **That represents an astonishing 95 per cent of the total funding.** Under this program only five of the funded projects were in Labor seats.

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The Inner West Council is situated entirely within the boundaries of non-Coalition held seats and so it comes as no surprise that the ratepayers living there received no funding whatsoever from this program.

Amazingly, 10 Councils across NSW whose mergers were called off by the NSW Government ended up receiving grants under round 2 of the SCF. This astonishingly accounted for 50 per cent of the total funding distributions made under the second round of the SCF. The question must therefore be asked: what was the real purpose of the distribution of monies from the second round of the SCF?

The Funding Agreements for these tied grants, provided to the Estimates Committee, further revealed the highly politicised operation of the fund.

For example, Hornsby Council, whose mayor is NSW Liberal Party President, Philip Ruddock, received an incredible \$90 million dollars even though that council was not amalgamated. Furthermore, the public announcement of this grant was made on 28 June 2019 by Mr Ruddock and the Liberal Member for Hornsby, Matt Kean, just one day after the guidelines for the \$252 million tied grants round came into existence. How could the OLG determine what projects should be funded under this scheme so quickly? It seems to me that the funding decision, at least in the case of Hornsby Council, was made even before the guidelines were signed by the then Minister for Local Government, Gabrielle Upton. You will also note that the Funding Agreements go to remarkable lengths in requiring councils to acknowledge both the NSW Government and the local MP.

At the time of writing this letter there is still a publication on Mr Kean's website stating that the funding for Hornsby Council was made available "after a secret \$90 million in the State Budget was allocated for local projects." (See attached for a copy of the update posted on his website).

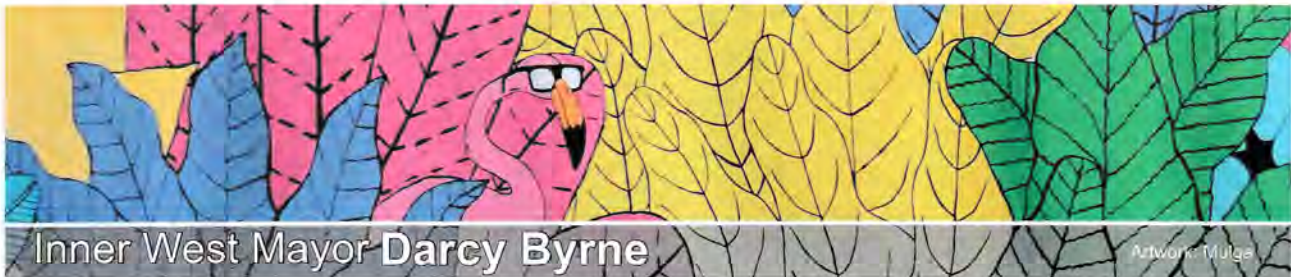
Other Funding Agreements were made on the eve of the NSW State election in highly politicised circumstances.

For example, the National Party seat of Murray which was under great electoral threat from the Shooters, Fishers and Farmers Party, received a grant of \$4.095 million the day before the commencement of the caretaker period for the 2019 State Election. This was in addition to a further \$7.9 million of funding that was given to Councils in the seat of Murray earlier in February 2019.

On 27 February 2019, the penultimate day prior to the commencement of the caretaker period, \$1.1 million was allocated to projects in Coogee, the second most marginal Liberal seat in NSW. A further \$2.58 million was also provided to the seat on 8 February 2019.

These are just some of the highly questionable funding decisions made under the scheme. I have attached all the relevant Guidelines and Funding Agreements for the attention of the Auditor-General and yourself.





## WHY INVOLVE THE AUDITOR-GENERAL?

Pursuant to s.27B (5) (b) of the *Public Finance and Audit Act* (1983): "The Auditor-General may, in the exercise of his or her functions, have regard to whether there has been any lack of probity or financial prudence in the management or application of public resources."

On a close examination of all the available evidence and information there appears to be ample grounds to fully investigate the way in which this fund operated, particularly who made the funding decisions and whether it was based on advice from the OLG?

It is now becoming evident that there may have in fact been no application process at all for the allocation of funding from this scheme.

The revelations in recent days that the Premier, Deputy Premier and the then Minister for Local Government personally approved all projects in this scheme suggests that even the most basic probity measures were never put in place.

In evidence before the Estimates Committee on 4 March 2020 the Deputy Secretary, Local Government, Policy and Planning, Mr Tim Hurst answered questions from Mr David Shoebridge MLC. In his evidence (pages 64-66) Mr Hurst stated, "all the councils who were eligible for funding were councils who were created in the 2016 mergers or affected by one of the merger proposals during that period." If that is so, then why were councils in non-Government held electorates overwhelmingly ignored for any funding at all? It beggars belief that the funding decisions were made objectively.

In that regard, I would add that despite being mayor of a merged Council which was, on Mr Hurst's evidence, eligible for funding, the first time I even heard that this \$252 million program existed was when I was approached about it by a media outlet last month. This suggests that the processes for assessing and allocating funds from the program were so tightly controlled that its very existence was kept secret from certain eligible councils.

The following responses from Mr Hurst provide further evidence of this:

Mr Shoebridge: "On what basis were eligible councils not provided with funding?"

Mr Hurst: "I cannot answer why some councils did not get funding. I cannot answer that question."

Mr Shoebridge: "Who made the decision if not you – you were just administering a decision that came from another place – as to which councils were and which councils were not eligible councils to receive funding?"

Mr Hurst: "I cannot answer that question. I can only advise that *we were told the councils to pay and the projects*, (my italics) and the Office of Local Government prepared the agreements, sent them to the local councils, executed them and paid the funds."

This is a staggering statement from a senior officer in the Office of Local Government. If it was not the OLG that made these funding decisions, then who was it? Who directed the OLG to make those payments? On Mr Hurst's evidence, the OLG's role in the scheme was reduced to being





nothing more than a clearing house for cheques to be distributed to favoured electorates.

In a later answer Mr Hurst states that the funding guidelines were drafted by the OLG but he says nothing about who actually made the funding decisions apart from admitting that it was not the responsible agency. Given the incredible bias towards projects located within Coalition electorates, I have to ask what role did Ministers and their personal staff have in determining these grants and in directing public servants in how the guidelines were to be drafted?

This fund looks suspiciously like a \$252 million slush fund to assist Liberal and National Party candidates in their re-election campaigns. I note that funds for all bar two very small projects (\$337,611 in total) were distributed between 28 June 2018 and 28 February 2019 - the day before the Berejiklian Government went into caretaker mode on the eve of the 2019 NSW State election.

It is also worth noting, by way of comparison, that the Federal Government's Community Sport Infrastructure Program, which was heavily criticised by the for Australian National Audit Office for a lack of an appropriate assessment process, only distributed \$100 million. The second round of the SCF distributed two and a half times this amount, and it appears that no assessment process was completed by the OLG of any of the 238 projects that were funded under the scheme.

If these funds had been fairly distributed on a per capita basis to those Councils where mergers were completed, then Inner West Council would have received \$24 million in additional funding as part of the second round of the SCF.

I am disgusted that for party political reasons people residing within the boundaries of Inner West Local Government Area were denied access to very significant infrastructure funds. I therefore believe that this \$252 million fund was misapplied and that the Auditor-General should undertake a full audit and investigation of all aspects of the scheme from the planning phase through to the distribution of taxpayer monies.

Yours sincerely

**Darcy Byrne**  
**Inner West Mayor**