

**Submission
No 107**

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

Organisation: Nambucca Valley Council

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Mr David Shoebridge MLC
Committee Chair
Public Accountability Committee Inquiry into the Integrity, Efficacy and Value for Money of
NSW Government Grant Programs

VIA EMAIL: public.accountability@parliament.nsw.gov.au

Dear Mr Shoebridge

Submission to Inquiry into the Integrity, Efficacy and Value for Money of NSW Government Grant Programs

This submission is made on behalf of Nambucca Valley Council and consent is provided to its publication in full including my contact details.

It is noted that the Committee has invited this submission in relation to bushfire relief grants which Council is pleased to address. The Council's submission also pertains to other grant programs where it has had direct involvement being the Stronger Communities Fund; the Regional Cultural Fund; the Regional Sports Infrastructure Fund; and Jobs for NSW funding.

1. Background

The Nambucca Valley local government area (LGA) has a population of 19,805 with a median age of 51 years, compared to the Australian median age of 38 years.

The Socio-Economic Indexes for Areas (SEIFA), is a socio-economic index that summarises information about the economic and social conditions of people and households in an area. Lower scores reflect higher relative disadvantage, and higher scores correspond to lower relative disadvantage. The Nambucca LGA is considerably disadvantaged with a SEIFA decile of 2, whereas the national median is 5.

Corresponding with the SEIFA ranking the median income for the LGA is \$34,783, lower than the NSW median of \$48,700.

The Kian Road bushfire natural disaster in November 2019 burnt 393 sq. km or 26% of the LGA. A total of 64 houses, 136 outbuildings and 2 facilities were destroyed. A further 19 houses, 26 outbuildings and 2 facilities were damaged.

2. Grant Funding Provided to Nambucca Valley Council

Council's annual financial statements for the year ended 30 June 2020 indicate total grant funding of \$11.63m being 22% of Council's total income of \$52.82m. Of this \$5.4m was Commonwealth funding, \$6.2m was State funding with a minor amount from philanthropic organisations. So grant funding is very important to the operations of Nambucca Valley Council.

3. Untied Grants

An “untied” grant is a grant provided to a Council without any legal restriction as to how it can be spent.

The Commonwealth funded and State administered Financial Assistance Grants (FAGs) are a significant and untied source of grant funding for Nambucca Valley Council.

Their allocation is based on a large and sophisticated range of disability factors to account for, as best as government can, the relative need of individual communities. There are no acquittal requirements. In terms of local government operations the FAGs are the gold standard for transparency, integrity, efficacy, and fairness.

Accountability for the expenditure is managed by existing governance requirements such as audit reports, the annual financial statements and comparative information provided by the NSW Office of Local Government.

For this reason where Government seeks to provide cash stimulus to the local government industry to support economic recovery such as following the COVID-19 pandemic or the 2019/20 bushfire natural disaster, greater use should be made of the funding formulae used by the NSW Grants Commission. This should be in preference to programs of tied grants which are discussed in the following section.

4. Tied Grants

A “tied” grant is a grant provided to a Council with legal restrictions as to how it can be spent.

The grant programs specifically referred to by the Public Accountability Committee are, for the purposes of local government operations, all tied grants. Depending upon the purpose of the grant program and eligibility criteria (narrow or broad) tied grants operate across a spectrum of restriction as to outcome and acquittal.

The following commentary about the inherent issues with tied grants should be viewed in the context of that spectrum.

4.1 Narrowly focused tied grants

The Council has participated in a number of grant programs where the eligibility criteria are unduly narrow. By way of example it is not apparent why a bridge on a crown road (which is a public road) would in terms of funding eligibility be treated differently to a bridge on a council road.

Some programs allow for capital expenditure, others don't. Some programs allow expenditure on private property, others don't.

Some bushfire grant funding was narrowly focused on particular types of community recovery initiatives. Events and workshops were eligible for funding notwithstanding the community may have had other priorities.

Restrictive eligibility criteria force councils to configure an application which may not suit the community's needs. In other words the utility of a grant program is likely to diminish as the eligibility criteria become more onerous.

4.2 Administrative costs

Tied grants have a significant administrative cost to government. The grant program with the eligibility criteria has to be developed and disseminated. Councils have to dedicate resources

to submitting grant applications. The sponsor of the grant program has to dedicate resources to assessing each application and advising successful and unsuccessful applicants. However there is rarely detailed feedback provided to unsuccessful applicants. Finally the council must acquit the grant, usually through multiple milestones.

Nambucca Valley Council employs a full time Grants Officer but the extent of tied grant programs available to Council over the past 12 months has meant that the council has been applying more than 1 FTE to submitting applications and preparing acquittals.

Whilst Council is reasonably resourced to seek and manage grants, the bushfire natural disaster specific grant programs have been overwhelming for the public. Lack of community expertise and community exhaustion over the requirements of the grant application processes have been evident. More disadvantaged and isolated communities do not engage as effectively as others in grant programs.

4.3 Excessive delays in funding announcements and funding deeds

Council has experienced excessive delays in funding announcements.

The gold medal example of this is the Country Passenger Infrastructure Grant Scheme which is a program capped at \$11,000 grants for transport infrastructure. In September 2019 the Council applied for funding for \$11,000 for a bus shelter and associated road works at Eungai. It was not until November 2020 that the Council was notified that its application had been successful by which time the bus shelter had been built. Because the funding could not be retrospective the Council was then required to submit a variation and nominate another bus shelter for construction.

A silver medal to the "Road Safety Around Schools" program where Council's application was submitted in February 2020 with notification of approval being received in February 2021. In the meantime the guidelines for pedestrian crossings around schools had changed and the design had to be altered at additional cost.

Excessive delays in funding announcements and the finalisation of funding deeds create uncertainty for the Council's adopted capital works program. They can also result in councils applying for the same capital works under different grant programs or using the possibility of funding as a required co-contribution for another grant application.

4.4 Equity

The recent media interest in the NSW Government's bushfire recovery fund has partly focussed on perceived inequity wherein some LGA's have received more grant funding than others, leading to accusations of politically motivated favouritism.

However equity issues pertaining to large tied grants programs are not new and have been noted by this Council on many occasions over an extended period.

Nambucca Valley Council works very hard to prioritise the limited resources of its disadvantaged community to properly manage a very extensive portfolio of assets. A snapshot of the Council's asset management responsibilities as at 2020 is shown in the following table.

Accordingly this Council was surprised by a May 2018 announcement by the NSW Government that a \$50m road funding package was being provided to the MidCoast Council to match revenue from a special rate variation which was obtained by that Council. In contrast Nambucca Valley Council has received no equivalent "one off" funding support and has funded its bridge replacement program via nine (9) special rate variations over 15 years to avoid the "generational backlog" of work referred to in the following media release.

<https://www.midcoast.nsw.gov.au/News-Media/100-million-package-to-improve-roads-across-MidCoast>

Similarly this Council will not be able to secure significant grant funding from the recently announced Fixing Country Bridges Program for the simple reason that most of our 195 bridges have been replaced over the past 20 years and are in reasonable repair.

The response this Council receives to concerns about this apparent inequity is that the funding programs are “needs based”. However these “needs” are not based on any quantitative assessment of a Council’s relative disability (such as undertaken by the NSW Grants Commission). The fact is that for whatever reason some councils are receiving significantly more financial support than others to address their core responsibilities.

Whilst media reporting often attributes inequitable funding allocations to political partisanship or “pork barrelling”, Council’s observation is that the “need” often arises for the more mundane reason of poor asset management over an extended period. “Generational backlogs” do not develop over several years. This is acknowledged by the NSW Government in the recently released Town Water Risk Reduction Program fact sheet which states:

“Targeted funding based on risk alone can also create perverse incentives for utilities to delay capital works until risks become critical enough to be eligible for funding.”

The utilities referred to in this fact sheet are largely the water and sewerage operations of local councils. There is no reason why this principle does not also apply to the General Fund responsibilities of councils.

Extract from Nambucca Valley Council Technical Asset Register 2020

Asset Category	Count	Technical Asset Register Entries	Estimated Replacement Cost
Sealed Roads	400 km	3,403	\$ 121.4M
Unsealed Roads	300 km	264	\$ 8.4M
Bulk Earthworks		2047	\$ 43.6M
Bridges (incl. Bridge sized Culverts)	195	326	\$ 40.6M
Car Parks	36,000 m ²	99	\$ 2.7M
Footpaths	63 km	659	\$ 12.3M
Kerb and Gutter	186 km	3,079	\$ 19.2M
Transport Other		245	\$ 2.0M
Stormwater	124 km, 3566 Pits	7,382	\$ 57.1M
Buildings	155	1,610	\$ 41.2M
Open Space	500 ha	1,745	\$ 48.9M
Sewerage	182 km	13,976	\$ 117.9M
Water	221 km	4,869	\$ 131.7M
TOTAL		39,704	\$ 647.0M

5. Role of Members of Parliament in Proposing Projects for Funding

Members of Parliament, like Councils, have a special knowledge of the needs of their community and a legitimate role in proposing projects for funding.

There have been recent endeavours to “democratise” small grant funding via the “*My Community Project*” program. This was a program where the preferred projects were those with the most “votes” or “likes”. However Council’s experience with the program was that many community groups participating in the program sought the support and endorsement of Council as they lacked the capacity to undertake their project.

The program created a very large administrative burden for both community groups and council for relatively minor funding.

Also the competition for votes of support pitted groups against one another, “*Hunger Games*”, style. It was also the case that groups which were more active in electronic communication had a natural advantage over others.

6. Scope of Ministers’ Discretion

In relation to grant funding being received by councils the proposition of this submission is that major funding initiatives should be applied through the NSW Grants Commission.

If necessary, additional funding which the NSW Government may wish to dedicate to roads, bridges, libraries or any other broad functional responsibility via the NSW Grants Commission could require an acquittal for its expenditure within a prescribed period. This would avoid most of the issues identified with tied grants.

Thank you for the opportunity to provide comment on this important issue.

Yours faithfully

Michael Coulter
GENERAL MANAGER