

**Submission
No 111**

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

Organisation: A Better Eurobodalla

Date Received: 22 February 2021

Mr David Shoebridge MLC
Chair,
Public Accountability Committee
Parliament House
Macquarie Street
SYDNEY NSW 2000



Dear Chair,

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

1. Introduction

This submission is written on behalf of A Better Eurobodalla (ABE), a community forum dedicated to having open and inclusive government in our region. ABE expects that before governments, at any level, make decisions that will impact their communities, they will undertake broad and meaningful consultation, listen to and share expert advice, and proceed using a transparent decision-making process so that the community understands who makes decisions, when and why.

The submission is informed by first hand experience living through the catastrophic bushfires of 2019-2020 in Eurobodalla Shire, which was one of the worst affected areas, losing 2057 buildings, untold millions of animals (both wild & domesticated) and around 80% of our shire's forests. On a personal level, the author of this submission considers himself exceedingly fortunate that his own home survived, despite having to evacuate 4 times during the 5 week crisis. Like many others in the Eurobodalla, the author knows of numerous people who lost their homes or other property, many of whom are still searching for permanent accommodation and struggling to rebuild their lives.

Given this background, ABE has taken a keen interest in the recovery of our bushfire devastated shire. We were hopeful that the significant resources allocated to assist in the rebuilding and recovery of our shattered communities would be spent effectively on priority projects across all affected areas and be allocated fairly on a needs basis. Indeed, we expected that resources would be disbursed with "integrity, efficacy and value for money", consistent with the terms of reference for this Inquiry.

Our own first hand experience and that of many community members during the crisis highlighted the pressing need for additional and greatly improved evacuation facilities in Eurobodalla Shire to

enhance future resilience. Consequently ABE has been very disappointed by the meagre allocation of funds (\$200,000 to date) put towards this critical need by Eurobodalla Shire Council (ESC -see Attachment A, response received from ESC). No new centres have been funded in towns and villages where people had nowhere to go during the fires. What little funding is available has been confined to existing facilities, which were found to be grossly inadequate in capacity, as well as capability, during the bushfire crisis.

Given these circumstances, ABE was very surprised when \$5.25 million of the Bushfire Local Economic Recovery (BLER) funding was allocated to ESC for a recreational walking trail proposal. This proposal was essentially unknown by the Eurobodalla community prior to an announcement by our local member Andrew Constance on 12th November 2020 of the Batemans Headlands Walking Trail Project.

Following on from this, ABE has been concerned to hear reports about the systematic misallocation of funds as part of the BLER Round 1 announcements made in October/November 2020, on the premise that these were priority “shovel-ready” projects (see Deputy Premier Barilaro’s testimony before the PAC on 8th February 2021 – pages 9 and 30 of the uncorrected transcript). Consequently, Section 3 of this submission focuses on the applicability of the “shovel-ready” categorization to the Batemans Bay Headlands Walking Trail Project proposal.

ABE questions the Deputy Premier’s recent testimony to the PAC Inquiry that all the BLER Round 1 “shovel-ready” projects had submitted application forms (see BLER guidelines the Deputy Premier tendered during his testimony), because ABE has received written advice from ESC that they did not submit an application form (see highlighted section of attachment B). If our Council’s response was wrong, and Mr Barilaro’s testimony is applicable to the Batemans Headlands Walking Trail project proposal, we ask that the Inquiry request that his department supply the Committee with a copy of ESC’s application. The application, if it exists, would also assist the PAC’s understanding of how this project measures up against its “integrity, efficacy and value for money” terms of reference, and help to clarify whether it satisfied the BLER application guidelines submitted to the Inquiry by Mr Barilaro.

If a project application was submitted by ESC, we request that ABE be supplied with a copy of the application for the Batemans Bay Headlands Walking Trail and any associated information. In making this request, we note that the BLER Guidelines submitted by Mr Barilaro clearly state that *“information submitted in applications and all related correspondence, attachments and related documents may be made publicly available under the Government Information (Public Access) Act 2009 (NSW).”*

We also note the Deputy Premier’s recent testimony to the Committee that the only bushfire affected people living in caravans are those doing so by choice. This is not consistent with our local knowledge. We are aware of people who were insured, suffered losses from the fires but now find they are unable to buy back into what used to be their local community as a result of the recent surge in regional property prices in the wake of the COVID-19 pandemic. We are also aware of people who lost homes and have been unable to find rental properties to tide them

through until they can rebuild because there are now very few properties available in our region and there is a long wait for building works.

2. Observations regarding recent grant allocations in the Eurobodalla

There has been considerable discussion about the disparity in funding for bushfire affected areas between Coalition-held seats and non-Coalition seats. However, simply because monies are allocated to a particular project does not necessarily mean that it will actually benefit the broader community. Indeed, a poorly designed or mismanaged project may in fact have the reverse effect and financially disadvantage a community. This consideration is directly relevant to the “efficacy and value for money” aspects of your terms of reference.

A striking example of negative financial impacts arising from grant funding is the Batemans Bay Regional Aquatic, Arts & Leisure Centre (BBRAALC) project, located on flood-prone land which Council’s own coastal policies and plans disclose is liable to inundation from storm surges and sea level rise. This ESC project secured a total of \$51 million in grant funding, consisting of \$26 million from NSW grants (\$18 million for the aquatic component from the Regional Sports Infrastructure fund, and \$8 million for the Arts component from the Regional Cultural Grant Fund) together with \$25 million from the Commonwealth Government’s Regional Growth Fund. The \$8 million NSW cultural grant attracted controversy, because the Batemans Bay Project Proposal was ranked number 72 by the professional assessment panel and yet was still successful in securing the largest single grant allocation, while the top-ranked Bega Valley Regional Gallery project proposal failed to secure any funding. (N.B. the Commonwealth Government’s Regional Growth Fund has also been reported to have been associated with “pork barrelling”.)

The initial cost estimate for the BBRAALC project was \$47 million, but this has now blown out to over \$70 million, with further increases still possible. In essence, this project has managed to turn \$51 million of grant funding into a \$19 million financial liability which is now affecting all Eurobodalla Shire residents and ratepayers, in the form of reduced services and the sell-off or leasing of existing public assets, including community centres, visitor information centres and public reserves. The BBRAALC has never had a full business case prepared for the project, and the partial draft business case prepared for the project indicated annual operational losses of around \$1 million per year, which will also be borne as an ongoing recurrent financial burden by Eurobodalla residents and ratepayers.

The BBRAALC has also failed to deliver community expectations in that it has demolished the existing 50 metre Batemans Bay Olympic Pool, which will be substituted by a 25 metre pool, and the arts facility will contain only a scaled back 350 seat theatrette, rather than the 500 seat full theatre originally incorporated in the proposal.

The track record of the BBRAALC project by ESC raises legitimate concerns that the Batemans Headlands Walking Trail project could turn into a similar story of escalating costs. Indeed, given the opaque nature of current processes for both grant funding and grant expenditure acquittals in

NSW, it is possible that a substantial amount of monies notionally allocated to bushfire recovery could be directed to other activities, including financial liabilities associated with the BBRAALC.

ABE believes that the arbitrary nature of grant programs places too much discretionary power in the hands of State MPs and Ministers, making Councils, businesses, individuals and communities across NSW dependent on the largesse of MPs and Ministers. This can have the effect of stifling debate and discussion on many issues of importance to local communities, as well as curtailing activities important for community well-being.

ABE considers that it would be more beneficial for both regional communities, and the broader NSW public, to replace the current arbitrary and easily “pork barrelled” grants system with recurrent program-based funding mechanisms which reflected actual needs and priorities. These programs should be administered by independent, informed, and experienced public servants, and incorporate rigorous mechanisms for ensuring transparency and accountability in both allocation and expenditure of the program funds. These programs should be placed at arm’s length from Government, similar to the status of ICAC.

ABE believes that in order to achieve integrity, efficacy and value for money in government grant expenditures, it would be advisable for all allocations to include specific obligations for grant recipients to provide timely, accurate and accessible financial and project progress reports to the community affected by the grant. This would help to restore community confidence that grant monies were being spent on appropriate activities, and increase transparency and accountability, bolstering the “integrity, efficacy and value for money” of such allocations.

3. Is the Batemans Headlands Walking Trail “Shovel-Ready”?

There is no universally agreed definition of “shovel-ready”, but the following is sufficient for current purposes : “*a construction project or site that is ready for work to start.*”. In this context, it also needs to be noted that BLER funding guidelines specify that projects must be completed by June 2023.

ABE has applied this criteria to the Batemans Headlands Walking Trail project, based on information supplied by ESC. The project traces back to a 2010 concept study produced by Sydney-based Gondwana consulting, which provided a concept plan for the walking trail (Attachment C). The concept plan described several route options; stressed the need for detailed geotechnical investigations at several sites and sought clarification of multiple private/public boundary issues along the suggested route/s; as well as the need to undertake detailed risk management analyses before the concept could be progressed (since parts of the trail are quite hazardous for public access). It also documented significant environmental values along the proposed trail, and noted relevant State and Commonwealth environmental protection requirements which would need to be incorporated into project planning and design.

The Gondwana study identified an Initial Route, which could be progressed relatively rapidly, at a projected cost of \$335,000 (in 2010 dollars) once the key issues identified above had been

addressed. The consultancy also identified a Medium Term Route, which would take multiple years to implement as it needed to incorporate information and feedback gained from operation of the Initial Route plus more substantial and complex design and construction works. The medium term route was costed at \$2,030,000 (in 2010 dollars).

The Gondwana Concept plan strongly recommended that ESC endorse the concept of a coastal headlands walking trail, including “in-principle” support for the identified route. However, the Batemans Headlands Walking Trail project concept and route have never been endorsed by ESC, who at that time (2010) only chose to “note” the concept plan.

The concept plan lay dormant for 8 years until it resurfaced in 2018 when it was mentioned 5 times in passing in the Eurobodalla Recreation & Open Space Strategy (Attachment D - prepared by Brisbane based consultancy ROSS planning), with one instance disclosing an “indicative cost of implementation” of \$3.63 million. No route details, options or maps were provided in this study, with no indication that any of the key issues outlined in the Gondwana Consultancy Study such as geotechnical studies, risk assessment, public consultation and resolution of boundary uncertainties had been undertaken since 2010.

The Batemans Headlands Walking Trail proposal’s most recent appearance in Council reports was in a 2019 feasibility study undertaken by Tasmanian-based consultancy Inspiring Place (Attachment E). Here it is listed as a category 3 “mid term leveraging project” with initiating actions identified as : *community consultation, environmental/cultural impact assessments as well as risk and operational assessments to meet contemporary planning and development approval requirements*. These were originally identified in the 2010 Gondwana consultancy, but had still not been undertaken.

With the announcement of the project grant in November 2020, the community is being asked to believe that a project proposal which :

- i) has never been formally endorsed by Eurobodalla Council
- ii) is based on a concept plan written 10 years ago whose key recommendations are still yet to be implemented,
- iii) was given passing mention 5 times in a 2018 consultancy,
- iv) warranted only 8 paragraphs of a 36 page 2019 feasibility consultancy; and
- v) has not undergone community consultation or any assessments (e.g. environmental impacts, risks, operational, cultural) to meet contemporary planning and development approval requirements

is a priority “shovel-ready” project worthy of \$5.25 million dollars from a massively oversubscribed (see section 5 below) program aimed at fostering recovery in bushfire devastated communities across NSW.

ABE believes that a proposal currently lacking such fundamental preparatory aspects in its project management and design (such as a definitive track route and associated scope of works which have been subject to extensive community consultation) cannot be considered as “shovel-ready”.

It is also particularly relevant that page 5 of the BLER Guidelines submitted to the Inquiry by Deputy Premier Barilaro clearly state “*The specific scope of works and key milestones of the project must be defined in the application*”.

ABE further notes that Eurobodalla Shire Council requires more detailed documentation to be provided from affected community members rebuilding their houses destroyed by the bushfires than it has provided to date for the Batemans Headlands Walking Trail.

4. Can the Batemans Headlands Walking Trail meet the BLER timetable?

If the Batemans Walking Trail Project is restricted to the “Initial Route” outlined in the Gondwana concept plan, then it seems possible that the project could be finished by the June 2023 deadline required by the BLER guidelines. This would still require completion of detailed risk management assessment plans, geotechnical assessments, environmental investigations and effective and transparent public consultation to be undertaken before on-ground works could begin, so it would be an intensive work program. However, the question that arises then is why the budget for this project has increased by more than 1700% in only 10 years (from \$335,000 in 2010 to over \$6,142,000 in 2020 – see section 5 below).

On the other hand, if ESC were planning to construct the “Medium Term Route” outlined in the Gondwana concept plan (which seems more plausible, given the \$6 million plus funds allocated to the project), serious doubts would then arise as to whether the envisaged project could be completed in time to satisfy the BLER guidelines, given the lack of any significant preparatory project work to date. The June 2023 deadline would be unrealistic for the “Medium Term Route”, given the complexity of some of the engineering works required (e.g. design and construction of a 70-90 metre section of an elevated foreshore walkway, including steps and boardwalk with railings on superstructure, anchored to a tidal rock platform as well as an elevated footbridge over the lagoon at the end of Reedy Creek) and it would preclude sufficient time to integrate the knowledge and information gained from the commissioning and operation of the Initial Route as advised by Gondwana consulting. (Note that the Gondwana concept plan envisages a stepwise approach to the development of the trail, where experience and learning from the Initial Route would be incorporated into the design, operation and maintenance of the Medium Term Route components). ABE considers that it would be impossible to implement Gondwana consultancy’s recommended approach for the Medium Term route within the June 2023 BLER deadline.

The detailed scope of works encompassed by the project proposal and its concomitant timetable is another relevant consideration which can only be clarified by the PAC Inquiry obtaining a copy of the ESC BLER application for the Batemans Headlands Walking Trail. These details are also a specific requirement for project applications to be considered under the BLER Guidelines.

5. Escalating Costs for the Batemans Headlands Walking Trail Proposal

The Gondwana consultancy cost estimates for the Batemans Headlands Walking Trail proposal were \$335,000 (2010 dollars) for the Initial Route and \$2,030,000 (2010 dollars) for the Medium Term Route.

The next costing available for the project proposal is a one-off mention of \$3.63 million quoted in the ROSS Planning 2018 consultancy, with no details of route, scope or any cost breakdowns. This figure is then repeated in the 2019 Open Space consultancy, which states *“Council is seeking grant funding of \$3.6 million towards the staged implementation of the walking trail.”* No details of the “staged” nature are provided.

The next project costing then appeared on the ESC website when Andrew Constance announced the BLER funding allocation in November 2020, indicating a total project allocation which had escalated to over \$6,142,000. This consisted of \$5.25 million from the BLER, \$672,000 from the NSW Building Better Regions Fund, \$145,000 from Bushfire Regional Tourism Fund, and \$75,000 from the NSW Stronger Country Communities Fund, as well as additional unspecified contributions from Rotary Club and Council. No details have been provided to explain how the funding requirements for the project had suddenly increased by over 70% in one year, from \$3.63 million to \$6.14 million. ABE believes this is another situation where inspection of the ESC BLER application, if it exists, would throw more light on aspects relevant to “value for money”.

This excess allocation aspect raises a series of questions, some of which include:

- i) How was it possible for the Batemans Headlands project, costed at \$3.63 million in 2019, to be allocated \$5.25 million dollars in 2020, particularly when it had already been allocated \$892,000 from other NSW grant programs?
- ii) Shouldn't the requisite funding from BLER be calculated as \$3,630,000 minus the \$892,000 of funds already allocated, yielding a BLER grant of \$2,738,000?
- iii) Why has an additional \$2,512,000 been added to the Batemans Headlands Walking Trail proposal? What new features have been added to the project to justify this additional expenditure?
- iv) If the excess-allocation is verified, how many other worthwhile bushfire recovery projects in this massively oversubscribed grant program have been unfairly excluded?

If an “excess” allocation of funds is applicable to the Batemans Headlands Walking Trail project proposal, it would closely resemble another BLER Round 1 funding anomaly recently reported, where Kempsey Council had requested “only” \$7.5 million for the Macleay Valley Skydiving Adventure Park project, but was actually allocated \$11 million in BLER funding.

Ignoring for the moment questions regarding the suitability of skydiving and walking trails as priority bushfire recovery projects, it is difficult to reconcile such excessive allocations of BLER funds in the light of Deputy Premier Barilaro’s testimony to the Inquiry (see page 7 of uncorrected proof) that the BLER Grant program was “oversubscribed”, with 650 applications totalling \$6 billion competing for a \$250 million budget. Under these circumstances, why allocate individual

grant funds excess to those requested when it is obvious the bushfire recovery needs across NSW are so urgent and funds are so scarce? What additional community benefits will accrue from these excess allocations? Could the funds have been more equitably and effectively distributed?

Another aspect relevant to the BLER project guidelines which the PAC may want to clarify in relation to the Batemans Headlands Walking Trail Project proposal is the basis for the calculation of the number of increased visitors (“about 26,000”) and resultant expenditure (“approximately \$400,000”).

6. Conclusion

This submission has used examples of projects within the Eurobodalla Shire funded by previous and current NSW Government grant programs to examine significant issues relevant to the PAC Inquiry into the integrity, efficacy and value for money of NSW grant programs.

The BBRAALC provides a recent example of a grant-generated project which has created both immediate and ongoing financial impacts which will lead to cutbacks in local services and the sell-off or leasing of public assets, including community centres, visitor centres and public reserves across the Eurobodalla. These impacts are the antithesis of grant programs objectives to improve overall community welfare. The NSW Government should acknowledge these distortions in the grant processes associated with this project and work to deliver a more equitable system that will benefit all NSW residents.

The Batemans Headlands Walking Trail proposal is a current grant under Round 1 of the BLER grant program which requires clarification of significant issues regarding its eligibility (i.e. ‘shovel-readiness’), project timeline, route details, scope of works and quantum of funds allocated. The PAC should seek to clarify these issues before this grant’s deed of agreement is finalised, and facilitate improved consideration and management of the current round of BLER grant funding proposals now being assessed.

ABE has brought these grant-funded projects to the Inquiry’s attention in order to assist the PAC to achieve increased integrity, efficacy and value for money from NSW funding programs.

In particular, ABE hopes that this information will improve the current round of bushfire recovery grants so that they are fairly and transparently assessed, with the relevant processes and decisions being clearly documented and available for scrutiny by the public. This will help to deliver better, more equitable outcomes for all the bushfire-affected communities across NSW and constitute a practical way for the NSW Government to recognize the traumatic circumstances that these communities have experienced and assist with their recovery in a meaningful fashion.

Yours sincerely,
Dr Brett Stevenson
for A Better Eurobodalla

Note : I would be willing to appear before the committee to expand upon the information provided in this submission.