

**REPORT ON PROCEEDINGS BEFORE**

**PUBLIC ACCOUNTABILITY COMMITTEE**

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

**CORRECTED**

**At Parliament House, Macquarie Room, Sydney on Friday, 27 November 2020**

**The Committee met at 10:00 am**

**PRESENT**

Mr David Shoebridge (Chair)

The Hon. John Graham  
The Hon. Courtney Houssos  
The Hon. Trevor Khan  
The Hon. Shayne Mallard  
The Hon. Natalie Ward



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**The CHAIR:** Welcome to the fourth hearing of the Public Accountability Committee's inquiry into the integrity, efficacy and value for money of New South Wales Government grant programs. Before I commence I acknowledge the Gadigal people, who are the traditional custodians of the land, and pay my respect to those Elders, past, present and emerging, and extend that respect to other First Nation peoples present. I do that not just on my behalf but on behalf of all members of the Committee. Today we will hear from a number of local councils and joint organisations of councils from around New South Wales. Most witnesses will be appearing by videoconference today.

Before I commence I would like to make some brief comments about the procedures for today's hearing. Today's hearing is being broadcast live via the Parliament's website. A transcript of today's hearing will be placed on the Committee's website when it becomes available. In accordance with the broadcasting guidelines media representatives are reminded that they must take responsibility for what they publish about the Committee's proceedings. While parliamentary privilege applies to witnesses giving evidence today it does not apply to what witnesses or others say outside of the hearing. Committee hearings are not intended to provide a forum for people to make adverse reflections about others under the protection of parliamentary privilege. In that regard it is important that witnesses focus on the issues raised by the inquiry's terms of reference and avoid unnecessarily naming individuals.

All witnesses have a right to procedural fairness according to the procedural fairness resolution adopted by the Legislative Council in 2018. If witnesses are unable to answer a question today or would like more time to respond, they can take a question on notice. Written answers to questions on notice are to be provided on or before 12 January 2021, but I stress there is no harm in providing them early. To assist with audibility, please speak clearly into the microphones. As we have a number of witnesses in person and by teleconference it may be helpful to identify to whom questions are directed and who is speaking.

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**NUATALI NELMES**, Lord Mayor, City of Newcastle, before the Committee via videoconference, affirmed and examined

**SIMON MASSEY**, Economic Strategy and Government Relations Manager, City of Newcastle, before the Committee via videoconference, sworn and examined

**The CHAIR:** I now welcome our first witnesses being Lord Mayor and Councillor Nuatali Nelmes and Mr Simon Massey, who are both from the City of Newcastle. The questions of the fairness, the integrity and the transparency of grants is a matter of some public comment at the moment. Of course, one of the issues that has been raised with us is the situation especially for our large regional cities, Newcastle and Wollongong, who, some suggest, do not benefit from metropolitan funds and also do not benefit from the regional funds. They tend to be caught at both ends so we are grateful to have representatives from Newcastle here today and now is the opportunity, if you wish, to give a brief opening statement.

**Ms NELMES:** Thank you very much, Chair, for the invitation and opportunity to present to the New South Wales Government inquiry into the integrity, efficacy and value for money of New South Wales Government grant programs. This is, as you have just said, a very important topic and one for which the City of Newcastle provided a detailed and comprehensive submission. We welcome the opportunity today to expand on this submission and also take questions from the Committee.

**The CHAIR:** Councillor Nelmes, you are breaking up quite a lot. You are coming to us in a very patchy manner. It may be the connection at your end.

**Ms NELMES:** Okay.

**The CHAIR:** One of the options would be—and I know it is suboptimal—but if you turn off the video for this opening address in particular and we will have just your microphone on.

**Ms NELMES:** The sound?

**The CHAIR:** Yes. We will see if that works.

**Ms NELMES:** Certainly. I will stop the video.

**The CHAIR:** Right.

**Ms NELMES:** Is that better?

**The CHAIR:** That is much clearer. If you would not mind, start from the top.

**Ms NELMES:** Certainly. I thank you as the Chair for the invitation and the opportunity to present to the New South Wales Government inquiry into the integrity, efficacy and value for money of the New South Wales Government grant programs. As you have said, this is a very important topic and one for which the City of Newcastle provided a detailed and comprehensive submission. We welcome the opportunity to expand on the submission today and also take questions from the Committee. I too would like to begin by acknowledging that we are meeting upon the land on which Simon and I are coming to you from today, the lands of the Awabakal and Worimi peoples. I pay my respects to Elders past, present and emerging, and extend that welcome to any Aboriginal or Torres Strait Islander people who are connected with today's Committee meeting.

The City of Newcastle commissioned the University of Newcastle's Hunter Research Foundation Centre to conduct an independent review of Newcastle's experience with New South Wales Government grants. This report is attached to our submission. The report identified a number of regional funding streams that Newcastle, as you have noted, was ineligible for and no equivalent metropolitan program was provided. Just to be clear: If Newcastle had received its fair share based on 2019 gross State product, the city would be receiving an extra \$170.4 million in New South Wales Government grants. Essentially, Newcastle is deemed not regional enough for regional programs and not Sydney enough for metropolitan funding programs. Newcastle is stuck between a region and a city, falling between the lines of an unjust administrative construct.

Our classification varies between departments. There is no consistency. The crowding out of Newcastle and Wollongong negatively impacts the integrity, efficacy and value for money provided to our communities under the New South Wales Government grant programs. More importantly, our exclusion impacts on economic development opportunities for the State as a whole. Newcastle is a metropolitan centre that also serves a regional population. We are the capital of the Hunter and contribute almost 30 per cent of New South Wales's gross State product. Our submission proposed that the metropolitan/regional dichotomy no longer reflects Newcastle's transformation as a major regional economic centre and gateway to international markets for communities in northern and north-western New South Wales.

## CORRECTED

We made two clear asks of the Committee to improve the integrity, efficacy and value for money of the New South Wales Government grant program: Firstly, establish a consistent geography for all programs. Secondly, create a third classification for funding streams called Gateway Cities or Second Cities, which rightfully recognises the economic contribution of Newcastle, Wollongong and surrounding local government areas [LGAs]. All grants should be equitably distributed based on economic contribution to State gross domestic product [GDP]. Since our submission, Newcastle has been locked out of even more funding opportunities. Most recently, Newcastle has been deemed ineligible for the \$100 million Regional Jobs Creation Fund. Our city is ineligible for funding even though our adjacent neighbours at Lake Macquarie and Central Coast are eligible.

The irony, that Regional NSW's Hunter office and staff—everybody working on facilitating this program—are all based in the Newcastle LGA while the Newcastle LGA is excluded, is not lost on our council. The planning focus in New South Wales also continues to be very Sydney-centric. Why does the State Government have a plan for three cities in Sydney and not a plan for five cities in New South Wales? When will the State Government fund and implement the key elements of the Greater Newcastle Metropolitan Plan? Numerous voices have been calling for increased investment and focus on second cities or gateway cities in response to COVID-19. Many people are making their own choices. Local real estate data show that demand in Newcastle has never been stronger. The Business Council of Australia has been calling for population and economic expansion of second cities as key driving forces for creating new jobs and investment. Newcastle is at the top of that list.

Finally, the recent New South Wales budget included minor funding for a local bypass that had been majority funded by the Federal Government. No other direct funding was provided to the Newcastle local government area in the whole budget. This is again another missed opportunity to create new jobs and investment to drive opportunities both in Newcastle and throughout our connections to northern New South Wales. In conclusion, the City of Newcastle thanks the Committee for its engagement and work on this important topic, and both Mr Massey and I would welcome questions from the Committee.

**The CHAIR:** Thank you very much, Lord Mayor, and I thank you for that detailed submission, including that analysis. Mr Massey, I assume that the Lord Mayor has spoken—do you have an additional opening?

**Mr MASSEY:** No additional opening from me.

**The Hon. JOHN GRAHAM:** I thank you for those submissions. As the Chair explained, we are particularly interested in what really looks like one of the potential issues with the grant funding programs in the State, and that is that some areas of the State, like Newcastle and Wollongong, might fall into a grant funding black hole, where it does not matter how good the project is, it is unable to apply for grant funding. You are saying that is the case, in particular for at least these six funds that you have identified, but now you are saying potentially more than six—is that correct?

**Ms NELMES:** Yes, that is correct.

**The Hon. JOHN GRAHAM:** Give us some sense of what is missing out here. What are some of the potential projects that the community might be looking for or the council might be advocating for that you are unable to find any fund you can apply for?

**Ms NELMES:** For quite some time we have been looking for capital funding for the expansion of Newcastle Art Gallery. It has the most significant and largest collection of Australian art outside of a capital city in Australia. We do not get included—or we are included in the metropolitan program notionally, but most of that funding all goes to large art institutions in Sydney. We are also then locked out of any option for regional funding for that art gallery, and that is a shovel-ready project. The business case has a benefit-cost ratio [BCR] of 1.7, and it also creates 170 direct and indirect jobs. So it is a shovel-ready project, perfect for investment in the arts, investment in jobs in the region and also investment in tourism. We have really struggled to be able to capture any grant funding opportunities. It has already a \$10 million commitment from the City of Newcastle, it has philanthropy through the Art Gallery of NSW Foundation and a private bequest of \$10 million, and the missing component is less than \$20 million to complete the capital project. That is one concrete example.

The other examples are significant infrastructure spends like the freight rail bypass. That is an exceptionally important piece of national infrastructure that had committed funding, but the funding has never been spent for many years. That is obviously of national significance, that project. There is also—and I mentioned it briefly in my opening address—the Greater Newcastle Metropolitan Plan, which is a New South Wales Government-endorsed document. It has 11 catalyst precincts, and that covers the Newcastle metropolitan area—the greater area—and that is essentially all of Newcastle, all of Lake Macquarie, some of Port Stephens, some of Cessnock and some of Maitland.

## CORRECTED

It is an exceptionally valuable document. It has the shared aspirations of economic, environmental and also social investment for the whole of the metropolitan region, but unfortunately it is not resourced properly. It sits within the Department of Planning, Industry and Environment [DPIE] and also loosely within Regional NSW, and it involves the expansion of the airport in Newcastle, which is already the State's second international airport, but it has struggled at any level to get funding for the code E runway upgrade, which obviously would open up that airport to the rest of the world. Because at this present stage it is code C and cannot take the wide-body jets in to be able to be able to open up to, say, flights to the rest of the world. It can only fly in our local Oceania Asia-Pacific region. That is an exceptionally big project for the region.

The other catalyst site that has huge economic benefit to both the New South Wales economy and the national economy is the Port of Newcastle. Due to the issues not necessarily around grant funding but around the port commitment deed and decisions of the New South Wales Government, the economic expansion of that project has hamstrung the creation of many new and diversified industries around the port, and therefore jobs in Newcastle and the Hunter region. The other project that is very much in the domain of the New South Wales Government is the Broadmeadow sports and entertainment precinct. That has predictions around the creation of 8,000 jobs over 10 years, and that sits right in the centre of the City of Newcastle.

Unfortunately we have consistently not, for several years, been able to get even strategic business case funding to take that project to the next level. That is a project that is supported in the Greater Newcastle Metropolitan Plan, which is a State Government document. It is also supported by all of the councils in the Hunter, but we cannot even get the very small amounts of money to take that project to the next level. It is a very important investment in our region and also job creation. There is also the north-west Lake Macquarie strategic area, that has not been able to attract significant funding.

**The Hon. JOHN GRAHAM:** I might just stop you there. The striking thing about that list you are running through it is each of those are very significant job-creating projects. As you say, they are significant not just to the centre of Newcastle, but also to the Hunter and potentially to the State, they are on such a scale. But many of those that you are describing are falling into this grant funding black hole, is that correct?

**Ms NELMES:** Yes, exactly. Whenever applications are put in, we go through a process, we do the big business case, we come out with positive job-creating numbers. There is very broad community support—they are not contentious projects—but much smaller projects, and probably much less worthy projects, outside of the region are funded. Part of that is because of a lack of recognition of Newcastle and really Lake Macquarie as a metropolitan city, and needing the type of metropolitan infrastructure that Sydney often gets through grant programs and other programs from the New South Wales Government.

There is also another important component that I would really like your Committee to have a look at, and that is the bureaucratic structure that also provides the impediments to even the New South Wales Government being able to look at grant funding through the budgetary process. So what happens in this region is regional New South Wales is the lead for providing a plan to government of important priority projects for the next two years, and that regional leadership executive is a bureaucratic process where the whole of the Hunter region, and that is a planning region—and this is what I am saying around elaborating on the point around why the geographic boundaries need to be consistent, because our economic region, as defined by the New South Wales Government grant program, and our planning region are two different boundaries to start with.

The Hunter Joint Organisation of councils includes MidCoast Council and 10 council areas, and obviously south of us is the Central Coast Council. That regional leadership executive that is providing advice to Government around what are the region's priorities over the next 10 years to feed into the New South Wales budgetary process has one representative from 10 local government areas, from Newcastle right through past Taree and up past Scone. So it is a huge geographic area, much larger in population than whole State of Tasmania and double the gross regional product of Tasmania, and there was one representative, and that is the CEO of the joint organisation, that feeds into the regional leadership executive of Regional NSW's decision-making process.

I can tell you, the only project that was put forward in that document, that was provided to Government at a bureaucratic level of importance, was the John Hunter Hospital site. The Government has already committed \$780 million of funding to that site, which is actually very welcome and it is a very important project, but there is no other mention of the whole of the City of Newcastle or Lake Macquarie, for that matter, which is the lion's share of the population, and the metropolitan region and the capital of the Hunter region, in that document. It is no wonder that when the Government is making budget decisions, even around set funding that is not even part of the grant program, that we are not getting a look in. There is a real problem with the way that bureaucracy and that network is structured to feed government the correct information for the regions. We do not even have a seat at that table.

## CORRECTED

**The Hon. JOHN GRAHAM:** Thank you for that observation; I think it is really useful. I will go back to some of the examples that you have talked about, because I think it will give us a good sense of what some of the issues might be. On the Newcastle Art Gallery, you have given us the background about how much community support there is for the project; it has been advocated for for a long time. This is what your submission says in relation to cultural funding:

... Newcastle is ineligible to access the Regional Cultural Fund, as it is defined as 'metropolitan', but there is no equivalent opportunity within metropolitan funding rounds. Create NSW lists eight Sydney-based cultural infrastructure projects and the Regional Cultural Fund on their website. Newcastle has been effectively shut-out of all NSW cultural infrastructure grants.

As you put the case to the Government for the Newcastle Art Gallery—that it should be eligible for some sort of grant funding—what response are you getting? What is the response as you advocate this idea that in fact you are sitting in a funding black hole?

**Ms NELMES:** Well, this takes up a lot of my time and Simon's time and our time in the City of Newcastle, and to be fair to the Minister, Don Harwin, we did have a very productive meeting with him a couple of months ago to try and explain to him the issue of how we are slipping through the holes in terms of funding. It is my understanding that when the New South Wales Government brought down its budget a couple of weeks ago, they created a new fund, and we actually had a unanimous resolution of council just this week on Tuesday night to write to the Minister and also the Premier in the hope that we are now going to be actually eligible for that new fund that has been created.

You have to understand that this project has been shovel-ready for years, and we have been knocking on doors and knocking on doors trying to explain that we are falling through the cracks with this project. I am hopeful that we had a very positive meeting with Minister Harwin and that they have found a solution, but that is years and years of advocacy and work—to try and find that solution. What happens in those years and years? We are missing out on infrastructure investment to actually create New South Wales' second metropolitan city and grow it in a fair and sustainable way. It is so important that Government realises there is another metropolitan region that is a discrete economic region outside of Sydney in New South Wales, and I know Wollongong suffers from the same type of metro-regional dichotomy. Once the Government realises that and realises that their own document—the Greater Newcastle Metropolitan Plan—is an exceptionally important plan that needs to be resourced. At the moment, that is not resourced in any way in Government.

**The Hon. JOHN GRAHAM:** To come back to that second example of the Broadmeadows sports precinct, we had quite strong submissions from Newcastle and Wollongong on the sports funding. It is another example of a gap in the map of the State; these holes open up in Newcastle and Wollongong. One view has been put that the Broadmeadows sports and entertainment precinct faces that hurdle—that it cannot really apply for metropolitan funding, nor can it apply for regional funding. Is that one of the barriers that you are facing as you put this view to government?

**Ms NELMES:** It is one of the barriers, but the barriers to that project are multifaceted; there is never one exact reason. The way the grant programs are structured is one of the problems. What I have seen in the media is that there is obviously the political issue in Newcastle and the Hunter where the majority of the members of Parliament are in opposition, and it makes it exceptionally difficult if opposition seats do not have access to any fair funding for projects that are outside the political process, which is really valuable for our communities. When that continually happens, there is just no fairness for our communities in Newcastle and the Hunter to be able to even go through a bureaucratic process to get grant funding. We are completely reliant on trying to go through those political channels, which often fall flat because we do not have any local members that are in government in New South Wales.

I have been Lord Mayor for six years and always tried to work very closely with the Government of the day, but it is exceptionally difficult time and time again. If it is not the grant funding program, it is another type of program that if they do announce funding, like the freight rail bypass, the funding is often never spent, and they keep re-announcing it year after year. We have an example, not just at Broadmeadows Sports and Entertainment Precinct—that is not even really grant funding yet. We cannot even get to the point where we are applying for grants because per Treasury guidelines, it has to have the strategic business case completed. Venues NSW within its own government have not been even able to get \$6.7 million to go to the next level to get the strategic business case done for what is arguably probably the largest job creating project right in the heart of the City of Newcastle.

The way the project will be structured actually creates infrastructure investment in Cessnock and Lake Macquarie because it recognises the hub as an entertainment precinct. For people from Sydney, imagine a regional version of Sydney Olympic Park, and then with the hub and spoke in terms of sports and entertainment facilities reaching out into Maitland, Cessnock, Port Stephens and Lake Macquarie, and it all working in a very organised metropolitan infrastructure delivery that also brings in the private sector and a light rail extension.

## CORRECTED

Cities are complex systems and when you get a road block—whether it is grant funding or an internal government bureaucratic process or whether we are just left out because it is all Labor representatives in this area—it is very frustrating. You are really holding back the growth of the city for generations to come because of the lack of this understanding that this is a metropolitan area that needs to be requisitely funding, at least, per capita.

There have been recent reports done that show that per-capita spending in Sydney outstrips per-capita spending on infrastructure in Newcastle and the regions by about \$1,000 per person. That is so evident when you look at the City of Newcastle and what we do just at a local government ratepayer level. Because we are a metropolitan area that is not the seat of government, we fund so much more than councils in Sydney. We are funding art galleries and museums, putting funding into university precincts and into hospital precincts, and putting in time and energy but we are only local government, and we are also getting rate capped.

**The CHAIR:** We will break that down. I think you acknowledged that one of the issues you have faced, particularly in the last decade, has been your local MPs tend to be Opposition MPs, and then you feel that means you do not have equal access to State Government grants. Is that right?

**Ms NELMES:** Yes.

**The CHAIR:** I would like you to focus on just one round of grants, and you or Mr Massey might want to make a contribution. The Stronger Communities Fund tied grants round, which ended up being \$252 million of State Government grants, was largely distributed in the nine months leading up to the last State election. Did Newcastle council ever receive any notification from the State Government about the availability of that round of grants?

**Ms NELMES:** I will let Mr Massey speak because I have spoken a lot.

**The CHAIR:** No, I am not trying to dictate who responds. We have really appreciated your evidence, Councillor. Mr Massey?

**Mr MASSEY:** Thank you, Chair. I would have to take that one on notice in terms of the communication we received. Just to speak to the Stronger Communities grants and also to the Cultural Infrastructure grant before is that the work that we are doing locally and within council is to develop strong, robust submissions that align with the principles that are being set by the New South Wales Government. In terms of if and when grant opportunities are available, we have prepared and produced submissions that align to the new cost-benefit analysis guidelines released by NSW Treasury and focus on outcomes-based budgeting as well. We feel that the strength of those submissions can align to that and therefore provide confidence to the Government and the decision-makers regarding the value for those grants within Newcastle. In regards to the Stronger Communities, I acknowledge there has been a number of conversations recently about it. I am very happy to take the question on notice to follow-up what communication we received prior to that decision.

**The CHAIR:** There was a proposal at one point to merge Newcastle with Lake Macquarie, is that right?

**Ms NELMES:** Yes. That was an initial proposal during the previous term of this Government around local government mergers. That was then changed to a merger proposal with our northern neighbor, Port Stephens Council.

**The CHAIR:** On a reading of what we now see as the amended guidelines for Stronger Communities second round funding, Newcastle would have been entitled to receive funding because there had been, in your case, two proposed mergers even though they did not proceed. Did you receive any funds at all from the Stronger Communities tied grants funding round?

**Ms NELMES:** No.

**The CHAIR:** Mr Massey, you spoke about the detail the council would go into if it was to put forward a proposal for a grant. I assume that includes detailed cost-benefit analysis and quite detailed documentation to be put forward ordinarily for a grant, is that right?

**Mr MASSEY:** Yes, absolutely. As per the previous example, we have a full cost-benefit for the Newcastle Art Gallery developed with a benefit-cost ratio of 1.7 for that project as a whole. All of the assessment aligns to the guidelines that NSW Treasury has provided regarding cost-benefit analysis to ensure consistency across the State and across all different markets within government.

**The CHAIR:** What is the size of the grant you are seeking in that regard?



## CORRECTED

**Mr MASSEY:** It is a request of less than \$20 million. It is majority funded by the City of Newcastle with a commitment to \$10 million, and also a bequest and support from the Art Gallery Foundation of \$10 million as well. City of Newcastle is looking to contribute directly to this development as well.

**The CHAIR:** And that is a very detailed business case, a long-term campaign, strong community support, and repeated resolution of council in favor. That would be in the summary of the detail and the extent that has gone into that grant application?

**Mr MASSEY:** Yes, that is correct. Also, from a jobs point of view as well, it identifies jobs both during the construction directly and indirect supply chain jobs as well as additional ongoing jobs available. There is also some analysis that includes the tourism and visitation benefits for that project.

**The CHAIR:** And that has been years, in one form or another. It has been with the State Government for years.

**Ms NELMES:** Yes.

**The CHAIR:** Councilor, we had evidence from Hornsby Shire Council that in the course of the Stronger Communities funding their CEO got a call from the Office of Local Government at 5.00 p.m. one evening being told that they had been selected to be given \$90 million for one project that was for \$50 million for one restoration of the park and another of \$40 million for another. He was asked if council wanted the \$90 million, to which he said—no criticism of the CEO— yes, he would like \$90 million. He took it to council and within 72 hours from the first phone call the Office of Local Government had sent a funding agreement. It was signed and executed an \$90 million was in the council's bank account within 72 hours of the first phone call. Again, no criticism of Hornsby council. What council would refuse such an offer? But how do you feel given that history when you have been waiting such a long time for such a carefully documented request for the art gallery funding? Do you have any reflections on that?

**Ms NELMES:** I have many reflections. I was not surprised. I believe that the mayor there is very influential and obviously knows the right people in government to get the funding. We could be a little bit jealous up here in Newcastle. I have to say that on seeing those two projects they are very worthy projects, so I do not by any stretch—I think one of them was making park land out of a quarry. I thought that project actually looked quite fantastic. It is a wonderful project. I thought that they were great projects and deserve funding. But when you have been in this job for quite some time and been in local government for quite some time, so much happens to you—because we are not legislators—at a bequest of State Government that it is never surprising to me to be constantly missing out or everything is quite difficult.

It would be wonderful if we were recognised as the important region that we are here in Newcastle and the Hunter. What Government needs to understand—and this is not just at a political level, it is also added bureaucratic level and it happens Federally as well—is that there are metropolitan areas in this country that are not capital cities. The whole structure of government, from the Federal Government to the New South Wales Government down to local government, inhibits infrastructure and social and environmental delivery of projects if you are not in a capital city but you are in a metropolitan area. That is why we have made recommendations for a separate classification of gateway cities.

We have been doing a lot of work and research with our partner universities and cities like Geelong and Wollongong on the need for policymakers and lawmakers at Federal and State levels to understand that we have second cities and gateway cities in this country and you need to fund them properly. Hornsby is at the edge of a very well-known metropolitan region in Sydney. It also is a relatively affluent area. It is disappointing that, say, one of those projects was not funded in Hornsby and the other project funded in Newcastle and Lake Macquarie and regional areas. It is very disappointing.

**The CHAIR:** It is not too much to expect that there would at least be transparency and you would be put on notice that this funding pool is available. That is surely the minimum expectation, is it not?

**Ms NELMES:** Yes, the absolute minimum expectation would definitely be that, but it is not the first time that this has happened and unfortunately I doubt that it will be the last time. It happens to us all the time. I am deadly serious that if we only had two tiers of government, regional government and Federal government, in this country this would not happen. We are structured in a way that is inherently difficult to regions like Newcastle.

**The CHAIR:** Sorry to stop you there. I think reforming the Constitution to remove State governments is outside the terms of reference of the inquiry.

**The Hon. SHAYNE MALLARD:** Thank you for your advice.

**The Hon. JOHN GRAHAM:** It is just unlikely to be recommendation.

## CORRECTED

**The CHAIR:** My sense is that it is unlikely.

**Ms NELMES:** I would encourage the Committee to strongly consider that as a recommendation. I am not saying the complete removal of State government, but maybe just removing—

**The Hon. SHAYNE MALLARD:** Perhaps we should get rid of councils.

**The CHAIR:** I am not entirely sure that is a productive use of the few short minutes that we have, but I accept that that is the position you put forward. Can I ask you about what, if any, work you are doing with Wollongong? It seems to me that Wollongong and Newcastle would potentially have a strong alliance in this regard because all of the concerns you have put forward about being categorised as metropolitan so you miss out on the regional funds and then not being classified as Greater Sydney so you miss out on the Greater Sydney funds, have been matched 100 per cent by the submission we got from Wollongong. Is there a partnership developing between Wollongong and Newcastle and do you have a common set of demands?

**Ms NELMES:** Absolutely. We have developed what we describe as a gateway city alliance and that is an alliance between Newcastle, Wollongong and Geelong in Victoria. We have attached *Australia's Gateway Cities: Gateways to Growth* report to our submission. Our submission was authored by our research partners—Deakin University, Wollongong University and the University of Newcastle—as well as our council and people such as Simon Massey. It is based on hard data and research and was launched in Canberra in Parliament House by the Minister at the time, Michael McCormack. It has been circulated with your Government and with the Federal Government, and it is based on data and research around the need to align grant funding, programs and policy to understand that there are metropolitan areas and gateway cities such as Newcastle, Wollongong and Geelong that need separate classification. That is one of our recommendations to the Committee.

**The CHAIR:** I see that. We are running short on time. I understand that there was a resolution passed at the local government conference in relation to the more equitable allocation of funding. Can I ask, if that is the case, could you provide on notice any further details in that regard to the Committee? I am asking you to take it on notice because I will now hand over to the Hon. Shayne Mallard from the Government for the final five minutes of questions. Will you take that question on notice?

**Ms NELMES:** Certainly.

**The Hon. SHAYNE MALLARD:** Thank you for giving evidence, lord mayor. You probably know that I was a councillor for the City of Sydney for 12 years and I note that the City of Sydney also did not qualify for very many grants at all. That was in respect to its relative robust financial position. I want to flesh out the situation with Newcastle council. What is your situation budget wise? What is your turnover, your budget per annum and do you have a surplus?

**Ms NELMES:** Yes, we are in a very strong financial position. We have run operational surpluses for the past six years and we have deliberately gone into reserves this financial year to support our community through COVID-19. We were one of the first councils in the country to adopt a \$5.5 million community and economic resilience package. We were sending out rapid response grants to homelessness organisations, first responders and the like as soon as March to make sure that our community was supported. We carry very low debt, our annual budgets is around \$340 million, we have an unqualified audit and meet all of Local Government NSW's financial sustainability criteria above and beyond. We have been able to support our community when the State Government has not because of that exceptionally strong financial position, but we are hamstrung by rate capping in New South Wales and—

**The Hon. SHAYNE MALLARD:** I understand all that, so we do not need to go into that area. So \$340 million and you have a surplus so you are in a very healthy position. I pick up on your comment where the State has not helped because it has poured a huge amount of money into the COVID response across the State. You mentioned before and welcomed the approximate \$800 million and the new Hunter hospital investment from the State.

**Ms NELMES:** Yes.

**The Hon. SHAYNE MALLARD:** I will come back to that, but your financial position of \$340 million with a surplus would obviously compare quite favourably against your next-door neighbours of Lake Macquarie and Central Coast. I imagine that they are much more tight with their money.

**Ms NELMES:** Well, obviously you have heard what has happened on the Central Coast—

**The Hon. SHAYNE MALLARD:** Indeed—bankrupt.

**Ms NELMES:** I am not aware of the ins and outs of their financial position but my experience in local government is that that will take quite a number of years to rectify that situation.

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**The Hon. SHAYNE MALLARD:** I am sympathetic to your position of a gateway category. I think Parramatta would probably have the same argument about not getting the allocation that they feel they should, and the City of Sydney poses the same argument. But what I am putting to you is about equity. You are in a very robust position with \$340 million budget surplus, which is a great credit to you and the council. The outline of your position you just gave us—unqualified audit. You are in a strong position to be able to deal with some of these issues, as opposed to other councils in the region, clearly, like the Central Coast.

**Ms NELMES:** Yes, but just to be clear, our budget is a \$340 million budget, not a \$340 million surplus.

**The Hon. SHAYNE MALLARD:** No, I know that. I understand budgets, do not worry. If you had a \$340 million surplus I would be very happy for you. So you have an \$800 million investment in the Hunter hospital from the State and, just throwing our minds back, how is the light rail going for stimulating the CBD economy?

**The Hon. TREVOR KHAN:** Wonderful.

**Ms NELMES:** Yes, it is good. What I would say is that I understand your line of questioning and I want to be really clear—

**The Hon. SHAYNE MALLARD:** Well, I have not finished yet.

**The CHAIR:** No, you have to allow the lord mayor to answer. She is entitled to answer.

**The Hon. SHAYNE MALLARD:** That is wonderful coming from you, Chair.

**The CHAIR:** You must allow the lord mayor to answer.

**The Hon. SHAYNE MALLARD:** I will remember that for next time.

**The CHAIR:** We have almost run out of time but there is a five minute indulgence to allow you and Ms Ward to have further questions and it would be best not to spend that on interactions between you and me.

**The Hon. SHAYNE MALLARD:** I am enjoying my visit here, Chair. Please answer, lord mayor.

**Ms NELMES:** Thank you—

**The Hon. SHAYNE MALLARD:** But do not hypothesize about my questioning.

**The CHAIR:** I am going to call you to order, Mr Mallard. I ask you not to keep interjecting because it is unhelpful and you are eating up the last five minutes of Government questioning time. I go back to the lord mayor and ask Mr Mallard to remain silent as she answers the question.

**Ms NELMES:** I wanted to say that I am not here today to say that the funding allocated to the John Hunter Hospital and the expansion of that hospital is not welcome and warranted—or any of the other \$650 million of funding that went into the CBD revitalisation. That is all very welcome and those projects, particularly the CBD revitalisation, I would say have been very successful in terms of that investment and the change of infrastructure in the City of Newcastle. I want to expand on those partnerships with the New South Wales Government that have been really positive for the City of Newcastle. I know that sometimes this is a political process through committees such as this, but I am here as Lord Mayor of the City of Newcastle to say that we want to partner in every way, shape or form with both the New South Wales Government and the Federal Government to deliver the right mix of infrastructure that makes our region great for generations to come. We have the plan in place.

**The Hon. SHAYNE MALLARD:** Okay, you have said that before and I appreciate that. Can I ask some more questions?

**The CHAIR:** No, I will go to Ms Ward, who has been waiting patiently to ask a question.

**The Hon. NATALIE WARD:** I want to ask about the Hunter Infrastructure and Investment Fund and the projects there. I accept what you have said, but I want to understand the impact of those investments in the area because I think it is not fair to characterise everything in one bundle as if the Hunter has missed out. Would that be fair to say, taking into account the investments through that fund?

**Ms NELMES:** Yes, that would be fair to say. There are obviously good grant funding programs that have been successful. What I am trying to convey today is very peculiar to the local government boundaries of the City of Newcastle, because we are often classified as either metropolitan in some rounds or regional in other rounds. While funding can often be quite a bit easier for our neighbours to attract, it can be very difficult due to the classification of some of the boundaries around the funding program.

## CORRECTED

**The Hon. NATALIE WARD:** [inaudible] I understand. That ranges from stage one and \$11 million for the Newcastle Airport expansion through to \$5 million for the basketball association for Newcastle towards the [inaudible]. So it is a whole range of investment that has been made in the region. About \$3.2 million from the Department of Education for a regional performing arts centre, \$10 million for the hockey centre, \$60 million for the Newcastle city centre urban light rail. So there has been a range of investments from the basketball centre through to the airport, has there not?

**Ms NELMES:** So the basketball is in Lake Macquarie and the airport is in Port Stephens. So they are both not in the Newcastle local government area.

**The Hon. NATALIE WARD:** Sorry, if I can just clarify. That is a good point because the basketball association is the basketball association of Newcastle.

**Ms NELMES:** So this is a really good example. Please let me explain what has happened there. The basketball at the moment is actually in the Broadmeadow sports and entertainment precinct but it is on Crown land and it has needed funding to be rebuilt for quite some time. But they could not get funding to rebuild it in the City of Newcastle because of the grant funding programs, so they had to go to Lake Macquarie, find an environmental [inaudible] land site with the council there to be able to attract funding to build a new basketball centre because they could not get funding to build it in Newcastle.

**The Hon. NATALIE WARD:** It is not your evidence that you are sneezing at \$5 million for the basketball association towards the multipurpose complex. Surely that is helping—\$5 million towards that complex is not nothing. It might not be perfect and none of these things are but \$11 million for the airport, there is a range. What my point is that none of these are absolutely perfect and everyone cannot get what they want when they want it but it has not been ignored, has it? Is that fair to say? The area has not been ignored.

**Ms NELMES:** It is really important to understand that because of the way the funding programs are structured, the \$5 million that you are talking about that went to the Newcastle basketball was not enough to actually fix the infrastructure problems on that Crown land site. So they wrote back to the Government and basically gave the money back. They said, "We need \$20 million to build a new facility." All of the Government grant programs would not allow that facility to be rebuilt in the City of Newcastle so they had to move it outside our local government boundary into Lake Macquarie to be able to access funding. That is a really poor metropolitan outcome because it is not near a major train stop like the Broadmeadow train station, which is on both lines, the Sydney line as well as the North Coast line.

**The Hon. NATALIE WARD:** Is that not—

**The CHAIR:** Sorry, one at a time.

**Ms NELMES:** What I am saying is that it is a good example of the problems with grant funding where we see the infrastructure in the wrong location to try to access grant funding.

**The CHAIR:** Sorry, we have gone well over time and we have a really tight agenda today. If there are some further questions of the lord mayor, there is an opportunity to ask some supplementary questions after this. Lord Mayor, you have taken a couple of questions on notice and you have until 12 January to provide answers to those questions on notice. Obviously we could have had more discussion, but I thank you both for the evidence that you have given.

**Ms NELMES:** Thank you.

**Mr MASSEY:** Thank you.

**(The witnesses withdrew.)**

**(Short adjournment)**

## CORRECTED

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**PAUL SCULLY**, Member for Wollongong, before the Committee

**TIM CRAKANTHORP**, Member for Newcastle, before the Committee

**The CHAIR:** Welcome to the Committee. I might just pass over to the pair of you to give a brief opening statement.

**Mr PAUL SCULLY:** I have taken the unusual step of making a submission requesting to appear before this Committee today out of frustration—both at a personal level and on behalf of my community. Simply put, I do not see what has happened to Wollongong and Newcastle happen to any other communities at the whim of political convenience. Wollongong is sadly used to being overlooked by this Government. Whenever a new funding grant program comes out, anyone in Wollongong firstly asks "Is Wollongong eligible?" The simple guide that has emerged under successive programs administered by this Government is no if it is a Nationals Minister, and maybe if it is a program administered by a Liberal Minister.

However the most insulting thing that happened to us recently has been for the entire Wollongong Local Government Area to be ruled ineligible to even apply for any of the Government's sports facility funding programs. Initially I thought this exclusion was accidental like when Wollongong was left out of the Government's summary of the Illawarra budget initiatives in 2018. Surely no government, not even one as tricky as this one, would be so petty and mean spirited to leave out thousands of people—kids and adults—participating in community sport with literally no program to seek funding?

But the fact was for all intents and purposes, we had been excluded from New South Wales. But this was not a bureaucratic oversight or even a mistake. It turns out that this must have been a deliberate decision of the Government. This Government sought to exclude sporting groups for no other reason than they were in the Wollongong Local Government Area. This impacted on four State electorates. It split two electorates, Heathcote and Shellharbour, in half but the member for Heathcote did not stick up for the northern suburbs of Wollongong, he abandoned them, leaving them to fend for themselves, leaving those most impacted by the decision unable to even exercise their frustration at the ballot box because they were too young to vote.

A sports riot is one thing but the exclusion of communities when no others were excluded takes it to new levels. Being ineligible to apply for either a metropolitan or a regional fund means you are left right out. That is offensive, insulting and possibly the worst public policy decision I have seen in a very long time. But when it was pointed out the problem was ignored because the Government was either not interested or did not care enough to address the guidelines to either one program or the other. Yesterday we heard why. Yesterday the Premier admitted that she had used grant programs as politically motivated means, ingratiating her Government to selected communities. It appears that the exclusion of Wollongong and Newcastle from programs is proof that this Government also actively engages in the politically motivated exclusion of communities that it either does not like or is not interested in assisting. That is unfair, it is wrong and it should never be repeated.

**The CHAIR:** Thank you, Mr Scully. Mr Crakanthorp?

**Mr TIM CRAKANTHORP:** Thank you, Mr Shoebridge. It is a pleasure to be here today. I will start by going back to Franz Kafka, who was one of the most influential writers, as I am sure you will know, of the twentieth century. His works featured isolated protagonists facing bizarre or surreal bureaucratic situations. The word Kafkaesque now describes nightmarish, complex, bizarre or things of illogical qualities. That me show you what Kafkaesque means for the people of Newcastle—our State's second-largest city—which together with the wider Hunter Valley provides 30 per cent of New South Wales' gross domestic product [GDP].

I will just take the Metropolitan Greenspace Program which has distributed \$45 million to 365 projects in Sydney and the Central Coast. Newcastle Council cannot apply because it is designated as a regional centre. Fair enough. If that is what we are then why can't our elderly citizens no doubt enjoy the benefits of the wonderful Regional Seniors Travel Card, which gives \$250 to eligible seniors living in regional, rural and remote areas. Well, Newcastle Local Government Area is now metropolitan and our seniors miss out so we have got people in Kotara on one side of the road classified as being eligible—regional in a metropolitan centre—and the others are not.

We are eligible for many things, because we are back to being designated regional, for the Regional Tourism Product Development Program and the Resources for Regions fund, but for the Snowy Hydro Legacy fund, the Growing Local Economies fund and the Regional Skills Relocation Grant, we are not deemed eligible. We are deemed ineligible but there is no metropolitan equivalent that we can tap into. So our cultural organisations, as has been mentioned, are very excited by the \$100 million Regional Cultural Fund which according to Create NSW strengthens regional arts, screen culture and heritage and revitalises local communities

## CORRECTED

through strategic investment. However—and I suspect you are all ahead of me here—Newcastle LGA is designated "metropolitan" for these much-needed grants. We go back to the Create NSW website to find no fewer than eight Sydney-based cultural infrastructure programs and Newcastle can apply for precisely zero. There is no possibility of State arts funding for one of the most creative areas in Australia.

But we think that we are a great sporting powerhouse. A lot of grassroots organisations are crying out for help. There are two funds: the \$100 million Greater Sydney Sports Facility Fund and then the Regional Sports Infrastructure Fund. Are we regional or metropolitan? Actually, we are neither. We are ineligible for both funds. Now we have got the extraordinary case of the Newcastle basketball centre, which is a \$25 million project being built on an unsuitable plot of land away from public transport and other major sporting facilities because that area is just outside of Newcastle LGA boundaries and there is a grant available outside Newcastle LGA. Bizarrely, we have the Government trying to get sport into our Broadmeadow Sport Precinct in the city, but no-one can access the money so it has got to be built just on the edge. This is bizarre.

I do pay credit to Minister Lee in the recent budget. He is trying to rectify the situation but, given the recent revelations of the \$250 million grant episode, we do wonder if we will actually get our fair share of that. We are at the mercy of the shifting goalposts. That is the problem. Every time a government program pops up, we get flip-flopped between metro and regional. Any day it seems to be at the whim of a person writing the eligibility criteria—perhaps using the phase of the moon or the price of wheat in Canada. I tell you that is about as much sense as it makes. It is truly Kafkaesque. All we want is a chance to apply for our fair share.

**The CHAIR:** Maybe it is linked to the water level in Lake George. It must be very frustrating.

**Mr PAUL SCULLY:** It is certainly fluid.

**The Hon. JOHN GRAHAM:** I think you have described the situation well in your opening statement. It is clearly inconsistent, but the most concerning thing you have put is there might be a black hole where you just cannot access either fund for arts or sport. That basketball case is an excellent example there. What you are describing is being literally run out of town because of that black hole. Is that correct?

**Mr TIM CRAKANTHORP:** That is right. The Government has a strategic focus on Broadmeadow Sport Precinct, which is seen as the next big redevelopment centre in Newcastle. We have done the CBD. Now it is this area. Bizarrely, you cannot apply for major funding for infrastructure to go into the sports centre. We have it off Hillsborough Road. Anyone that knows the area—it is far from perfect. In fact, if you get the Sydney Kings basketball—we had a national basketball event last year. You get thousands and thousands of people coming into Broadmeadow at the time. They are not going to be able to do that. To go down to Hillsborough Road, you are going to cut out so many people—no public transport, cars everywhere. Yes, bizarre.

**The Hon. JOHN GRAHAM:** You are describing a situation which is very unfair for these two particular parts of the State. That is why the Committee is interested in it. How could we improve the situation in the medium term?

**Mr PAUL SCULLY:** I was referred to and said that the sporting organisations in Wollongong could apply under the Community Building Partnerships fund, the Local Sports Grant Program or the clubs infrastructure fund. Those funds are available to every other electorate. There was no advantage in that. What I think we need to do is be clear about the definitions. I know that this is something that is strongly supported by Wollongong City Council. I know Newcastle council has the same view. The change in demographics and population size means that we need almost a third definition or category. When a funding program comes up, you can be either Sydney metropolitan, large regional centre, or regional and rural. Those large regional centres, in the first instance, will probably apply most logically to Wollongong and Newcastle, and perhaps the Blue Mountains on occasion.

But this is going to expand into the future into other areas: Bathurst, Orange, Tweed, Central Coast. No organisation, council or community should be at the whim of the flip-flop of this thing and, worst of all, left out altogether. Because they just cannot plan. They cannot go forward. I have got Port Kembla Football Club, which cannot do stands for the older members to actually sit and watch games. It is losing members and supporters as a result. The Illawarra basketball stadium is losing regional and New South Wales based tournaments because it cannot get that little bit of funding it needs to make the improvement and keep its facilities up to scratch.

**Mr TIM CRAKANTHORP:** What we need is a clear definition and equitable access. Every town and city needs to be defined and classified. Then no-one will miss out, because at this point that is not what is happening.

**The Hon. COURTNEY HOUSSOS:** Tim, the most egregious example seems to be at the basketball stadium which should have been located at Broadmeadows but is now being forced to be outside of the location

## CORRECTED

there. Paul, are you aware of any other kinds of situations where you have a perverse incentive for sporting or other community facilities to be located outside of the area where you actually have the population centre, the public transport links and the other facilities that they are going to be able to link into?

**Mr PAUL SCULLY:** For instance, Shellharbour was eligible under the arts funding program. Literally one side of the Windang Bridge was eligible. But organisations there tend to use facilities in Wollongong Central because that is where the investment has been made by successive governments in making sure there are those facilities that can cater to the size of it. A lot of those organisations were told, "You can apply for funds, but make sure you are putting on the show and program in the Shellharbour local government area because, if you were to put it on in Wollongong, you may find yourself ineligible to seek and apply for the funding." You do get these perverse incentives and distortions in arrangements simply because of a line on a map that makes no sense and no distinction between communities that are pretty well integrated. If anyone comes to the Illawarra, you go from Helensburgh to Kiama and it is all one long stretch of community. We are in and out of each other's local government boundaries all the time. We should not have that distortion just because of bizarre decisions in funding programs.

**The Hon. COURTNEY HOUSSOS:** It is literally that the lines that are being drawn in Sydney instead of the broader community, which just does not see these same kinds of divisions.

**Mr PAUL SCULLY:** Absolutely. It appears to be lines drawn by people who may never have set foot in the Illawarra or do not care to look at how communities work together. I am sure the Hunter works very much the same. People live their lives. They go about in their involvement in community groups. They are not restricted by local government boundaries for that enjoyment.

**Mr TIM CRAKANTHORP:** Absolutely. We have got a boom in women's sport, for example, and these are the facilities that we have in Newcastle. I will table this. We have got rugby, Aussie rules, football—the works. The state of those facilities is just incredible.

**Mr PAUL SCULLY:** I could provide similar photos.

**The CHAIR:** For the benefit of Hansard, that was a change room with no roof.

**Mr TIM CRAKANTHORP:** That is a toilet or a bathroom. There are no change rooms for the women. They have got to get changed in their cars or before they go. As a father with two young girls actively playing sport, it is an absolute disgrace. We cannot access the infrastructure funds desperately needed.

**The Hon. COURTNEY HOUSSOS:** Paul, in your opening submission you talked about how this could actually happen to other areas around the State because there is a lack of clarity around why exactly Wollongong or Newcastle have essentially been wiped off the New South Wales map, as you say. This is something that came up in previous testimony from Newcastle council. What impact has that had, firstly, on the council but also on other programs, for example, the Community Building Partnership program that you are referring to?

**Mr PAUL SCULLY:** With community building partnerships, we get applications of about \$6.50 for every \$1 that is able to be handed out. About \$2 million for the Wollongong electorate alone, this is; about \$2 million in applications for \$300,000 in funding. What happens is this gets kicked down to either councils or clubs, businesses and others that are able to step up and may be able to find that little bit of funding. But there is an opportunity cost. If you have got a council that has to pick up the tab because the State Government is not doing its job on its facilities, that means council facilities or other council programs get run down at the same time. You cannot always be going cap in hand to every business that you are already going cap in hand to—or to your membership—simply seeking funding because, for some bizarre bureaucratic or political reason, your community has been excluded. But if you are in the Tweed, if you are in Bathurst or you are in Albury, as you grow, watch out—because this is the sort of thing that could be coming your way, too. That is why I am here today. That sort of behaviour should not be accepted by any Government into the future.

**The CHAIR:** Both Wollongong City Council and City of Newcastle Council have spoken about having a separate classification of "gateway cities" that would apply to Wollongong and Newcastle. Is that something you would both support?

**Mr TIM CRAKANTHORP:** I do not care what the name is, as long as we get a clear classification and get equitable access to grants. Gateway is a great concept. Sure, we need every town and every city in the State defined and able to apply—not left off.

**Mr PAUL SCULLY:** I agree; a third category at least—gateway city, large regional centre, whatever it may be. Then when a funding program comes up, it is considered by the Expenditure Review Committee [ERC] or the Cabinet and it has, essentially, a checklist: "Is Sydney in? Yes, tick for metropolitan. Are areas like

## CORRECTED

Wollongong in? Tick there. Is it regional?" You can work it out from there. But it is to be very clear and not be very arbitrary in what is included and excluded.

**The CHAIR:** The other option is it is all-in for regional or all-in for metro. Those are the other options, are they not? It is either a separate category, or you are always included in metro, or you are always included in regional. At the moment you are falling through both—

**Mr PAUL SCULLY:** Except that does not quite work, either, because there are other categories of government where that overlays—in health and other areas—where that becomes problematic. Also, Wollongong is a lot bigger than Dunedoo or something like that and will always fare better on a benefit cost ratio [BCR] or a per population benefit out of it. But when we start to compete with the might and size of western Sydney and the Sydney metropolitan area, suddenly we are the minnows in that and we may not get a fair shake of what is going on, either. The perfect example of that is under the clubs grants: some 27 applications over the last nine rounds for one funding result, despite the fact that that money comes largely from gaming revenue and there is substantial gaming revenue generated from the Illawarra.

**Mr TIM CRAKANTHORP:** We might need three or four categories: small town; regional town; second city; metro.

**The CHAIR:** But this concept of "second city" is, you think, sort of fundamental however you want to classify it?

**Mr PAUL SCULLY:** Very legitimate—

**Mr TIM CRAKANTHORP:** I think it has merit, yes, absolutely.

**The CHAIR:** Could I then ask you how you would incorporate the regions? The Illawarra is a very distinct region and has a fairly—

**Mr PAUL SCULLY:** Even that has been fluid in the past.

**The CHAIR:** Yes. But a fairly consistent community and built form.

**The Hon. TREVOR KHAN:** Yeah, nah.

**The CHAIR:** Well, more so than if you go to the Hunter. Do you think that the gateway city concept should apply to the regions, and how do we define the regions—the Illawarra and the Hunter?

**Mr PAUL SCULLY:** I think the Illawarra is usually pretty readily defined, although when the port of Port Kembla was privatised there was a very expansive definition of the Illawarra used as to where the funds would go. It is pick and stick. We can hand-wring about where you might get to, and what might be in and what might be out. But if you have clear definitions—whether they be three, whether they be four—and you stick to that and you are consistent, that overcomes part of the issue.

**Mr TIM CRAKANTHORP:** Yes, I agree. It is not how you cut it; it is just having that clear definition. You could have small towns—Moruya, Batemans Bay, Dunedoo—as classification one; two, regional centres—Maitland, Dubbo, Lismore—at the second level; third level, Newcastle, Wollongong, Central Coast; four, cities. You just need it to be very clear.

**The CHAIR:** I suppose the question I am asking you is: Should the classification be for the Hunter region and the Illawarra region or should the classification be for the City of Newcastle and the city of Wollongong? They are different, and some of the evidence has gone both ways.

**Mr PAUL SCULLY:** My inclination is to have it more regionalised than city-based, because that can lead to similar sorts of bizarre exclusions into the future as well. But my key aim, whatever the policy decision is around that, is that it is consistent and consistently applied.

**Mr TIM CRAKANTHORP:** Yes, I tend to agree. It has to be consistent and consistently applied. It has to be very clear. If you look at Newcastle and Lake Macquarie, they are both very metropolitan, so to speak. We have got that bizarre situation where the seniors card—on one side of the street, yes, but on the other no—but they are identical streets. Maybe "Greater Newcastle", if you want to delve into gateway cities and second cities—yes, sure, look at those local government areas that are all part of the one conglomeration. But I do not really mind, as long as we get a clear definition and we are in it, rather than not in it.

**The CHAIR:** A separate, identified existence, as opposed to just being ignored for the metro and then ignored for the regional, which is the worst of all worlds.

**Mr PAUL SCULLY:** Stop putting us in the funding sin-bin!



## CORRECTED

**Mr TIM CRAKANTHORP:** We missed about a billion dollars in arts and sports funding—about a billion. That is so detrimental. That is why we have got these sorts of change sheds and what have you.

**The CHAIR:** I think, for myself, I understand your position. We have a short amount of time, so I will hand over to the Government.

**The Hon. TREVOR KHAN:** I am not really going to ask many questions, because I grew up in Wollongong and my first politics were precisely the same issues in the mid-seventies that we are talking about now. My children live in Newcastle—

**Mr PAUL SCULLY:** I look forward to your support of our position, then.

**The Hon. TREVOR KHAN:** —and my grandchildren do. Nothing has changed—Wollongong and Newcastle have always fallen between the gaps—and I entirely agree with all the submissions as made, so I am finished.

**Mr TIM CRAKANTHORP:** I totally agree with Mr Khan. We have fallen between the gaps.

**The CHAIR:** Where do you think this is best resolved? Is it something that Premier and Cabinet should sit down with the two councils—

**The Hon. NATALIE WARD:** Sorry, Chair, are we in Government questioning now?

**The CHAIR:** We are, but I had another minute left of my questioning, so I will ask: Is it best resolved by Premier and Cabinet—

**The Hon. NATALIE WARD:** I am sorry. I thought we were in Government time.

**The CHAIR:** Is it best resolved by Premier and Cabinet sitting down with the two regions?

**Mr PAUL SCULLY:** I think that is the start, but it cannot just be restricted to Wollongong council in the Illawarra. I think Shellharbour and Kiama have to be spoken to as any part of that discussion. Shellharbour is growing—it is hugely growing. In that growth, it needs its support. I think it has to be a whole-of-government thing. My view would be that Premier and Cabinet is probably best served in leading that conversation.

**Mr TIM CRAKANTHORP:** I think Government has to have a very clear policy on the classifications. It needs to create them, define them and that is it. Of course, consultation would be wonderful.

**The CHAIR:** Ms Ward, you have 6½ minutes left.

**The Hon. NATALIE WARD:** Thank you, Chair. Can you hear me? I understand I am very glitchy. We have our problems on the North Shore as well with connectivity. I will stop the video so you might be able to—

**Mr PAUL SCULLY:** It is nothing like in the 'Gong, Ms Ward.

**Mr TIM CRAKANTHORP:** We can hear you perfectly, Ms Ward.

**The Hon. NATALIE WARD:** Can you hear me, at least?

**Mr PAUL SCULLY:** We can hear you.

**Mr TIM CRAKANTHORP:** Yes, absolutely.

**The Hon. NATALIE WARD:** Okay. Sorry about that.

**The CHAIR:** You should have got cable to the house.

**The Hon. NATALIE WARD:** Thank you both for your advocacy. I love it, and I love that you are going into bat for your electorates so passionately. As a lover of sport and women in sport, I am right with you on those. However, I just wanted to get a little bit of context, if I may. Mr Scully, in relation to Wollongong, there was the opening of the Wollongong Court House upgrade, \$17.5 million. Is that correct?

**Mr PAUL SCULLY:** We do not play football there, though.

**The Hon. NATALIE WARD:** That has happened—no, that was not my question, with respect. I am talking about investment in the area. So there was—and that is now open—

**Mr PAUL SCULLY:** Sure. That was several years ago, yes. Started under Labor, I believe.

**The Hon. NATALIE WARD:** Thank you. The upgrades under the Gwynneville Public School: That is completed now, is that correct?

## CORRECTED

**Mr PAUL SCULLY:** I believe so, yes.

**The Hon. NATALIE WARD:** Okay. The Wollongong Public School upgrades there were completed mid this year, is that correct?

**Mr PAUL SCULLY:** No, they are still under construction. Come down and have a look.

**The Hon. NATALIE WARD:** Yes, I would love to. Of course, the Bulli District Hospital is completed; \$33 million there, is that correct?

**Mr PAUL SCULLY:** In a partnership between the private sector and privatised port funds that was funded, yes.

**The Hon. NATALIE WARD:** Yes, that is how you get things done. And the Wollongong Hospital Illawarra Elective Surgical Services Centre, \$104.6 million—that is completed as well?

**Mr PAUL SCULLY:** Yes, the Rudd Government completed that and funded it.

**The Hon. NATALIE WARD:** The \$100 million through the Illawarra Infrastructure Fund into projects including the Fowlers Road Bridge, improvements to Bald Hill and the Bulli Hospital upgrade—there was \$100 million invested by this Government in that, is that correct?

**Mr PAUL SCULLY:** You cannot claim Bulli Hospital twice. This was where there was more an expansive definition of the Illawarra, so we went up into the Wingecarribee, and Bowral and the communities up there benefited as well. But in none of those facilities do we play sport or do the arts.

**The Hon. NATALIE WARD:** Thank you, but that was not my question. My question is: There was \$33 million invested into the Bulli Hospital but through the Illawarra Infrastructure Fund there were the other projects, so I am not trying to double up at all. With respect, I am just trying to identify fiscal context, talking about a fair shake, I think you mentioned, and the funding sin-bin—this is not exactly the funding sin-bin [inaudible].

**Mr PAUL SCULLY:** No, you are absolutely right. And most of the projects you are describing were planned, developed and committed under previous Labor governments. So you put the last coat of paint on, I absolutely agree with that, but you cannot call it your own from that. There is still a lot of catching up to do. Wollongong Hospital has the longest emergency elective surgery waiting times in the State. It has huge pressure on its emergency department. We have a 22-year-old entertainment centre that you guys have not put a cent into and now the roof leaks, so we have had to stop nationally televised basketball games. We can go on with this all day, but I am pretty sure that your list will exhaust very quickly because you have dropped away in your budget funding for the Illawarra at a rate of knots over recent years.

**The Hon. NATALIE WARD:** There was also the Port Kembla Community Investment Fund, which I understand has been started, is that correct?

**Mr PAUL SCULLY:** It has been started and will continue for the next 95 years.

**The Hon. NATALIE WARD:** It is not an accurate statement, is it, to say that there has been no equitable access and we are in the funding sin-bin. There has been substantial investment. It might not have been in the particular areas you would like it in, I get that and it is always hard to advocate for—

**Mr PAUL SCULLY:** I am happy to host you in Wollongong more for you to get up and say that in front of people, because I think you would be roundly howled down. We have been fighting for \$20 million for three lifts at a train station that has 72 stairs for a decade. We only just got the start of that. So given the amount of taxation that has been contributed by residents of the Illawarra, if you are talking about fair share—and I am not talking about the hypothecation of revenue—I think you would find that we are well on the short-changed side of that equation.

**The Hon. NATALIE WARD:** I wanted to talk about equitable access. I thank you, Mr Crakanthorp, for your advocacy for your area. When we came to visit with the night-time economy committee, we saw a lot of the investment in Honeysuckle, which was good to see. There are still some issues with the night-time economy there, and we would love to get those worked through. Can I turn to some of the other investments. You talked about Newcastle being wiped off the map, but there was \$90 million spent opening the Newcastle court house, is that correct?

**Mr TIM CRAKANTHROP:** That is a project that Labor started, in fact, which was a very good one.

**Mr PAUL SCULLY:** We were pretty good in government.

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**Mr TIM CRAKANTHORP:** But, look, these are not the problem. The problem is the definition and classification of accessibility to grants. We have also spent \$750 million on light rail, but that is not the problem either. Sydney and Parramatta are getting light rail—

**Mr PAUL SCULLY:** Multibillion.

**Mr TIM CRAKANTHORP:** —but they are not cut from sporting funding either. The good people of Beresfield are 25 kilometres from the light rail and it is a 2.7-kilometre light rail. It is a great benefit to them, I think not.

**The Hon. NATALIE WARD:** I might have some supplementary questions on this, though.

**Mr PAUL SCULLY:** Look forward to it.

**The CHAIR:** I thank Mr Crakanthorp and Mr Scully for visiting us from that other place, whose name may not be mentioned. I do not think you took questions on notice, but if there are supplementary questions the secretariat will engage with you.

**(The witnesses withdrew.)**

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**TIM MACKNEY**, Manager, Infrastructure Delivery, Tweed Shire Council, before the Committee via teleconference, affirmed and examined

**ANTHONY McMAHON**, Director, Assets and Operations, Bega Valley Shire Council, before the Committee via teleconference, affirmed and examined

**SHELLEY OLDHAM**, General Manager, Lismore City Council, before the Committee via teleconference, sworn and examined

**The CHAIR:** I invite the witnesses from Tweed Shire Council and Bega Valley Shire Council to give a short opening statement. Thank you both for your submissions, which have been received and read.

**Mr MACKNEY:** Good morning, and thank you for the opportunity to attend the inquiry. Tweed Shire Council welcomes grants funding for infrastructure and other initiatives for our local communities. However, council also welcomes this inquiry, as we believe there is room to improve government grant programs. The overarching issues for Tweed mainly relate to incongruence between the way in which grant funding programs are initiated, developed and managed compared with the way in which council operates and is required to operate according to legislation, regulation and government guidelines, according to best practice operations and financial resourcing, project and asset management approaches, and in accordance with the expectations of our communities in terms of engagement, quality of service and certainty of delivery time frames. These issues manifest themselves in a multitude of ways, only some of which I will touch on now.

Firstly the range of programs, partners, time frames and eligibility rules creates inefficiencies, confusion and project risks. We believe there should be more coordination on consistency between funding bodies; every program seems to have different requirements and is managed differently. For example, the initial round of the Regional Sports Facility grant was restricted to regional centres only, but in round two it was expanded to include other areas also. While a change in eligibility focus may be logical for this grant in isolation, across the entire range of grants this simply creates inefficiencies and costs for council because applications cannot simply be re-used, decisions on whether or not to apply again require executive or councillor time and there are other results as well, such as the creation of basically an industry of expert grant writing consultants.

There should also be more realistic time frames for applications, announcements and project delivery. Application time frames are generally too short, announcement time frames are late and the required completion dates are often unrealistic. A recent example is the New South Wales Active Transport grant where council was alerted to the grant in February, submitted six applications in March, waited until the end of October to be told we were successful for five projects, and we now need to deliver the equivalent of five years of footpath upgrades by the end of June 2021. While the outcomes for the footpaths will ultimately be of benefit to the community, the uncertainty of success and the late process increases project delivery risks and impacts on resourcing and on other projects within our 2020-2021 project data or delivery program, which we developed in late 2019 and was finalised in February 2020 and has now had to have been rejigged.

There should also be the inclusion of costs for council time and staff to manage the project. Council staff are not firemen waiting at the top of the pole to spring into action when a grant fire presents itself. They have full-time day jobs delivering council's projects and programs. Furthermore, their time is costed to the projects they work on and monitored to ensure delivery efficiency. By making project management or staff time ineligible for grant funds, risks increase for the project itself and negative impacts occur for the rest of council's delivery program.

Another incongruence between grant programs and council's operation is that the focus of programs does not encourage councils to follow best practice long-term financial management or asset management. Benefits would be realised if there was a greater focus on renewals, upgrades and improvements to existing assets rather than the current focus on new assets. Or if there was greater autonomy for councils to determine the most appropriate way to spend funds and perhaps through multi-year commitments, as long as minimum asset management standards were met. The Federal Assistance Grant is a good example in this regard.

Benefits would also be realised by reducing or removing co-funding requirements. Coupled with late announcements, co-funding effectively results in a last-minute deferral of another project or projects within council's delivery program in order to free up funds in the relevant financial year. This has knock-on impacts to the community and in their trust in the legislative integrated planning and reporting system. Benefits would also be realised with a greater focus on pre-emptive, preventative or betterment funding rather than retrospective funding, and this in particular applies to our disaster funding.

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In summary, the efficacy and value for money of grants could be improved through greater coordination by funding bodies to ensure consistency of grant guidelines and grant management; leveraging off existing council processes, such as integrated planning and reporting and strong asset management; earlier implementation of long-term and multi-year grant commitments that encourage appropriate planning rather than reactive approaches; reducing the cost of implementing the grants, for example, through two-stage application processes or removal of the application process all together; and finally supporting better project management, for example, through inclusion of project management costs or seed funding of planning tasks. Finally, while council supports a more coordinated and planned approach to grant funding, we also appreciate there will be exceptions such as reactive disaster funding or economic stimulus funding, such as the current COVID climate situation. These situations will occur from time to time, however we would like to see the reactive grants become the outliers rather than the rule.

**The CHAIR:** Thank you, Mr Mackney. Lismore is not coming through. We will continue to work on that connection with Lismore and we will go to Mr McMahon from Bega Valley shire.

**Mr McMAHON:** Thank you. I will start by reiterating our thanks to the New South Wales Government for the massive contribution they do make to local communities across our State with the grant programs they offer. They are of enormous benefit but, like our last speaker, I would agree that there are some significant opportunities for improvement. I fully endorse everything that was said by the last speaker from Tweed and, rather than reiterate or go over any of the things that have already been said as I am conscious of the time, I reiterate that. I will be happy to take questions. Possibly the only piece that I would add that I do not think was mentioned in that last deputation was the impact and timing of grant announcements and even grant programs for local government when we are trying to line up multiple services to get the best possible outcome for our communities. What I mean by that is alignment of timing between particularly Federal and State governments with what I would call aligned or supportive programs.

Examples of that might be, say, the Fixing Country Roads program within the New South Wales framework and then the Federal heavy vehicle safety and productivity program. Likewise, the State Fixing Country Bridges program with the Federal Bridges Renewal program, or even initiatives like the Federal Building Better Regions program and some of the Restart programs that New South Wales offers. So I think better alignment between funding programs will probably be another opportunity in addition to the things that we have already heard so far. Again, I am happy to take any questions when the time is right.

**The CHAIR:** Thank you, Mr McMahon. Ms Oldham.

**Ms OLDHAM:** Good afternoon.

**The CHAIR:** Did you want to give a brief opening statement on behalf of council?

**Ms OLDHAM:** If I could, that would be appreciated, thank you. I would just like to acknowledge, first of all, that I am coming to you from the Widjabal Wiyabal country—Bundjalung nation—and I pay my respects to the Widjabal Wiyabal people, past, present and emerging. I would really like to thank all of the members for making this opportunity available to us and just to acknowledge the appreciation that we have for the grants that we do receive from government. Councils, as you would be aware, would not be able to do what we do without those grants. So I would just like to acknowledge that they are a great contribution to us being able to deliver the services that we deliver to the community.

**The CHAIR:** Thank you very much, Ms Oldham. I will hand over to the Opposition to commence questioning.

**The Hon. JOHN GRAHAM:** Thank you for your submissions. I was particularly interested in one of the ideas that was in a number of the submissions which was about the cost of having projects shovel ready. The Tweed submission spelt out in detail the steps that are required in project management terms before a project is shovel ready. There were nearly 10 of those steps that might have had to be taken already so that a project is sitting there on the shelf, ready to have a grant funding drop onto it. That obviously has a very significant impact on the councils. The recommendation in the submission was that it might be an option to adopt a two-stage approach with a shortlist and then moving projects so that councils can focus in on the projects that are more likely to be successful. I am interested in any views on either of those two concepts, the cost of shovel ready projects or the idea of having a two-stage grant application process where you will have some idea of which projects are likely to be successful.

**Mr MACKNEY:** Thank you for the question. There are a number of parts to that. We are starting to address delivery a little bit earlier than getting the projects ready themselves. The first question is whether the project itself or the idea aligns with other strategic objectives that council is trying to achieve through the community strategic plan. There needs to be some research done at that point in time to understand, firstly, what the potential costs of that project might be and timing, but also what the benefits would be to the community and

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what sorts of costs would arise from the operation, from ongoing maintenance, and then ultimately the renewal of that particular asset at the end of its life. At that point, if it is seen that it gets a tick in all of those areas then it would enter into the realm of consideration for council to put it on its program of delivery.

At that point, all of those 10 steps that you referred to would need to be looked at, so that conception, business case, financial analysis, site studies, preliminary designs, planning approvals, architectural designs or more detailed designs and drawings, and construction certificates—those types of things. It does vary for each of the projects but there is a substantial body of work that is required for something to be considered shovel ready and on the shelf. Most of our grant funding arrangements at the moment do not allow for retrospective coverage of costs the council has already had to pay for prior to receiving a grant. The difficulty we have in firstly having something shovel ready, it needs to be something spent, so we then, invariably, are spending money because the project is on our delivery program. Some of the grant funding arrangements though, say that items that are on our own program of delivery are ineligible for grant funding.

**The Hon. JOHN GRAHAM:** And how frequent is that? I think that is a really important point.

**Mr MACKNEY:** It is frequent enough that it is a significant issue. As alluded to in my opening statement, the rules change between programs and they even change within a program within subsequent rounds, so it is very hard to pinpoint exactly how many or the percentage of time that that occurs. But it does happen quite often. We may find that in the first round that is the case; in the second round things may become eligible. That in itself creates issues also.

**The Hon. JOHN GRAHAM:** Thank you. I might go to Bega and then Lismore on these questions.

**Ms OLDHAM:** Thank you. We find it incredibly difficult to sort through and prioritise what the Government might look to do with funding from our strategic plan or our delivery program and get those projects shovel ready. We have one project that has been a priority for our community now for five years that is shovel ready, that we have invested close to \$2 million in, but the goalposts on grant funding for that particular project keep changing, so we still have it on the shelf. Having invested that much money over a long period of time in that project, councillors are rightfully reluctant to move forward with another big investment in preparing the design plans, the architectural drawings, the business case, all of the environmental statements and the money that needs to be spent for a project of that scale until it is funded.

It then becomes this reputational issue in the community and sometimes a reputational issue as to whether our strategic plan is on the right track. It is a significant challenge and one that I am not quite sure how Government can address because it is difficult to ask you to invest in something or ask Government to invest in something when they are not quite sure what it is they will be thinking about moving forward with in the coming years.

**The Hon. JOHN GRAHAM:** Thank you, and Bega?

**Mr McMAHON:** Thank you. Just on the original question about potential staging of funding, I think it is a great idea. There actually are some existing programs where that does occur. The main one that I am aware of is recent rounds of water funding programs where there is a funding eligibility for what you call the feasibility pre-planning stage prior to then applying in future rounds for the capital works in that case. We have had some examples down here in Bega where the fact that we have been expected to be shovel ready for a project has meant we need to get all approvals in place. One in particular was an active transport project. It was a shared pathway and as a part of that we needed to acquire some Crown land for the pathway to go through. Crown lands could only give a 12-month concession to allow us to compulsorily acquire the land we needed to, but then the Office of Local Government had to be the one to go through the approval and gazettal process with the compulsory acquisition. What occurred was that during the time we tried to get the acquisition to occur, the 12-month Crown land approval lapsed, which meant we effectively started again. Even the concept of being completely shovel ready and having all approvals in place is hindered by regulations as well.

**The Hon. JOHN GRAHAM:** Thank you; you put that one in your submission. That was quite a good example. Finally, can I ask you about another other issue in your submission which was on the Regional Cultural Fund. You talk about the issue where council had an application but the funding was provided to another project. That was welcome, but the application you had was very positive and assessed highly but it was not successful. What was the project that missed out?

**Mr McMAHON:** The project that missed out in the Bega Valley was our art gallery upgrades and the project that was funded was a theatre hall-style facility which is actually a community driven project, whereas council's was a council-driven project that had been through a broader community consultation program. I guess that is one of the issues we face as councils sometimes. We go through, as was mentioned earlier, the legislative planning and engagement process to determine what community priorities are, and then a community group might

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apply to a program the same as council does on behalf of the broader community and the priorities are not always aligned with what council has worked on with the broader community.

**The Hon. COURTNEY HOUSSOS:** Thank you for your time this morning. I understand that all of you have recently had interactions with the Government around disaster funding. That is something some of you touched on in your submissions. I would like to hear from all of you about whether there were any arrangements that allowed flexibility or any learnings from the ways those particular grants programs have been administered. The Tweed Shire Council submission talked about the process needing to be simplified as it was too rigid. Were there any learnings from those particular grants programs?

**Mr MACKNEY:** Yes, thank you. Certainly there were. We were lucky enough to be involved in a pilot program after the 2017 floods in our area which hit both us and Lismore very hard. The Office of Emergency Management at the time put us on board to go through what was effectively the changeover from the old National Disaster Relief and Recovery Arrangements [NDRRA] funding arrangements to the new Disaster Recovery Funding Arrangements [DRFA] with the Federal Government as New South Wales was looking to review what they were doing in that space. There were a lot of really good discussions and I believe that the Office of Emergency Management at that time was very supportive of a lot of the items we brought to their attention, the main ones being the issue of using council staff and day labour on emergency works. There were efficiencies there for a whole-of-government saving if we were able to utilise council staff to undertake those works.

Again, I use the analogy of the fireman waiting at the top of the pole—that is not how council operates. Everyone has a day job and if they are diverted to other works we will need other staff to undertake the works that they are no longer undertaking. We were supported in that and that has become part of the new DRFA in New South Wales. Another area where we again felt we were listened to was in the betterment of assets. We continually see assets that need to be replaced to current standards and like for like. We know that following the next disaster we will be back repairing the same asset again. A far more cost-effective and efficient approach for all levels of government is to focus more on the betterment side. The willingness from the Office of Emergency Management was there, but I am not convinced that the money is necessarily available or the mechanism has been finalised well enough to allow that to happen.

The other part too is that, particularly around civil infrastructure, the expertise lies in other areas of the New South Wales Government, namely Transport for NSW and NSW Public Works. Each of those institutions have their own central guidelines for what they believe is eligible for funding under the disaster arrangements. Again, we talk about the inconsistencies between different programs. Around DRFA there are inconsistencies within the program, between agencies and within the same agencies, depending on which officer or office we are discussing things with. Then there are the overarching arrangements that the Office of Emergency Management controls. Each of those creates inefficiencies in information sharing between councils and the agencies, the assessment and the toing and froing to get to an agreed position on each of the damage items and, finally, how that can be implemented and payments occur.

**Ms OLDHAM:** I will just echo what Mr Mackney said from Lismore's point of view. We do not have a lot of learnings about the DRFA because we were not asked and were not involved in the formation of that process. But the cumbersome nature of the NDRRA caused our community significant concern, not just our council. We had people who were blocked off from being able to access their houses for a period of three years after the flood who have only just been reinstated. That was not for a lack of will on our behalf but it was a process that we were engaged in with a different agency toing and froing as to who was responsible for the landslide and the work that needed to be done, who would be dealing with the remediation issues, who would be paying and how that money would be making its way to us. It was a several million dollar piece of work but it caused a lot of significant distress in this community. Having already been through a significant trauma, the community was then left for another 2½ to three years with three or four residents who could not access their properties—could not get in and out of them.

No matter what work we did, we were penalised by the agencies who were funding us to do that work if we did work in a way that was not within their requirements. It was very messy and there is a lot to be learnt about coming from a different position when there is a crisis. One of the recommendations that is worth considering when we are in an acute emergency such as a bushfire or a flood is to fund first then justify later. The need to continue to provide evidence to a Federal government department and a State government department, who then dispute amongst each other the value and accuracy of that evidence and then put us in the middle and start debating that, not only takes significant resources and time but also means that our community does not get back where it needs to be to recover as a whole. When the legacies of the impact of the event are still there three years later, that impacts on the community's capacity to recover economically and psychologically.

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**Mr McMAHON:** If I could I just add a couple of points to that based on our recent experiences in Bega, we had just over 500 homes destroyed in the recent black summer fires and, since the beginning of the year, we have had five declared natural disasters with fires and floods and floods and floods. Some of the experiences that we have had echo what has been mentioned before. When you start to have that many natural disasters, the administrative burden and the financial draw on a local government that is not eligible for any funding becomes unmanageable. We are facing that at the moment. One of the major learnings we had out of the fires in particular was that the framework was developed around what was perceived to be the type of disasters that we might experience here in Australia. Out of those fires we learnt that the time frames to deal with emergency works under the guidelines were unrealistic because there was no way at all that it was feasible to try to do the emergency works in the period that was allowed.

The biggest issue in particular in dealing with fires was vegetation damage, which is only eligible for funding as part of the emergency work component and not as part of recovery. We were fortunate that after a very extended period of time to get an extension to that, but the community was at a huge disadvantage and, in some cases, in unsafe situations because of the time it took to get that concession to that emergency response time frame. Again, I echo everything else said.

**The CHAIR:** Do any or all of you have any estimation about how much the council spends in any given year—what kind of resource expenditure there is—in applying for grants and then reporting to grants?

**Ms OLDHAM:** Lismore tracks that and our current cost just for the salaries of people who respond to grants is \$470,000. The tracking and reporting when we look at what is required across each grants is at a project by project level. We allow about 10 per cent of cost on each grant for reporting back and following the questions and administrative procedures on every grant that we do.

**The CHAIR:** Is that \$470,000 in staff effectively hunting and applying for grants?

**Ms OLDHAM:** Yes, it is; that is our staff cost. If we then have to do—so we are working on one at the moment that requires a deep economic analysis so we have engaged consultants do that work for us. Sometimes those consulting pieces of work might be \$10,000 or \$20,000. On this one it is \$150,000.

**The CHAIR:** In addition to that \$470,000 plus, in this case, the \$150,000 for consultants, do you also have reporting costs that you account for separately?

**Ms OLDHAM:** Yes, we do. We just allocate 10 per cent to all of our grants to say that is roughly what we think it will cost in terms of reporting, follow-up, answering questions, et cetera.

**The CHAIR:** What would it be if there is a standard volume of grant money that we could apply a 10 per cent assessment to on an annual basis?

**Ms OLDHAM:** Are you talking about the number of grants or the dollar value?

**The CHAIR:** No, the dollar value.

**Ms OLDHAM:** There are a series of grants that we have just received for next year. There is \$24 million worth of road and bridge grants. I think 10 per cent of the road and bridge grants is a very modest amount because there is a lot of design work that needs to go into that.

**The CHAIR:** Just in the last budget year you would be looking at over \$700,000 in just the bureaucratic cost of applying for and then implementing the grants—the reporting on grants.

**Ms OLDHAM:** Yes, it is a bureaucratic cost but I think it is fair for us to fund our own grant applicants. I think that is a reasonable thing for us to do.

**The CHAIR:** Ms Oldham, I am not in any way criticising Lismore council for doing that—let me be clear. You need to, given the current system. I am just trying to get a handle on how much it is actually costing you.

**Ms OLDHAM:** Yes, that is what it costs.

**The Hon. TREVOR KHAN:** If there was a different funding model—I do not know what that funding model would be—part of that cost council would inevitably incur anyway. If, for instance, from the heavens money just fell into your lap, you would still have to do the design and administration that is involved in, for instance, replacing a bridge. That would necessarily be a cost you would incur, is it not?

**Ms OLDHAM:** There is a line between the design work that we need to do to satisfy the grant requirements and then the next layer of engineering work that we need to do to implement.

**The Hon. TREVOR KHAN:** I absolutely accept that.



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**Ms OLDHAM:** So, for example, an environmental impact statement may need to be done to satisfy the grant work at a first step level to understand what the environmental issues might be. If we then get the grant there is a detailed environmental impact statement that needs to be done.

**The CHAIR:** So to some extent it is double handling, would that be right?

**Ms OLDHAM:** To some extent it is more than it might be a sunk cost because we may do the initial environmental impact study. We are doing one for our waste facility at the moment for a grant and we are trying to understand the environmental impact at a very high level. If the grant is not successful that will be a sunk cost. If the grant is successful we will go to the detailed environmental impact statement.

**The CHAIR:** Mr Mackney, do you have any similar figures from a Tweed perspective?

**Mr MACKNEY:** I do not have specific figures for you but I certainly concur with what Lismore is saying in terms of almost double handling at times, additional costs and those sunk costs definitely occur. To give you an example, we have just been successful with the New South Wales Active Transport grant for five of our projects. One of those projects, we have put up about five years running and it has never received any funding and now, on the fifth occasion, we have been successful with five projects. Our expectation was that we might receive funding for one or two projects. Out of the six we put forward we suddenly have five on our hands and we need to implement them immediately.

That type of situation where someone is having to put up an application five or six times to get an application successfully accepted—very late notification that we have been successful—creates additional work in itself. As Lismore has said, it leaves sunk costs that we do not recuperate. There are also other costs when delays occur. I can think of a couple of different projects where—similar to what Bega was saying—we are awaiting either final announcements for funding or we have other approvals processes or those types of things where we are awaiting some sort of State Government approval in order to progress things.

We still have people working on those projects and while some of that work is beneficial to the outcome of the project, if there are delays you tend to chew through time and money with far less output. So that does occur as well. There is definitely an administrative cost even in the best case scenario in running the funding through grants both in the application process and the management of the grants themselves. But I would argue that, given the current system, those costs are accentuated due to some of those examples I have just provided.

**The CHAIR:** Mr Mackney, do you think you might be able to get some figures, some estimate of what the actual financial cost to council is of applying for and then reporting on grants and give that to us on notice?

**Mr MACKNEY:** Yes, I believe I will be able to get some estimates. As far as I am aware we do not track specifically so I imagine it will be an estimate only but I can certainly do that.

**The CHAIR:** Thanks, Mr Mackney. Mr McMahon?

**Mr McMAHON:** We do have two full-time equivalent staff that do apply for grants. In addition to that there is a lot of indirect and what I would call opportunity costs that we do not track, which is where our grant writing officers draw all the technical information together from our other workforce that might be required and, as was mentioned, there is a huge variation in the complexity of what is required for different grants. As recently as today, my staff have advised me that between the last round of Fixing Local Roads and the most recent round of Fixing Local Roads—which is open at the moment—there are significant changes to the guidelines which means a lot of the cost that we sunk, as was mentioned before, into our first round of applications is now no longer relevant. It is almost as if we have got to start the process again. This is applying for the same projects to the same grant program but, because of the change in the guidelines in between, there is a need to spend more money and time and effort on that.

**The CHAIR:** Would you have any estimate to hand, Mr McMahon, about the actual costs in applying for grants and then separately reporting back on grants?

**Mr McMAHON:** As Tweed said, we could do some estimates. We can easily provide those direct costs of the staff that we have and then do some estimates that are substantiated on the actual broader grant application process and then reporting costs. I have got staff time traceable on the amount of time they spend doing that type of thing.

**The CHAIR:** Thanks, Mr McMahon. That would be really helpful on notice. To each of the councils, would it be fair to say that there are ups and downs and there is some uncertainty in which grants will get funded and which grants will not in any given year? But is there a relatively consistent proportion of the council's budget that comes through in State Government grants and Federal Government grants year to year? If you tracked it over time would there be some kind of consistency over time? Mr McMahon?

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**Mr McMAHON:** I would certainly say that is not the case. There are a few factors in that. Sometimes it is relevant to the amount of grant funding that both the State and Federal governments are making available in a given year. So in the past 18 months to two years in particular there has been a huge influx in the availability of grants, which means that there is a greater opportunity for all of us to secure funding, which means that the trend is higher because of that. But then even in that environment, even if the availability of grants was consistent, there are still huge fluctuations in what we do secure and that makes it hard to plan for. Given the majority of the grants we apply for have some sort of co-funding contribution requirement for them, it makes it very difficult for us to develop our 10-year long-term financial plans, where realistically we should make some assumptions about needing to co-fund grants but it is very hard to predict.

**The CHAIR:** Mr Mackney?

**Mr MACKNEY:** Tweed is in a very similar situation. It is certainly not consistent from year to year as an overall total. There are some grant programs within that where our funding is relatively consistent and we can, to some extent, rely on that. But with the examples I have used already today, there are times when we are far more successful than we expected and other times we do not get nearly as much as we perhaps would have hoped. Certainly for Tweed we get both operating-type grants and also capital grants. They can vary anywhere from about 20 to 30 per cent of total revenue from year to year, which is between \$45 million and \$65 million for us.

**The CHAIR:** Is that State and Federal?

**Mr MACKNEY:** That is State and Federal, that is correct. A \$20 million increase or decrease from year to year is a substantial amount.

**The CHAIR:** Indeed. Mr McMahon, what are the dollar figures for Bega?

**Mr McMAHON:** In a typical year, around 35 to 40 per cent of our income would be through grants. Then in big years like the one that we have got now, for example, we are delivering around \$60 million of capital works through grants out of what is normally a \$100 million operating budget. There is a significantly higher amount of capital grants this year. But, on average, probably between 35 to 40 per cent of our income is through a mixture of capital and operating grants both State and Federal.

**The CHAIR:** Lismore?

**Ms OLDHAM:** I do not have our numbers with me exactly, but our picture is not a consistent one. I am not sure if that is a result of what is available by government or the focus that we have had. In the past two years or since the flood, we have had a very aggressive focus on pushing more grants to increase our access to funding to deliver the services that the community needs us to deliver. That is starting to bear fruit but, again, I will echo the comments that Mr McMahon made about the long-term financial plan. It is very difficult to paint a consistent or confident view of our future when we are heavily reliant on grant income to deliver services.

**The CHAIR:** I hear this story repeated around the State about the expense, delay and uncertainty in the current system of grant funding. Would you see a benefit in moving away from this grants model entirely and instead going to a scheme where there is a proportionate share of the State or Federal revenues that is allocated based upon an upfront formula across local government? Instead of having to apply constantly for grants, you will at least have the bulk of your money coming from State and Federal governments coming on a predictable, transparent formula.

**Ms OLDHAM:** The financial assistance grant at the moment on the per head or per capita basis does not address the enormity of the asset base we have versus our population. I think that is the same issue for most regional and rural cities. It would be certainly a welcome change, but the way the formula would be calculated would need to be thought through very carefully so that LGAs such as our own, which I think has one of the largest road networks in rural New South Wales, are not disadvantaged if it is on a per head basis.

**The CHAIR:** I was not putting forward any particular formula; I was more suggesting a transparent formula that was done in advance.

**Mr McMAHON:** Yes, certainly from our perspective any of those known quantities are much easier to plan and manage around. We can cut our costs to match what we know is available. Things like the Federal assistance grant is a good example. The State's Stronger Country Communities Fund is not a bad one because we have got more certainty about the level of funding that we might get and we can work with that. Then the Regional Road Block Grant, for example, is another model where we at least know or we can budget longer term on that. I acknowledge though that it would be difficult to try to get the full available funding to local government from State and Federal governments under those models because there are always going to be policy drivers from the State's perspective. They are going to need to come up with a method to make sure that certain objectives are met ahead of others.

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For example, if we have a focus in the State on sporting infrastructure, there would need to be a way to make sure that that objective is met by local government. I am not saying that it is not achievable, but I do not think it would be as simple as just giving us everything and then assuming that we will meet the objectives that the State or Federal governments are trying to achieve. There are other Federal programs that have come out recently like the Local Roads and Community Infrastructure Program, which again is another one with a fairly simple application process. It is very similar to the Federal Roads to Recovery Program. These are the types of ones that we can far better plan around and manage and where we have got a lot more flexibility in determining what we actually spend a known quantity on. That type of model does work much better.

**Mr MACKNEY:** I would agree with both Lismore and Bega in terms of the fact that we need to be looking at whatever model is being put forward. The regional and urban divide is one issue to look at. I think a lot of the funding that you see could go through in that sort of a model. But, as Bega has pointed out, there would be some other mechanism equally to ensure that particular priorities are addressed within a timely manner by councils. Though I guess my comment to that would be that the more long-term those funding arrangements are, the better. These result in far better planning and far greater efficiencies in the delivery of the program requirements and objectives. It also allows and ensures that it is meeting the strategic objectives that we have already gone out and talked to the community about. The idea certainly has merit, but I would probably not agree for 100 per cent of the funding; however, anything that gets us away from the current, very reactive and inconsistent approach across the various agencies would be of benefit.

**The Hon. TREVOR KHAN:** That really answered my question. I think Ms Oldham has already made the point. It seemed to me that, if we got councils in from the city, they would all say that it should be a model based on a per capita basis. Indeed, that is some of the evidence that we have already received. Ms Oldham, you have identified that one of the issues is that the sheer asset base of regional and rural councils is markedly different from those in the city. Is it not?

**Ms OLDHAM:** Yes, that is correct.

**The Hon. TREVOR KHAN:** For instance, you referred to the road infrastructure that your council has. If you also look at a council like Tamworth you find that the same sort of issue arises: huge kilometrage with lots and lots of wooden bridges all over the place, which are in need of repair. It is unlikely that Cabramatta or Woollahra are going to face the same sorts of problems. Of course, your rate base is so much smaller.

**Ms OLDHAM:** Yes, that is correct. It is our biggest challenge: an ageing asset base that is significantly larger than any city council and an expectation that it will be kept at an appropriate level for community use. We just simply cannot do that because of its size.

**The CHAIR:** I think that, from my observations and discussions with councils, even metro councils realise that a per capita funding model for roads funding makes no sense at all.

**The Hon. TREVOR KHAN:** Well, it would seem not all.

**The CHAIR:** You only have to say it. A per capita model for road funding does not make sense.

**The Hon. TREVOR KHAN:** Even if we go into the regions, the funding model that you would need for a council like Lismore would be quite different from that needed if you went down to Taree or the like. There is such a variability in the size and nature of councils and their asset base in rural and regional areas, is there not?

**Ms OLDHAM:** Yes, I agree with that statement.

**The Hon. TREVOR KHAN:** Having gone through the horrendous exercise of council amalgamations, we are still left with a difference in councils, for instance, in overall size and rate bases between the north and the south of the State. During Labor's time, a lot of the consolidation of councils occurred in the north, but in the south of the State that did not occur. We have not only got problems within regions; there is actually a great variability across the State in these councils.

**Mr McMAHON:** Mr Chair, could I comment on that? Having been through mergers, as the general manager of Hilltops Council post-amalgamation and Boorowa Council pre-amalgamation, there is a broad range of the levels of needs of councils across the State. There are also a number of other factors that are not related to population that heavily determine the cost of providing services. From our experience down here in Bega, some of the main ones are environmental conditions, which significantly impact the cost of managing your transport networks.

The other one is topography. Down here we are heavily undulating, so the type of impacts we have on our infrastructure are very different to those flatter, drier rural areas in other parts of the State—which, again, is very different to what the metropolitan areas experience. A per capita model definitely does not work, from my

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perspective, but then any model—if you are going to try to objectively provide funds—should take into consideration a lot more factors than what they currently do, even in things like the Federal assistance grants, which are a model. I mentioned before our susceptibility to natural disasters down here in the south-east corner of the State, compared to the majority of the rest of the State. We have just made a submission to the Grants Commission on that in considering the Federal assistance grant distribution.

**The Hon. TREVOR KHAN:** I do not want to take up all the time. I think we are singing pretty closely off the same hymn sheet.

**The Hon. NATALIE WARD:** I will stop my video so that hopefully you can hear me. Can you hear me?

**The CHAIR:** We can.

**The Hon. NATALIE WARD:** I thank each of you for your submissions and for your assistance with the Committee today. I do not have any further questions on that; I may have some supplementary questions if you are happy to take those subsequently in writing. Mr McMahon, I thank you for your acknowledgement of some of the work that has been done. I know there is a way to go, but I appreciate your acknowledgement of that. I thank each of you for your submissions and assistance.

**The CHAIR:** That draws to a close this current session. We will have a break over lunch and come back at 2.00 p.m., when we will have Federation Council, Brewarrina Shire Council and Queanbeyan-Palerang Regional Council. I thank each of the three witnesses. Your evidence has been extremely useful. I remind you that there have been some questions taken on notice. The secretariat will be in touch with you about how best to address those. Thanks again.

**(The witnesses withdrew.)**

**(Luncheon adjournment)**

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**GERARD VAN EMMERIK**, Manager, Community and Economic Development, Federation Council, before the Committee via videoconference, affirmed and examined

**PHILLIP O'CONNOR**, Mayor, Brewarrina Shire Council, before the Committee via videoconference, sworn and examined

**JEFF SOWIAK**, General Manager, Brewarrina Shire Council, before the Committee via videoconference, sworn and examined

**JACQUELYN RICHARDS**, Portfolio General Manager, Community Choice, Queanbeyan-Palerang Regional Council, before the Committee via videoconference, affirmed and examined

**The CHAIR:** Welcome to the afternoon session of the Inquiry into Integrity, Efficacy and Value for Money of the New South Wales Government Grant Programs. We have witnesses from three councils from regional New South Wales in this session. We have witnesses from Federation Council, from Brewarrina Shire Council and from Queanbeyan-Palerang Regional Council. I thank all of you. For those councils that made a submission, those have been read and digested. Would each of you like to make a brief opening statement? We might work in reverse order, starting with Ms Richards.

**Ms RICHARDS:** I just want to say something briefly. Although we did not put in a submission from Queanbeyan-Palerang Regional Council, we would like to concur with the many submissions that were made that talk about the importance of grant funding to local government.

**Mr O'CONNOR:** I will comment quickly that there is money well deserved and there is money well spent. We have just gone from 62 employees on the council over the last few years to over 100. Every contractor and everyone who wants to have a go in this shire is getting a go now. We have got over 82 per cent Aboriginal employees, and three out of the eight councillors are Aboriginal. We are just here to give everyone a go, and we do not hold back on that. Without the grant money from the State and the Feds this council could not survive at all, with ratepayers just over \$1 million and an operating budget of over \$11 million, and another \$19 million in grant income and expenditure. Just this council that is running the council—in 2012 we had \$270,000 in the bank, and now it is over \$10 million. A lot of that is restricted money, but we have got money to do things now and employ people. It has really revived this community in a lot of ways, this grant funding is important for Council.

**Mr VAN EMMERIK:** There is no direct opening statement from me, thank you.

**The CHAIR:** I have got to say, you guys have been the most efficient witnesses, in terms of getting opening statements out, that we have had to date. There is a degree of gratitude from a Committee that has been running behind time all day. I will hand over to the Opposition for the first round of questions.

**The Hon. COURTNEY HOUSSOS:** I thank all of you for your time this afternoon, and thank Brewarrina and Federation councils for your submissions. I am not sure whether I should direct this to Mr Sowiak or to Councillor O'Connor, so feel free to jump in. In your submission you talked about the benefits, as you did in your opening statement as well, and one thing that you specifically talked about that the Government had done is that it has run really proactive briefing sessions to inform communities about the pool of funding identified for rural and regional areas. Can you explain to us what the briefing sessions were, who conducted them, when they occurred and who was invited to attend?

**Mr SOWIAK:** The briefing sessions that we talked of were in relation to the stronger communities rounds one, two and three. The Government held briefing sessions in rural communities—in Dubbo and at other centres—and we were invited to be involved in terms of what the program was, the announcements in relation to the program and discuss the aspects of the programs in relation to those programs from the funding that was available, and go through the funding streams. We attended those briefing sessions, and that was followed up with application forms and procedures in relation to it.

**The Hon. COURTNEY HOUSSOS:** Rounds one, two and three of stronger communities—is that stronger communities or stronger country communities?

**Mr SOWIAK:** It changed names midway through. Originally it was stronger communities and then it became stronger country communities. That was a change of name, and there were some changes in the programs in relation to that. Then they followed it up with the liaison staff with the regional departments. We had Premier and Cabinet there with staff members who were able to assist us through the process of making an application, and talk about the difficulties we were having in completing and complying with the requirements under the grants. Then we had a post-mortem after the event, because obviously we submitted much more proposals than were approved. Part of that was to understand why we had not submitted proposals or why we had difficulties

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with proposals. One of the issues that was raised in relation to that was getting quotations, because we did not have any of our builders ready to come here. In fact, it is very difficult to get builders, and that is part and parcel of the process. The way in which the bureaucrats cooperated with us in relation to fine-tuning the application process to make it easier to be able to submit an application did not change the voracity of the sentiments of the application; it just made it easier to apply.

**The Hon. COURTNEY HOUSSOS:** Do you think maybe there is something wrong with the process? If a council cannot apply and needs support from bureaucrats, as you call them, or public servants—do you think there is something wrong with the process in applying for grants?

**Mr SOWIAK:** No, I think it is more about the Government thinking in value terms of listening to what difficulties we were having and understanding that if you are in a big city council with the capability to appoint yourself and produce lovely glossy brochures—we are not capable of doing that. Part of the process was initially—and this is early on; I am not saying later on, I am saying early on—about understanding our capability in terms of being able to submit proposals. For example, the other thing was there was a threshold. Projects over and above our higher level of contribution. For example, we may have to make contributions to projects under \$1 million if there was a difference, and they had a two-tiered structure for written applications. I do not think it is about having a different program; I think it is about listening to the people who are seeking this funding and how best we can get the funding out to the communities, where it is needed. That is part of it and congratulations—sorry.

**The Hon. COURTNEY HOUSSOS:** No, it is fine; I did not want to cut you off. I just wanted to say that councils have to employ consultants and go through such a process and spend so much time and resources to be able to apply for the funding. We want a fair and transparent process, but perhaps there might be something wrong if there is a clear disadvantage for people who do not have that same kind of access to resources.

**Mr SOWIAK:** That is true. People listened, and the way in which the process was handled made it easier to actually submit proposals that we were capable of doing.

**The Hon. COURTNEY HOUSSOS:** I am happy for you to take this on notice: When were those workshops held in Dubbo that you attended and who ran them? In this inquiry we have spent quite a lot of time on the Stronger Communities Fund, specifically round two of that funding round. But it sounds as though the support that you have been getting has been from the later rounds of the stronger country communities. Would that be accurate?

**Mr SOWIAK:** It was early on, it was certainly in Bourke and the Cabinet also met in Bourke as well. The whole Cabinet came out to Bourke to meet the community members and discuss government in rural areas. The message taken from that workshop was we were invited across a couple of decisions that were made.

**The Hon. COURTNEY HOUSSOS:** That would be really helpful, thank you very much.

**The Hon. JOHN GRAHAM:** I will ask the witnesses to speak directly into the microphone. Hansard is having a bit of trouble at this end.

**The Hon. COURTNEY HOUSSOS:** I wanted to say from the outset that the figures of the employment council, especially the figures around Aboriginal employment, are really encouraging and excellent to see. I wanted to ask you about the part in your submission where you talked about the need for three quotations and the difficulties that you are faced with. One of the submissions that we heard earlier today from Wollongong and Newcastle councils was that there needs to be a greater differentiation between the different types of councils that we have. Obviously we have got our metropolitan areas, and they have different resources and challenges; then we have what they call gateway cities; then we have more regional centres; and then we have places like [inaudible] which face very unique challenges when it comes to trying to attract resources and undertake projects. Would you support a proposal to have more of a graded way of making applications and perhaps different requirements that are [inaudible]?

**Mr SOWIAK:** Yes, I am very happy with the way that the Government ran the process. I am very happy with the process they used, where they had a two-tiered system of grants and simpler guidelines for the smaller grant submissions and more difficult for the larger grant submissions. It was an excellent process—very happy.

**The Hon. COURTNEY HOUSSOS:** I might move on to Mr Van Emmerik and Federation Council and thank you for your submission as well. Mr Van Emmerik, you talked about how in the stronger country communities rounds—that table is very useful for us, about where you got your funding from. Did you have a series of workshops? Or how have you been told about these different funding rounds?

**Mr VAN EMMERIK:** First off, in terms of my time at council—I have been with council for almost two years, so the early stages of stronger country communities I certainly was not at council for, so I would not be able to comment on those. In the main, my experience has been that the contact that we have had with State

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Government has been through the Department of Regional NSW, as they are now, and individual managers locally. Outside of that, it has been direct contact with our general manager from the local member. That is how we have got the information about funding opportunities coming up, or the fact that there is an opening date soon to be announced or has been announced. That has generally been our method of communication. We have taken advantage where we could of some of those web-based sessions that have been run by the State Government to talk about guidelines et cetera, but I would not say that they have all generally been at a time that has been suitable for us to get to them, or have been—with our resources, that we have had people that have been in a position to attend them.

**The Hon. COURTNEY HOUSSOS:** Perhaps you could take on notice whether your council was invited to any [inaudible] what the actual process was, and which grants you were notified of?

**Mr VAN EMMERIK:** Yes.

**The Hon. COURTNEY HOUSSOS:** Ms Richards, I do not have a submission [inaudible]. In terms of notification processes, did yours largely come through your local member as well?

**Ms RICHARDS:** I cannot answer that directly. We have a grants officer who makes it her business to seek out any grants that are coming up, and we have got a new program called GrantGuru, so they notify us of programs. I suspect that some have come through the local member, but I think some have come directly from the departments, just in seeking out what is coming up and what is available.

**The Hon. COURTNEY HOUSSOS:** Are you able to provide us with anything on notice about these kinds of formal workshops that are being run, specifically around any of the funding programs that are listed? That would be helpful.

**Ms RICHARDS:** Sure. I do recall the web-based programs as well and some of our staff did attend those and found them helpful or certainly just read the information that was supplied afterwards, but I will get some more information on that for you.

**The Hon. COURTNEY HOUSSOS:** Was that mainly through the Department of Regional NSW?

**Ms RICHARDS:** That is correct. Yes.

**The Hon. COURTNEY HOUSSOS:** That is very helpful, thank you. Do you have any thoughts about differentiating between the types of regions in a more granulated way? Obviously at the moment there is metropolitan and regional.

**Ms RICHARDS:** Yes, we are a regional council but we are right on the border of Canberra so we have a lot of particular problems of being a border city. We have recently merged councils so we have lots of quite distant rural parts of the council. I could not comment generally on whether that would be fair. We would need to see how that played out, what kind of differentiation you would want to make and what that meant for each council involved. Certainly we are probably in a more fortunate situation than some of the other councils, but I would be reluctant to think that was a good idea in general.

**The Hon. JOHN GRAHAM:** I will turn back to the assistance that has been provided. That grant assistance is one of the things that has been canvassed in previous hearings of this Committee and it has been really encouraged. Starting with you Ms Richards, what other things would help councils deal with these grants processes? As the number of grants and the amount of funding delivered by grants programs is increasing, what other practical assistance do each of your councils think will help you navigate that process?

**Ms RICHARDS:** We are fortunate in having a grants officer who is very familiar with terms and conditions and so on, so that makes it easier. I think one of the big things for us is that there are a lot of grants coming through and they are very time consuming to write and to seek information and so on, so maybe a longer lead time if that could be possible and then a shorter time between putting in the application and finding out whether we have it or not because that can sometimes be elongated. It is very difficult to know what programs we are going to go ahead with when we do not know whether the grant has come through or not. I think the timing is the main thing that would assist us.

**The Hon. JOHN GRAHAM:** Brewarrina?

**Mr O'CONNOR:** I might just comment on that there. With the grants, when they come through, councils have got to try and get a bit of a track record on the board with the way they spend the money and how efficiently, and what they produce with, say, their first or second grant in a year or whatever. When you can prove that, as this council has done, and I think after you have proven yourself, if you are putting jobs on the ground and you are doing what the Government has asked you to do and spending that money efficiently and effectively, the next time it comes around I do not suppose that it should be too complicated to succeed if you can prove that you

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can do it. We have had one program here—our bridge program replacing all our rural bridges through the Federal Government and we have gone out for a million dollars on that and we have proved ourselves that we can do it, and invite people and put money back into the community exactly like it is designed to do, and it goes through the next time and the next time with the application being filled out. You have got to prove to yourself you can keep applying for grants.

The rural council is not too far away from us that cannot even get the job done because the council cannot come up with their ideas; they keep clashing all of the time and cannot get to a determination of which way they should go with their grant. So through this council—and I will say again—we have proved ourselves and a lot of people around. We are a standalone council as well; we have not joined any joint organisation and we decided that. We were elected by the Brewarrina people and this is who we represent and it has proved to be a great worth—as in going forward. The whole social outlook around the funding that we have been getting has just changed this whole community. As you know with the Aboriginal settlements in Goodooga and Weilmoringle and with the percentage of unemployed that has just proved so much different, and it is about proving yourself as a human.

**The Hon. JOHN GRAHAM:** Federation Council?

**Mr VAN EMMERIK:** There are probably a few things that I would like to raise. One is for us, I think, the best form of communication has been direct contact with a member of the team, whether they are Sydney or regionally based so that we can ask those questions of them around certain criteria and those things that we might have questions about. I think for me, often we either see an email template so you put down your request. I am dealing with one of those at the moment actually where it has taken three email attempts over a week and a half just to get them to understand what the question was, let alone get a response.

So that is one, and I guess from the other end of that where there is a phone number that you ring, and you get put through, and you punch all of the numbers in to finally get to a person and then they have to go away and find out the answer to your question and then a day or two later they will ring you back and let you know. I think that both of those avenues, while they do get the information across, are not necessarily timely for us. As Ms Richards said, we obviously do not have a lot of time from the time that applications are open to the time the submission or the application is put in, and obviously waiting three or four days or longer for a response is a lot of time that we could be putting in to preparing the application. That is the first thing.

The other thing, again, I would agree with Ms Richards around the time frame and the responsiveness. You might note that in the submission that I put in, I put in a table about what our pending applications were on page 4, and I just want to reference one of those, which is the Corowa Regional Agricultural Precinct Development project. We put an application in under Growing Local Economies some 18 months to two years ago. Since that application went in, the fund was closed and, again, 18 months down the track we find out that we were eligible or we were receiving funding for that project. That announcement has only just come through in the last four to six weeks.

The issue that we have now is that we were told that we were given funding under an economic stimulus package and we had two years to deliver the project. The project is \$10.6 million and when we looked at what we needed to do to deliver that project in that two-year period, we realised that we were going to take 15 months of that two years just going through the regulatory process in seeking development approvals and all of those other regulatory approvals that we need to go through to get to a point where we could actually put a shovel in the ground. From a timing point of view, those things for us are crucial in terms of having a response in a timely fashion and having more of that information so that we have got more time to deliver the projects effectively.

**The Hon. TREVOR KHAN:** This is not directed at any witness in particular, so I invite you all to make an observation. We started this inquiry by hearing from a number of city councils, and they started with the proposition that grants funding should essentially be distributed on a per-capita basis. Mr O'Connor, how would that work so far as Brewarrina Shire Council is concerned?

**Mr O'CONNOR:** Well, it would not work at all because it we have 1,652 people who live within nearly 20,000 square kilometres. It would be scattered around and per capita it just would not work. As we know, a lot of grants go that way. We just could not compete with other councils with the amount of people that we get here. Over the past six years there have been 500-odd people less than what there was back in the past. So, no way. I do not think we have any say in it.

**The Hon. TREVOR KHAN:** I take it that simply going on a per capita basis in terms of your council not only would not account for the sheer size of your council area, but also the disadvantage that exists amongst many of the people who live in your council area. That would be right, would it not?



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**Mr O'CONNOR:** That is true, yes. That is right. As you said, with the disadvantage—and there is no other council close to us. With our disadvantage and with our large Aboriginal population, there is just not a council—I mean, 38 per cent. Wilcannia is the closest to us at 52.5 of that population. Everyone knows that with the Bureau of Statistics there is 20 per cent of Aboriginal families who do not fill them out, so there is another 20 per cent. We are a unique council and we cannot say that we are anything like our neighbours, really, in a lot of ways. You know, Bourke, Wagga, Cobar and to the north in Queensland—the reality is that we need to be treated as a unique council like that.

**Mr SOWIAK:** Through you, Mr Chair, in our submission I make a comment in relation to goodwill and community wellbeing. If they are worth a dollar, then there are millions upon millions of goodwill and community benefit from the funding of this isolated Aboriginal community, as we see. If we are going to allocate funding on the basis of people and not on the basis of what we are delivering to a community then we have a serious problem with the way in which it operates.

**The Hon. TREVOR KHAN:** So, if I ask Mr Van Emmerik and perhaps Ms Richards, you were asked a question earlier by the Hon. Courtney Houssos with regard to what is essentially a two-tiered model of—in a sense, "city versus country" might be a way of describing a two-tiered model. Can you think of any additional nuances that would have to be built into a funding model, apart from city versus country?

**Ms RICHARDS:** I might speak. First of all, I can see why the cities might suggest that division. But when you look at even us as a regional council, we have such rural spread; so, over 1,000 of sealed road, nearly 800 kilometres of unsealed road, four bridges and five swimming pools just in our local government area. Those things would be impossible to maintain adequately without proper funding. I cannot think of a split. Perhaps size of council might assist, determining on how many people there are to do the work—although a lot of this is contracted, as you know. I cannot think of a split that would give fairness across the board. I would like to spend some more time thinking on that and perhaps asking some others.

**The Hon. TREVOR KHAN:** Sure. Mr Van Emmerik, have you got a view?

**Mr VAN EMMERIK:** Yes. Look, I have. From my point of view I would agree that a per capita basis would not work at all. When you look at essentially the asset base of regional councils, they are significant. Whether they are roads, bridges or community infrastructure—whatever they are—they are significant. Without the assistance of State Government through grants, it would be impossible for us on our own to just maintain the assets that we have, let alone think about developing new opportunities for community through consultation. For me, there is certainly some scope to work on a percentage basis for councils. So, if councils were to be tiered from metropolitan to regional to subregional and then to rural, perhaps there is a percentage or an allocation of additional funding that is built into grants to allow those more regionally based councils to get a higher percentage. So, if metropolitan councils got 100 per cent of the funding, for instance, right through the scale you might end up with the rurally based councils getting 125 per cent. Those are sorts of ways of addressing the issues around infrastructure and the need to just keep on top of them, really.

**The Hon. TREVOR KHAN:** Mr Van Emmerik, how many bridges, for instance, are in your council area?

**Mr VAN EMMERIK:** You are asking the wrong person to know about the number of bridges. I can take that on notice. Certainly our council area spreads from basically the Victorian border to an hour and a half north of that. And so, within probably 10 kilometres of the Victorian border it is very much a rural council. There is significant roadwork and I would suggest that we are getting up to between 50 and 100 in terms of the number of bridges, but I can certainly take that on notice.

**The Hon. TREVOR KHAN:** That is fine. I will hand it back and we will see where we go for a little while.

**The Hon. JOHN GRAHAM:** Great. I was just interested in returning to this question about the hands-on help for grants because the feedback from elsewhere has been that it is really is a great deal of help. Presumably it varies grant program to grant program, though. It has been provided for some and not for others. Can you just give us a bit of a sense as to where this has worked and where perhaps it might be extended to? Which grant programs have you had that experience with and how helpful is it being? We might go back in the reverse order again, starting with Federation Council.

**Mr VAN EMMERIK:** From my point of view, the programs where we had good consultation have been probably the smaller programs. So, the Stronger Country Communities program would be one that—we have got significant information back from the Department of Regional NSW. The issue for us has been the information that we have after the applications have gone in, because often as members of the department they are excluded from the process from that time on. Certainly when we are talking about larger, competitive-based opportunities,

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there is lots of information in terms of—sorry. The name of the program escapes me now, but it is one that is eligible for job creation in New South Wales. At the moment there is quite a bit of information about that one. Outside of that, my experience has been that unless we go hunting for the information ourselves, we do not have it forthcoming.

**The Hon. JOHN GRAHAM:** Okay. That is useful guidance. Brewarrina?

**Mr SOWIAK:** In relation to the simplification of the process, the greatest difficulty we have is getting quotations for works because we do not have builders who—well, actually, we do not have builders. Most of our builders come from Dubbo, four hours away. We have local contractors. One of the difficulties you have with a project that is worth over a quarter of a million dollars—you have got to call tenders anyway. So, you invite someone in to give you a quote and they spend some time to give you a detailed quote. They then have to compete in relation to the tendering process to win the job. So, even that commitment is difficult to get up front.

One of the things that happened in relation to the Stronger Communities Programme which was really good is that we were able to get a quantity surveyor or some of our engineering staff with those skills to do estimates. In fact, I did the first estimates on spreadsheets and submitted them as our workings as to how to calculate the amount of the grants based on our previous experience. That was very good. Of course, at the end of the day, the risk was that when we called tenders the cost was more than what we estimated, in which case council had made a commitment that we would still proceed with the work and we would just top that up. Certainly that process of allowing us to use spreadsheets and allowing us to submit detailed quotations was very, very effective.

In relation to that first question about the distribution of grants, can I tell you that one of the most successful grants is the Drought Communities Programme, where every council is allocated \$1 million. Now, \$1 million to a council that has a \$200 million budget is nothing, but \$1 million to us [inaudible] is a significant contribution. And so, in terms of allocating funding we were not in that league where we are going to compete with a \$300 or \$400 million sports proposal, but \$1 million is a huge grant to us and something we can see a lot of community benefit for. We have already had a council meeting today where we decided on priorities for the next round of Stronger Communities funding. We are ready to go. We are going to prepare some estimates. The funding has not actually been detailed in terms of what is available, but we have projects ready to go.

**Mr O'CONNOR:** Yes.

**The Hon. JOHN GRAHAM:** Great, thank you. Ms Richards?

**Ms RICHARDS:** I am not sure that any of the information—I am not sure we need the level of assistance that Brewarrina is talking about in terms of guidance. I think the best thing for us would be clarity in the first place—clarity of the application form and clarity around what projects are eligible and what are not. One of the grants that for us worked really well was the Regional Cultural Fund grant, where the first step was to put in an expression of interest. You could do that without providing detailed quotes and so on, and you only got to the second stage—if you got through the first gate, then you had to do a much more detailed application. I think that worked well because it meant that we were not working very hard on projects that were not going to get up. [Audio malfunction] process more often. I think the wording and the clarity of the application process is the most important thing. It is probably more important for us than having the direct help; as in, workshops and so on.

**The Hon. JOHN GRAHAM:** Thanks. That is useful guidance. At that point, I think we are at the end of the questions from Committee members. I would like to thank you for the contributions. That has been a really useful addition to some of the evidence we received from other councils this morning. Thank you for your time and your submissions. In relation to questions that have been taken on notice—and there were a couple—the secretariat will be in contact, in order to arrange those. Thank you very much for your contributions to the Committee's deliberations today.

**Mr VAN EMMERIK:** Thank you.

**Ms RICHARDS:** Thank you.

**Mr O'CONNOR:** Thank you very much.

**(The witnesses withdrew.)**

**(Short adjournment)**

## CORRECTED

**BILL WEST**, Regional Prosperity Portfolio Mayor, Central NSW Joint Organisation, affirmed and examined

**ROWENA ABBEY**, Chair, Canberra Region Joint Organisation and Chair, NSW Joint Organisations Chairs' Forum, before the Committee via videoconference, affirmed and examined

**KALINA KOLOFF**, Chief Executive Officer, Canberra Region Joint Organisation, before the Committee via videoconference, affirmed and examined

**BOB PYNSENT**, Chair, Hunter Joint Organisation, before the Committee via videoconference, sworn and examined

**JOE JAMES**, Chief Executive Officer, Hunter Joint Organisation, sworn and examined

**STEVE WILSON**, Director of Regional Policy and Programs, Hunter Joint Organisation, affirmed and examined

**The CHAIR:** Welcome to the afternoon session of the inquiry into the integrity, efficacy and value for money of New South Wales Government grant programs. This is our final session for the day and we have a series of New South Wales joint organisations of councils to give their valuable reflections on the way the grants process works within New South Wales. I might just invite each regional joint organisation to give a brief opening. Spread it amongst yourselves as you will, but we might start with the Hunter, then we will go to Canberra, and then we will go to Central New South Wales.

**Mr JAMES:** Chair, do you mind if we order them? We have actually coordinated ourselves so that we were not taking up too much time of the Committee.

**The CHAIR:** Do you know what? This is the kind of joint regional organisation that we like. Kick it off as you will, yes.

**Mr JAMES:** I might hand to the chair of the Chairs' Forum, which is Councillor Abbey.

**Ms ABBEY:** Thank you. I probably did not introduce myself properly. I am actually mayor of Yass Valley and chair of the Canberra Region Joint Organisation, but I am also chair of the Chairs' Forum, which is the 13 joint organisations [JOs] in New South Wales. The representations here by the three larger JOs will hopefully be of some assistance to you in terms of your review of the grants program. On behalf of the 13 chairs of the joint organisations in New South Wales, we acknowledge the critical importance of grant schemes to enable regional initiatives and support emerging opportunities. We support grant funding—I would like to say that we strongly support grant funding—and the frameworks under which monies are allocated encourage the continued investment in the local government sector and their communities.

Very few programs have been designed with regional New South Wales in mind. We consider this to be an important aspect of any future program design and delivery. Through our representations at this inquiry we hope to demonstrate the value of regional funding and mitigate the risk of the funds being disbanded. We also acknowledge it is vital that there is adequate and equitable distribution of grant funding throughout local governments and joint organisation networks. Joint organisations provide an opportunity to regional New South Wales to do business differently with the State Government by helping to establish and coordinate regional priorities and through collaborative project delivery. This supports greater efficiency and value for money, as well as strong governance and accountability layers to programs and projects, which I know we all believe is a very important part of grants and acquittals.

We acknowledge that joint organisations are well placed to deliver programs with an impartial and transparent governance framework, and ensure bipartisan application of agreed funding programs and guidelines. Collaboration between joint organisations, councils and State Government will ultimately strengthen any future programs by ensuring that priorities reflect the needs, capabilities and interests of regional communities. Targeted funding for regional communities provides truly impactful change and is a significant source of support and sustainability for towns across New South Wales. Without continued targeted support, many local councils would not receive the necessary program and project upgrades that are so important to social and community cohesion—in particular, some of the very small communities that do not have the numbers to actually help justify some of the grant applications. My two colleagues will speak to that as we go forward.

We are here as three of the largest joint organisations in New South Wales. We all have at least 10-member councils, so we are a more robust joint organisation than some of our smaller colleagues. We still face some of the same challenges that the smaller ones do, as well, in terms of gaining that funding to do cross-regional work. I think all of us would agree that, from a regional perspective, 10 councils looking at problems together and coming up with a list and prioritisation of projects across a whole region is a very good way, and a clear and open way, to actually share how projects should pull together and how we make projects work. I am just going to give

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a very brief example of a couple of things that we have worked on. I know that both Councillor Pynsent and Councillor West are going to do the same thing.

With some of the grant money that we got from our joint organisation, we put together several prospectuses across our region. To understand what that means, I will use an example of the water and wastewater prospectuses. Our area covers from Bega up to Wingecarribee, through the Snowy Mountains and out to Young and the Hilltops area, and all around the Australian Capital Territory [ACT]. We looked at all of the water and wastewater projects across the whole of our region. We categorised them using the guidelines used by Infrastructure NSW and Infrastructure Australia so that the way the program was looked at became in line with funding guidelines from the State and the Federal perspectives. What we are trying to do is work with both State and Federal Government to ensure that we have programs that fit into their funding guidelines.

We listed all those projects. There are hundreds of them. Then, as a group of 10 councils together, we sat down and prioritised them. So, for example, we might want our water treatment plant at the top of the list and I am sure my community would say that was the case. But then, when we looked at other communities who had critical problems with their water that would potentially leave them with unpotable water—no drinking water for their town and community—as a group we prioritised the projects so that we could give that to the State Government and work with the State Government, to ensure that you could see what was most urgent in the funding program and to help move the money towards where it was needed most. That example is one of many. We have got a regional workforce strategy. We have worked on wastewater and are now working with the ACT and New South Wales Governments on that.

We have a road and freight strategy and we have a bridges program, which identifies all of these priorities. What I just wanted to finish with before I hand over to Councillor West, who is following me, is that the joint organisations are in a unique position to provide a regional approach and a regional view to where funding should be. We are not looking to be in between the councils and stop the funding process, but some of the projects are cross-regional projects and they require us to work together as a regional group of councils to get a project up under a funding guideline. At the moment, we cannot apply for funds under the JOs for group projects. I think that is one of the things that is going to be discussed further by Councillor West and Councillor Pynsent after me. That was my opening start and I will now hand it across to Kalina Koloff, followed by Councillor West and Councillor Pynsent. Thank you.

**Ms KOLOFF:** I would just like to make a few brief statements on behalf of the 10-member councils represented by the Canberra Region Joint Organisation [CRJO] and reiterate some of the comments made by Mayor Abbey in the opening statement about the importance of continued commitment to regional funding and the very significant role that funding plays in our smaller rural and regional communities. The joint organisations play a very important role in supporting councils—in a bipartisan, transparent, open and very rigorous way—to work together for better rural and regional outcomes and to enhance the way that local and State Governments work together to plan and deliver regional infrastructure and investment. Grants are an essential component of this work.

We feel very strongly that the continued targeted funding to regional communities—especially funding that can be delivered in coalitions or regional groups—means the Government has the opportunity to support projects and initiatives that benefit a network of small towns and communities, many of whom, as Councillor Abbey indicated, may not be in a position to design and deliver impactful programs individually. So, that regional coordination and that regional collaboration in spite of anybody's political affiliations is extremely important and is a role that the JO plays well. As you would be aware, joint organisations were formed to undertake three core tasks. One is around strategic planning and priority-setting. I think the example just given about our water and wastewater infrastructure prospectus is an excellent example of how regional communities and regional councils can come together and genuinely prioritise the strategic projects that are of most importance across groups of towns and communities.

Our other role is specifically to facilitate intergovernmental collaboration. That space that we inhabit in the midst of local, Federal and Commonwealth and State projects really gives us an opportunity to work together on both sides of the aisle. The third thing that we are required to do is provide shared leadership and advocacy. You can see from our charter that enabling joint organisations to work in coordination with all tiers of government means that there is a real opportunity to make a contribution to regional New South Wales and to benefit communities in New South Wales. The CRJO, like all joint organisations, provides a key role with respect to grants in terms of leveraging and brokering those strategic regional outcomes. We do this right across the region in terms of the alignment and articulation of our strategic priorities by providing a forum through which we can reach and engage regional leaders and other council personnel.

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We provide support to navigate engagement and connections with local communities, including on major infrastructure, regional biodiversity and other important issues—including, very importantly at the moment, our visitor economy and regional tourism. I finish by really reinforcing that point that the JO, by its nature and by the way that it works representing groups of councils and groups of communities, provides a very significant bipartisan and apolitical mechanism to deliver better value from State programs through that aggregation and centralised delivery. We are certainly doing that in some of the directly funded programs that we are running around contaminated lands, regional waste and bridge assessments. Certainly for the south-east region we have been very active in the way we have worked together across our communities in preparing and responding to some very significant natural disaster challenges over the last 12 months. Thank you.

**Mr WEST:** Thank you, Mr Chair. Having been part of the joint organisation journey since the pilot, the material difference between what was the old regional organisations of councils and the joint organisation is working effectively with the State. This is a great opportunity and one that has been recognised in the rhetoric but has not yet been systemised in the fabric of service delivery in New South Wales. Improving relationships between State and local government was identified at Destination 2036, which some of us still remember. It was a statewide workshop of mayors, general managers and the Minister for Local Government in Dubbo nine years ago. The suggestion at the time was that leveraging a regional approach would be one of the solutions to the challenges. The pilots of the JOs occurred four years later, administered through the Office of Local Government [OLG]. There were five pilots, of which Central New South Wales, or the Centroc group, was one.

The JO was proclaimed in May 2018, giving the JO, among other things, the role of intergovernmental collaboration in legislation only, enabling the intergovernmental collaboration—was State-appointed being an associate member of the JO board, and the JO EOs being part of the regional executive leadership, this being the heads of State departments across the footprints based on planning boundaries. While there has been some interest in funding frameworks and engaging with JOs, it has been somewhat ad hoc, driven by State agencies' misapprehensions about the work and typically has a poor fit with the way the JOs do business.

If I can give you a couple of examples, the first one I will provide you with is a good example. I am tabling three documents, Mr Chair, if that is okay with this Committee. The first one is in regards to a bridges program. The bridges program was one where the ROC at the time procured through the State Government a contract to investigate the standard of the bridges across the entire region. Some 164 bridges across our entire region, irrespective of the size of local government area, were inspected under one contract. That obviously had savings for State Government and savings for local councils and came up with a result, which enabled us to lobby for funding and give everybody a chance also to determine what their neighbours had and looking also, importantly, at connectivity with roads—not just a road going nowhere, but a road that might actually lead to somewhere that was a freight route, for example, or a tourist road.

**Mr DAVID SHOEBRIDGE:** Linking the destination to the start is always useful on a road.

**Mr WEST:** The destination is always good. But too often, Mr Chair, we forget the destination and we just start and we do not really plan where we are going to get to. That is one of the issues around transport I will talk about on another day. That is the good news. Another one that we talk about is water, and it is a salient example of where co-designed solutions and ongoing collaboration through JOs between local government and State agencies will deliver significant values. However, the risk identified in this case study is large inland communities running out of water in the next drought. That simply is that we have had an issue in trying to, with DPI, co-design the processes.

Whilst they have given us an opportunity to comment in the region to be involved on methodology, it was after it had been developed—difficult to effect any significant change that late in the process, as you can imagine. Working with members to ground truth in methodology would provide a greater level of confidence and understanding for all levels of government and the Minister in the application of methodologies across the State. With water, also, there are concerns about some of the issues in the water strategic valley plans, where they start talking about benefit-cost ratios and how that might impact on being able to provide the structure.

The third one we would raise—and not as critical as water, but nonetheless a salient example of missed opportunity for co-designed funding for regional communities—is a funding framework administered by Destination NSW. Not only is it a funding framework, but an administrative framework with benefits from some equity and co-design. Our JO is part of Destination Networks—that is 61 per cent of the State being Destination Country and Outback. The recent case study will very quickly inform you that we were looking at being involved with the New South Wales "Now's the Time to Love NSW" spring and summer campaign—a \$70,000 buy-in, effectively, but we were not being able to manage that project and it was going to be basically funding Destination NSW to do the job. There was no buy-in and no co-design of that at all.

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Sadly, we noticed that better engagement with Destination NSW may lead to better outcomes and inclusions for our members. In our case, for example, the road trips recommended on the Visit NSW site have none of central and western New South Wales destinations on that site. So there are some concerns around the opportunities that are being missed around Destination NSW as well to co-design and to share funding. In the interest of time, Mr Chairman—and I am very keen to hear what questions you have to ask—I will pass over to my colleague Councillor Pynsent.

**Mr PYNSENT:** Speaking for the Hunter JO, the establishment of joint organisations by the New South Wales Government provides a unique and significant opportunity to improve the integrity and delivery of New South Wales grant programs. Joint organisations are transforming the way New South Wales government agencies and local councils collaborate, plan, set priorities and deliver important projects on a regional scale. They are key mechanisms with significant potential to support the Government to more effectively deliver funding programs across regional New South Wales. This opportunity directly aligns with the core statutory function established for joint organisations around strategic planning and priority setting, which involves establishing strategic regional priorities and then plans for delivering these to our communities. Since the establishment of joint organisations, it is clear they provide a niche regional research tool and planning role. This can bring about strategic, efficient and cost-effective delivery mechanisms for State funding targeting the regions.

Key focus areas in which these opportunities have been identified include, one, determining infrastructure and planning priorities and identifying community needs across a region to ensure the maximum return on State investment; two, undertaking research and preparing feasibility studies and business cases to de-risk and facilitate the uptake of new systems and technologies, with the potential to deliver on a range of State Government policies and targets like the circular economy and the new energy technology—this is particularly true where such activities need to be viewed through a regional prism to identify the added value and efficiencies that can result from collaborative approaches across both council boundaries and stakeholder groups; and, three, establishing new financial and investment models to provide access to the capital necessary to facilitate regional-scale investment in economic development and transition, such as with the Hunter 2050 Foundation.

Despite the significant value of this role, it can be performed by joint organisations. In our experience, which stretches over two decades, the availability of State grants to complete this important prioritisation work is limited. Grant programs generally focus on the delivery of shovel-ready projects. This can be at the expense of more strategic projects that have greater overall regional benefit and could otherwise be identified if an improved regional assessment was undertaken. We recommend a complete and systematic change to the way in which New South Wales grant programs across regional New South Wales are administered. This would involve a specific assessment criteria and funding being established within grant programs to support delivery by joint organisations of the regional planning and prioritisation work that we are superbly placed and supported by statute to deliver.

Joint organisations being invited to participate in the design of government grant programs which are targeting or available to regional New South Wales—no two regions are the same. Involving joint organisations in the early stages will ensure programs reflect the diversity of challenges and opportunities across regions and that funds are equitably disbursed to priority needs. This change would only require a small portion of total grant program funds to be allocated for this purpose, but this change will drive a more strategic and efficient use of grant-funded programs overall. Importantly, providing funding for concept development, business case and feasibility assessments would create a pipeline of shovel-ready projects that are aligned to the shared interests and priorities of both State and local government to which ongoing grant funding could continue to be strategically targeted. I thank you for the opportunity to contribute to this important inquiry.

**The CHAIR:** Thank you all for those thought-provoking contributions. I might ask a couple of questions to get a sense of where your current funding comes from. What is the mix of funding at the moment to the joint organisations? Is it primarily from councils? Are there co-contributions from the Office of Local Government? What is your funding mix at the moment?

**Mr JAMES:** I am happy to take that. It is principally from councils. There has been an initial start-up funding of \$300,000 for the initial year that JOs came into existence, and there has been a project fund of \$150,000 but it has to be a specific—I cannot remember the capacity-building projects, but there is no ongoing commitment so the sustainable funding comes entirely from local government.

**The CHAIR:** But this was an initiative of the State Government and designed, in many ways, as an intermediary—as I understand it—between State Government and councils.

**Mr WEST:** Yes.

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**The CHAIR:** What, if any, discussions have been had with the State Government about it doing its fair share of funding this intermediary?

**Mr WEST:** Maybe the chair might answer that, Mr Chairman. But there have been conversations from the pilot stage, I can assure you.

**Ms ABBEY:** There have actually been ongoing conversations about funding, particularly for the supporting funds for smaller councils, because it is voluntary to join a joint organisation. The three of the JOs that are represented here are probably more sustainable in terms of the fact that we have a larger number of councils contributing to a minimal amount of administrative overhead. We are all very lean, mean organisations. But some of the smaller councils where they have only got two or three councils—that initial \$300,000 seed funding allowed them to set up and start commencing some of the sorts of programs that we were talking about in terms of putting together freight or transport strategies or a regional workforce strategy. But at the end of that program there was no ongoing funding.

It is something we are still working closely with the Office of Local Government and regional New South Wales, having discussions about how to ensure that we can have ongoing funding. I think our role, in particular, is a good one because we are actually not council and we are not State Government. What we are trying to do is ensure that the priorities of the State Government and the priorities of the region actually get matched up together so that we actually achieve the things that we want to do for all our communities. It is an extremely collegiate group when you get together, even with 10 councils. We all come from different political views in life; none of us bring that to the table. It is all very bipartisan. It is all about wanting to do better for our communities and how we can help the State Government deliver what it is trying to do into those regional communities. But the ongoing funding is of concern to us all.

**The CHAIR:** It is critical, is it not? If we are going to have this network of joint organisations across the State, it is critical that the State Government steps up and funds its fair share of it.

**Mr JAMES:** Yes.

**Ms ABBEY:** The answer to that is yes, it is critical. A JO review is due for 2021. It was supposed to be at the end of this year; COVID has, at this point, delayed it. But I am not sure that there is funding allocated yet to ensure that that review comes through. But certainly we believe that a small amount to ensure that we actually have at least the administrative capability to pull together the organisations and keep us working on projects is an essential part of our success going forward.

**The CHAIR:** I might be unfairly simplifying the thrust of the submissions that you have put but if I was to summarise it, it would be much of the work that the joint organisations do is long-term strategic planning. Long-term strategic planning tends to not be very sexy and tends to not attract grant funding, so you are really left on your own. Is that an unfair characterisation of at least some of your submissions?

**Mr WEST:** I speak for probably my part of the world as much as anybody else's. But in terms of the cost, the recurrent expenditure is something that our JO—some of our members are getting concerned about, without any sort of support from the State Government to do what we want to do and what opportunity is there to do. So, yes, the recurrent expenditure is a major issue. In terms of long-term strategic planning, yes, a lot of that is what is going on, but also we are lobbying for our members and working with our members on a daily basis about, for example, in our area, Orange running out of water, Grenfell needing a medical centre and some of those things. So we are lobbying on a daily basis as well as the long-term strategic planning. So some of the grants that are out there could be utilised for actually being beneficial to our members in the short term as well.

**Mr WILSON:** If I may, another example in the Hunter is our circular economy program. We have councils and the State Government aligned on what we wish to do. We are trying to de-risk. The program involving organic waste and recycling that in the region—generating new innovation precincts, new jobs and clean energy jobs—relies on the councils in terms of the quantity and scale of material to actually succeed. We need to de-risk and do the detailed feasibility for that work to actually have councils and potential private partners proceed with that. It is very hard to get that money for that feasibility assessment and business planning when it is an incredible outcome that could be achieved.

**Mr JAMES:** My colleagues give a great example. I was going to say the thrust of your comment, Chair, as a summary was correct. From my role, I came out of the port corporations. I started at a corporation into this field about 18 months ago. My colleague Mr Wilson has been working in this field and carved out a niche in the environmental space, trying to create this long-term sustainable capability at a regional scale. So his insight—one of the reasons I asked him to come today was because he has been doing this for a long period of time and survived despite the system. I think the great work that that team has done in the circular economy space is a great example of where that strategic funding is so critical.

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**The CHAIR:** A number of the submissions we have had from councils have said that the current grant funding system is not fit for purpose. They can put the same grant fund in five years in a row and then randomly get it. Sometimes they get five grants at once and then have to defer a bunch of other projects because almost all of the grants come with co- contributions and then they have to pull the budget from somewhere. It is unpredictable, it is inefficient and it is not strategic; that would be a neat summary of my view of their evidence.

**The Hon. TREVOR KHAN:** I think that is unduly harsh.

**The CHAIR:** Everyone is grateful for every grant they get; there is no doubt. No council is willing to say a bad word about the State Government because of the power imbalance.

**The Hon. TREVOR KHAN:** I would not go that far.

**The CHAIR:** Do you think your members would appreciate or support a strategic allocation or a strategic direction being done by your organisations, or do you think that is getting in between them and the State Government?

**Mr WEST:** The chair might comment.

**Ms ABBEY:** If I may respond to that, I hear what you are saying. Yes, we are happy to take any grants we have got. The point that we are all trying to make here is that if you have a strategic prioritisation process across it and for a regional purpose, it includes the smaller and the larger councils. It actually makes the process better across whole of region, rather than just the one town or community. There are some things, obviously, that are just more at the local government level that they are applying for, and we do not want to compete with them for those moneys. Competing against yourself does not make any sense from a council perspective. I do not want to lose money for bridges because it goes to the JO. But if it goes across bridges across the whole of region and it supports our transport freight network priority, that does make sense to me. I think you will find that most of the JOs on that collaborative process—if we are working with strategic priorities that are community-based, that feed back into the State Government—that is actually what we play a really significant and helpful role to actually help ensure that those grants are actually going in the right places, rather than some of the way it is being allocated.

**Mr JAMES:** Chair, if I could comment there, I think the notion of program design being strategic and with greater certainty, whether that be at the LGA level or at the regional level—I do not think you would get any argument from anyone in local government. Local government is highly dependent on grant funding to deliver essential services in some instances, so it becomes a core part of what we plan for. At that program design level, it is really about: Is the intervention from the State targeted at a local level, or is the intervention from the State targeted at a regional level? Either way, it being strategic and having some forward certainty is critical for planning.

**The Hon. COURTNEY HOUSSOS:** Thanks very much to everyone for your extensive contributions today and for your submissions. Some of you have already touched on the idea that the joint organisations should be able to make applications, which might reduce duplication. I would ask each of you to respond to that idea and say whether you would support that. I think it was the Hunter Joint Organisation's submission that said this would be a way of making this more of a long-term strategic approach, rather than having individual councils compete against each other. Could each of you explain if the Government has had any interaction with you in terms of promoting the existing grants program that it has had available?

**Mr WILSON:** I can respond to that for the Hunter, if you would like, initially. Yes, I think agencies have had contact with joint organisations around including them in grant programs. But I think the point was made by Ms Abbey earlier that we are not local government ourselves. We do perform a different function than local government. It is in that strategic space. Often the grant programs that we are told we can apply for still have that shovel-ready operational focus, which is not the space that we play in. So that is a key challenge in terms of even though we might be making grant programs available to joint organisations, the criteria need to reflect our role so we can apply for those.

**The Hon. TREVOR KHAN:** Ms Houssos, would you mind if I ask a follow-up question? Is it that you need to be able to make applications, or should one of the criteria under grant funding applications be consideration of the views of the relevant JOs? Essentially, you would have some degree of input into the prioritisation under the programs.

**Mr WEST:** I think Councillor Abbey's explanation a minute ago was exactly spot on and succinct. One of the things that came out of the pilot program is that local government does not want to see the JOs become a fourth tier of government. Local government does not want to see State agencies passing to local government or the JO their work. There were conversations very early around the Roads and Maritime Services about looking at single limitations in contracts and some of that work that they get the JO to do on their behalf. The JOs very



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quickly called back and said, "No, that's not our core business." So I think that we represent our members. Another area where we can represent our members very well is about benefit-cost ratios [BCRs] where rural and regional communities are at a disadvantage in establishing the benchmark around BCRs.

**The Hon. TREVOR KHAN:** In many of your areas you just will not.

**Mr WEST:** You cannot do it. But we get belted for it, unfortunately. That is the reality. I think that there is a whole combination that we need to be allowed, I believe, to apply for funding where it is relevant and it is specific to a need which benefits the region. But in terms of being a box that gets ticked off on another local government's grant applications, I am not quite sure that we should be in that space.

**Mr JAMES:** I would observe the following: that if you want JOs to be a consultation box, you do not need an operational layer.

**The Hon. TREVOR KHAN:** I am not suggesting that you veto, but rather that the funding authority gives some consideration to what your priorities are.

**Mr JAMES:** Insofar as grant programs are concerned and criteria, if it was a case of local government areas wanting to apply, I would probably oppose the view that the JOs' view would somehow be taken into account on an LGA-by-LGA basis. It would be seen as a limitation on the independence and the autonomy of each LGA.

**Mr WEST:** It would have political ramifications.

**Mr JAMES:** Yes. And the funding that JOs require, whether it is core funding to make sure you have got staff with the right capability or program funding, is that there is a task to be done in synthesising the work, doing the planning and doing the feasibility that is often placed based. It is based on local knowledge. Certainly, collaborating with the State where the State is bringing certain expertise actually needs a level of resource. It is not a matter of just bringing people together and consulting. You do not need that. That is the fundamental difference between when we talk about funding for regional New South Wales, which every JO will advocate for—you can fund directly into local government and you will get results within local government. That is not the gap. That is not the policy gap that JOs fill. JOs fill the policy gap. They are bringing place-based knowledge to issues where the State is often bringing expertise and policy and funding levers but does not have the place-based knowledge.

That is why co-design is important, because you cannot design a system that equalises across every region because you will get perverse outcomes. You need that place-based knowledge, and to actually retain that place-based knowledge through time, you need a body. We are not talking an army of people. The Hunter JO, which is considered relatively well resourced—we spent the last two years creating a team of five. That is five people across—we are trying to cover environmental policy, economic policy and social policy. So we are stretched, and we are the most well-resourced JO in having dedicated people starting to grapple with these issues through time.

**The Hon. COURTNEY HOUSSOS:** I wanted to see whether perhaps Councillor Pynsent or someone from the Canberra Region Joint Organisation wants to make a contribution on that specific issue about the funding.

**Ms KOLOFF:** I am happy for Councillor Pynsent to speak to this if he would like to at this point, and I am happy to speak after him.

**Mr PYNSENT:** Thank you. The main work, strategically, that we have done is to do with the circular economy. I think that is an issue that every council in New South Wales has to grapple with, and I think that funding across a region is going to get better outcomes than taking on individual councils for the funding. The other work that we have done, as I mentioned before, is about the 2050 Foundation, where the Hunter is faced with job diversification over the next 10 to 20 years as coalmining reduces and the impact on our economies, and that is every economy of the 10 members. It would be far better to take a regional approach to that, rather than individual councils requesting funding to work alone.

**Ms ABBEY:** I might just add to Councillor Pynsent's comment there that, particularly, as we said earlier on, we are three of the better funded and more substantial because of our size and the number of councils that have joined us in terms of funding. But one of the things that the JOs do is actually bring together the smaller groups as well, and the smaller councils, and actually bring them into that process and provide support so that all regional communities actually get supported by some of the stronger ones so that the smaller ones actually get a benefit by working with the bigger ones. There are economies of scale that we can bring to a regional project. If you are trying to do—I think we have used examples before in relation to the Hunter where it breaks down things. Our water project one—we had five smaller councils within our region who literally do not have the resources to actually run and project-manage wastewater or sewage projects in our region. There are five projects

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that need to be redone. They are getting towards the critical emergency stage. But they were banding together and finding a way that we can have a project management office that supports all five of those councils.

What it means is for those five councils is probably, although they may get some individual funding from the Government, if they work together we can actually create that scale and capacity to, one, deliver it but, two, also fund it in a more productive way. So we will actually go and be able to get the one of two tiered contractors to actually fight over a good-sized project, whereas if you are one small little council by yourself, I can guarantee you what happens is they go, "It's too much trouble and you're not really worth us spending our time, and we'll up our price anyway." So that scale and capacity is also what the JOs can help bring to some of the smaller councils that actually need that collegiate support to get those projects up. It does not mean those councils are not paying for it, but what they do is actually have some savings on the way that get put into that project management and deliver something to the community much faster than it would be if they were trying to do it on their own.

**The Hon. JOHN GRAHAM:** Thank you for that response. That has brought us to the end of our session. Thank you for the submissions that you have given us, but also for the evidence today. It has really rounded out quite well the evidence we have had earlier today and in some of the previous sessions.

**The Hon. TREVOR KHAN:** It was far more constructive than some of our days.

**The Hon. JOHN GRAHAM:** It has been a very constructive session. If there were questions taken on notice in this session, the Committee secretariat will be in contact to make arrangements to get those responses. On behalf of the Committee, thank you for your time today. We have enjoyed the session.

**Mr WEST:** Thank you.

**Ms ABBEY:** We would like to thank you for inviting us all to speak. Hopefully we have added some sensible and productive comments for you. I will not read out the JO forum recommendations because we are at time, unless you would like me to. But I encourage you to refresh your view of the recommendations because they have come from all of the 13 JOs across the whole of New South Wales. So this represents the conversations of all 13 and all of rural and regional New South Wales.

**The Hon. JOHN GRAHAM:** Thank you, that has been noted. Thank you for your time. We will end the session now.

**(The witnesses withdrew.)**

**The Committee adjourned at 15:51.**