

**INQUIRY INTO INTEGRITY, EFFICACY, AND VALUE FOR
MONEY OF THE LOCAL SMALL COMMITMENTS
ALLOCATION PROCESS**

Organisation: NSW Premier's Department

Date Received: 24 January 2025

Submission to Legislative Council Inquiry

Inquiry into the integrity, efficacy, and value for money of the Local Small Commitments Allocation process

Purpose

This submission from the NSW Premier's Department is made to the Inquiry being undertaken by the Public Accountability and Works Committee of the NSW Legislative Council into the integrity, efficacy, and value for money of the Local Small Commitments Allocation (LSCA) process.

This submission outlines key information, dates and activities relating to the LSCA program to support the Inquiry.

Background

The LSCA was established in July 2023 to provide grants up to the value of \$400,000 in each of the 93 NSW electorates, funding small local projects to enhance community wellbeing and provide benefits to communities in NSW.

The Special Minister of State (SMOS) is the decision maker for the LSCA Program.

The total cost of the LSCA is **\$37.2 million** and it is funded from the NSW Generations Fund – Community Services and Facilities Fund (CSFF).

The LSCA is a one-off ad hoc grant program with a non-competitive nomination process and a merit assessment for each project. Local councils and community organisations were nominated by Labor Party candidates prior to the March 2023 election to submit proposals to deliver small local projects. Nominated projects include upgrades to community centres, playgrounds and parks, and the delivery of welfare services, educational programs, and community events. Projects must be delivered within two years of funding being received.

In some electorates not all of the \$400,000 allocation had been identified for nominated projects, and the remaining portion of funds was allocated to local councils to undertake playground and park upgrades. Where an electorate covered multiple Local Government Areas (LGAs), the available electorate funds were allocated based on the proportion of the electorate's population living within each LGA (section 2.2 of the LSCA Guideline).

In July 2023 a Program Office was established in the Premier's Department to manage the administration of the LSCA grant program in accordance with the NSW Grant Administration Guide (the Guide).

Timeline of key milestones

25 July 2023	LSCA Program established and Program Guidelines approved (A5810179)
31 July 2023	LSCA Probity Plan approved (A5853148)

1 August 2023	LSCA Program Office wrote to nominated organisations advising them they could submit their nominated project submissions for assessment.
28 September 2023	First tranche of projects approved by the SMOS. Subsequent tranches of projects were approved by the SMOS on a rolling basis as projects were assessed.
6 October 2023	LSCA Program Office wrote to relevant local councils advising them of the allocation of funds and application process for projects to upgrade playgrounds and parks.
28 November 2023	The LSCA Program Office provided advice to the SMOS on its review of Conflicts of Interest for Labor candidates in 15 electorates, which was undertaken at the request of the SMOS and informed by advice from external probity advisors (A5898721).
7 March 2024	Approval from SMOS for a 1 August 2024 closing date for all nominated organisations to lodge LSCA project submissions (A5970223)
21 October 2024	Final tranche of projects from nominated organisations approved by the SMOS.
8 November 2024	Approval by the SMOS for the administration of residual funding available in 45 electorates (A6144752)
12 November 2024	LSCA Program Office wrote to relevant local councils advising them of the allocation of Residual Funds and application process for projects to upgrade playgrounds and parks.
31 December 2024	Final date for organisations to submit signed funding agreements for execution, and final date for local councils to nominate playground and park upgrade projects through the residual funds round.

Key metrics for the LSCA program

Key metrics for the LSCA program as at 22 January 2025

Approved LSCA projects	573
Funding committed (grants approved by the SMOS)	\$34.3M
Funding paid to grantees (there is an executed Funding Agreement)	\$32.8M (510 projects)
LSCA Projects completed	164
Projects that will not proceed (relinquished, withdrawn, not approved)	70

Decision-making

The SMOS is the decision maker for the LSCA program. Recommendations related to individual applications are made by the Executive Director of the LSCA Program Office in accordance with section 6.3.2 of the Guide. All advice is provided via a brief and decisions documented accordingly.

All approved grants are published on the NSW Grant and Funding website within 30 days of approval at <https://www.nsw.gov.au/grants-and-funding>.

To date the SMOS has approved 573 recommended projects and declined 6 projects that were not recommended for funding.

These decisions have been documented via respective briefs and the LSCA Program Office holds these records.

All approval briefs, including the assessment summaries and recommendations from the Executive Director, LSCA Program Office, have been publicly released under freedom of information provisions (GIPA) and are available on the NSW Premier's Department website at <https://www.nsw.gov.au/departments-and-agencies/premiers-department/access-to-information/local-small-commitments-allocation-advice-and-decisions>.

Assessment process

The LSCA Program Office (LSCA PO) manages the assessment process of all LSCA projects in accordance with the LSCA Guideline (A5818905) and the Assessment Plan (A5808246).

The LSCA Program Office undertakes an eligibility check of each submitted project to ensure that the organisation and project meet the requirements of Section 3 of the LSCA Guideline.

Each eligible project is assessed for merit against the criteria outlined in Section 6.2 of the LSCA Guideline. There are three assessors who are former NSW public servants and have extensive experience with grants assessment. They are contracted to undertake this work and are assigned LSCA grants to assess based on their specific expertise, availability and declared Conflicts of Interest, in accordance with section 5.6 of the Guide.

For each project, two assessors independently complete their assessments in the online SmartyGrants system and must complete a project specific Conflict of Interest form before undertaking each assessment.

A project is deemed as having merit if it scores a combined minimum score of four in each of the three merit criteria.

Where a project has scored less than four in any of the merit criteria, the LSCA Program Office convenes a moderation session of the Assessment Panel to review the scoring and reach a consensus on a final overall score. The moderation session is chaired by a member of the LSCA Program Office and is attended by a Probity Advisor.

The Executive Director of the LSCA Program Office reviews the assessment reports and makes a recommendation to the SMOS as the decision maker for the LSCA grant program.

An independent Probity Advisor (Procurement Co.) was appointed to the LSCA program to advise on all aspects of the approval and grants administration processes undertaken by the LSCA Program Office. The LSCA probity plan (A5853148) is published on the Premier's Department website as noted above.

No Ministers, local Members of Parliament (MPs) or their staff are involved at any stage of the LSCA assessment process. The LSCA PO has not received nor sought any advice from any Minister, local

Member or their staff about the assessment of an LSCA project. This is in accordance with the agreed protocol (A5796150) which guides LSCA PO Interactions with Ministers and their staff.

The LSCA Program Office has ad hoc contact with the staff of local MPs to clarify the timing and progress of the LSCA assessment process, and provides regular LSCA program progress reports to staff in the Premier's and SMOS' offices. These reports do not identify the projects under assessment nor provide any information as to the merit of individual projects.

Conflict of Interest Management

The LSCA Probity Plan (A5853148) outlines the process to identify and manage actual, perceived or potential Conflicts of Interest across the program. All declared conflicts and proposed management actions are reviewed by the independent Probity Advisor.

All LSCA Program Office staff review and update their Conflict of Interest declarations on a regular basis, and any necessary management actions are implemented. Assessors provide a general declaration and complete a project specific Conflict of Interest declaration prior to undertaking an assessment. Where a conflict is identified staff or assessors take no further part in the assessment or administration of a project.

In October 2023 the SMOS directed the LSCA Program Office to undertake a Conflict of Interest review for 16 electorates where the SMOS had been advised there may be Conflict of Interest questions, or the candidate was also a councillor on their local council at the time and had nominated a council led project for consideration through the LSCA program.

Conflict of Interest declarations related to 118 projects were reviewed by the LSCA Program Office and the independent Probity Advisors. Of these, 58 had no declared interests, 58 had declared interests that were considered low or moderate probity risks, and 2 projects had interests declared for pecuniary or governance reasons that were considered to be probity risks unacceptable to the integrity of the LSCA program. Where an unacceptable risk was identified, the SMOS was advised at the time of consideration of the grant and the Executive Director of the LSCA Program Office recommended that the project not be approved for funding.

The nomination of projects for assessment

The process for nominating organisations and projects to be considered for funding through the LSCA was undertaken by the NSW Labor Party prior to the 2023 election. Nominations were made as election commitments.

The scope of the Minister's discretion in determining which projects are approved

The SMOS is the decision maker for the LSCA grant program. As outlined in Section 6.3.2 of the Guide, the SMOS has discretion to accept, vary or decline the recommendation about the funding of a grant made by the Executive Director of the LSCA Program Office.

As at 22 January 2025 the SMOS has accepted in full all recommendations made by the Executive Director of the LSCA Program Office related to the approval or declining of a proposed LSCA grant.

The SMOS, as part of the approval process, is required to declare any input he receives from Ministers, Local MPs or other stakeholders related to a specific LSCA project he is considering for approval (Section 7.1 of the LSCA Guideline). This advice is recorded as part of the attestation document signed by the SMOS in respect of each decision. To date the SMOS has twice declared input. In document A5875107 dated 17 October 2023 the SMOS recorded a discussion with the local

MP related to the timing of a grant approval. In document A5906887 dated 21 November 2023 the SMOS recorded that he had met with the local MP and community organisation on 14 September 2023 on a matter unrelated to their LSCA grant application.

The role of the Premier's Department and other agencies in administering the LSCA Program

The LSCA Program Office is a part of the NSW Premier's Department, which has been responsible for all aspects of management of the LSCA grants program since July 2023.

The LSCA Program Office receives advice from the Office of General Counsel in The Cabinet Office on matters related to various aspects of the administration of the LSCA program including compliance with the Guide.

The LSCA Program Office liaises regularly with NSW Treasury to facilitate the recoupment of grant and administrative payments, and to provide advice on the anticipated phasing of LSCA grant payments.

No other NSW agencies are involved in the management of the LSCA program.

Integrity measures implemented for the LSCA Program

The LSCA Program is compliant with the Guide.

The LSCA Program Office has implemented measures to support the integrity, efficacy and value for money in the allocation of funds, including:

- Applying transparent eligibility and assessment criteria.
- Value for money considerations embedded into the assessment process and recommendations to the decision-maker.
- Independent assessments and segmentation of duties through the grant lifecycle.
- Ensuring grant decisions are based on merit and documented for accountability.
- Acquittal processes to verify appropriate use of public funds.
- Independent probity advisors to uphold ethical decision-making and integrity.
- Ongoing staff training to uphold compliance and best practice in grants administration.