

**Submission  
No 8**

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

**Name:** Ms Kobi Shetty  
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**KOBI SHETTY MP**

**MEMBER FOR BALMAIN**

201-205 Glebe Point Rd, Glebe NSW 2037

02 9660 7586

balmain@parliament.nsw.gov.au



## **Submission to Public Accountability and Works Committee inquiry into the integrity, efficacy and value for money of the Local Small Commitments Allocation process**

Friday, 24 January 2025

Abigail Boyd, Chair  
Public Accountability and Works Committee  
Parliament of NSW  
C/- PAWC@parliament.nsw.gov.au

Dear Ms Boyd,

Thank you for the opportunity to contribute to the Public Accountability and Works Committee inquiry into the integrity, efficacy and value for money of the Local Small Commitments Allocation process. I make this brief contribution in my capacity as the NSW Greens spokesperson against Corruption, and as the Member for Balmain.

From the outset I'd like to congratulate members of the Public Accountability and Works Committee for your consideration of this important matter. As you would be aware I moved a motion in the Legislative Assembly to establish a select committee to inquire into the matter back in October. The opposition and some crossbench MPs supported the motion but unfortunately it was blocked by the government.

It is a matter of public record that my Greens colleagues and I have raised concerns about Labor's pre-election community grants scheme, both in private conversations with the Premier and in formal correspondence.

Our particular concerns with this scheme can be summarised as follows: what we now know as Labor's "Local Small Commitments Allocation" program commenced

during the 2023 election campaign without a clear indication of where funding for the scheme would be drawn from, the criteria against which applications were being assessed, what the composition of an assessment team would be, the basis on which potential applicants were invited to apply for funding, whether information about the assessment and nomination of community grants would be made public, what conflict of interest disclosures were required when funding commitments were made, and what probity processes were to be undertaken throughout the process.

Some questions have, to an extent, been answered through the subsequent handling of the scheme by the Premier's Department and their publication of guidelines. But not all our concerns have been addressed, and some new concerns have arisen, as the scheme has evolved from an array of election commitments into a government administered program. Consideration of the integrity, efficacy and value for money of Labor's Local Small Commitments Allocation scheme remains an important matter for this Parliament.

I want to be clear – as a general principle, the Greens are wholeheartedly in favour of assisting worthy community-led projects with public funds. We support the allocation of properly administered grant funding that allows cash-strapped non-government organisations and community groups to improve services and facilities at the neighbourhood level. This improves local amenity at the same time as boosting local economies.

But, all things considered, this has not been an example of a properly administered scheme. We are concerned it has put many community organisations in a difficult position regarding funding and resourcing decisions. The continuation of such a scheme has the potential to politicise the delivery of community services.

My comments on the scheme will be in two parts. First, I will provide a brief account of my observations as a candidate for election when the scheme was first uncovered, and as an elected Member of Parliament as it has evolved into and is being delivered as a government program. Second, I will provide some reflections on the nature of the scheme and some of the questions it raises about integrity and accountability when it comes to this expenditure of public funds.

## **PART ONE: OBSERVATIONS**

To those outside the NSW Labor Party, information about the Local Small Commitment Allocations program has been difficult to obtain. Thanks to the pursuit of information by some MPs and journalists we can now make a reasonably informed assessment of the scheme, but important details were initially obscured and have since been provided only sporadically throughout the past two years.

## **Labor's Community Grants Scheme**

I first became aware of the scheme in early February 2023, when I was a local Councillor on Inner West Council and the candidate for the seat of Balmain in the NSW state election. A community group contacted me for advice stating that the Labor candidate's campaign manager had offered them a substantial grant for upgrades to their local facility, and that their candidate would like to get some photographs at the facility with members of the group. They stated that payment of the grant would be contingent on Labor forming government after the March election.

The group was not provided with any details about how the grant would be funded, or what information would be required for them to receive the grant. They were given a tight deadline to accept, in exchange for photographs that could be interpreted as an endorsement of the Labor candidate.

I became aware of other groups and organisations who were similarly approached by Labor's local campaign team, offering what they referred to as funds from Labor's Community Grants program. My understanding at the time was that some groups decided to accept Labor's offer, while others were not comfortable in doing so during an election campaign, particularly without a properly documented application and assessment process. The lack of detail around where the funds were coming from was a major concern. I understand some groups did not wish to be associated with what may reasonably have been perceived as a partisan funding arrangement with the NSW Labor party or the local branch.

A Sydney Morning Herald report from 15 March 2023<sup>1</sup> outlines a situation in which a local school's Parents' and Citizens Association was approached:

*"Emails seen by the Herald reveal Ash offered a \$20,000 grant from "Labor's Local Community Grants program" (LCG) to contribute to a school solar energy project. The money would flow so long as Labor reclaimed government on March 25, he said. 'The LCG grant money is, of course, contingent on Labor forming government in NSW in March ... I expect that LCG funding would be made available to successful applicants during the 2023-24 financial year,' he wrote on February 14. 'We can come back later this year if Philippa is elected to bolster this funding commitment.' The P&C was told the 'Labor Community Grants program' was based on the existing government Community Building Partnership Grants scheme. Under that program, MPs have a \$400,000 pool from which they can issue grants to local groups on*

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<sup>1</sup> See <https://www.smh.com.au/politics/nsw/nsw-labor-accused-of-pork-barrelling-after-school-p-and-c-offered-20-000-20230314-p5cs09.html> accessed 23 Jan 2025

*application. Ash, who ran as the Labor candidate for Pittwater in 2015, told the volunteer group 'the information I have RE LCG is internal to the campaign, but I am happy to explain it over the phone.'*

According to the report, a Labor party spokesperson denied the existence of a "Labor Community Grants program" but said they were tracking small commitments in every electorate and submitting costings to the Parliamentary Budget Office. Each commitment would be delivered and distributed by the Department of Premier and Cabinet if Labor formed government.

### **Local small commitments**

The matter was not raised again until 13 July 2023, when staff in my Balmain electorate office received a phone call and an email from the Premier's office seeking contact details for several local organisations who would be invited to apply for a small grant. The email included a list of projects and dollar amounts that were evidently associated with the Labor candidate's pre-election pledges. I understand similar emails were sent to my Greens colleagues in the Legislative Assembly, the Members for Ballina and Newtown, although I am not aware of the specifics.

Notwithstanding my concerns as noted below, I did not want any local organisation to miss out on the opportunity to secure the much-needed funding they had been promised. My office set out to contact each of the prospective recipients to let them know the Premier's office wished to hear from them. Feedback from this process included that some organisations were not aware of the commitment being made because it had not been communicated to the appropriate person, such as a treasurer or service manager. Others had simply forgotten about it, having received no supporting documentation or other information in the meantime. For some who had not forgotten the candidate's promise, there was a degree of surprise that they would now be required to go through a process of application, assessment and approval.

### **Communication of guidelines**

On 19 July 2023 I wrote to the Premier, on behalf of myself and my Greens colleagues the Members for Ballina and Newtown, seeking further information:

*"We have some concerns regarding the process by which these grants will be determined, and as such request further information regarding the process and scrutiny given to the allocation of these grants. To assist us with these concerns, could you please clarify:*

- *Where is funding for the program drawn from?*
- *What are the criteria against which applications are being assessed?*

- *Who comprises the assessment team?*
- *On what basis were organisations nominated to be offered the chance to apply for funding?*
- *Will information about the assessment and nomination of grants be made public?*
- *What conflict of interest disclosures were required at the time these commitments were made by the candidates and what probity process was undertaken?"*

On 24 July 2023 my office received an email from the Premier's office, containing a document called "LSCA Information Sheet for Local Members". This included information of a general nature in the form of a FAQ briefing and referred to a more detailed guideline document:

*"The LSCA Program Guideline (the Guideline) document has more details about eligibility, supporting evidence, the assessment process, the approval process and how organisations will be notified about the outcome of the assessment. The Guideline document will be emailed to all nominated organisations in the week commencing 24 July 2023. If you or your staff would like a copy of the Guideline document please contact the LSCA Program Office."*

On receiving this email my office immediately contacted the Program Office to request the guidelines. A copy of the guideline document was provided by email on 3 August 2023, with a publication date of 31 July 2023. It has also since been published online.<sup>2</sup> To my knowledge, this was the first occasion that information about the application, assessment and approval process for the scheme had been made public and shared with interested parties – some six months after potential recipients were promised their grants by the local Labor candidate.

A cynical assessment of this timeline might conclude the guidelines were rapidly produced in response to questions being raised. A more generous interpretation may be that they were simply being cobbled together on the fly, to offer a shroud of rigour to Labor's election commitment scheme once they were in government. Neither strikes me as good practise when it comes to the expenditure of public funds and supporting local communities.

### **Conflicts of interest**

On reviewing the guidelines, I found the information concerning eligibility and the assessment process to be satisfactory. Parameters would be placed around the

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<sup>2</sup> See <https://www.nsw.gov.au/sites/default/files/2023-08/Local%20Small%20Commitments%20-%20Guideline.pdf> accessed 23 Jan 2025

kinds of project that would be funded, so it would not be simply based on candidates' opportunistic promises during the election campaign. The assessment process would be overseen by an expert team within the department, independent of government, and a clear set of criteria was provided to ensure a merit-based assessment of each application.

The guidelines also confirmed for the first time that Labor's election commitments would be funded from the NSW Generations Fund – Community Services and Facilities Fund (CSFF).

But the guidelines failed to address concerns around the application process. The grant opportunity was not advertised publicly, meaning prospective applicants needed to have been hand-picked by Labor candidates during the election. Critically, the guidelines offered no requirement for conflicts of interest to be disclosed, and no clear process for managing any such conflicts if they did arise. Approvals would be based on the assessment panel's recommendation, but ultimately at the Minister's discretion with no mechanism for review.

On 12 September 2023 I asked the Premier a question in Parliament about the disclosure and management of conflicts of interest in the program.<sup>3</sup> On this point, I found the response to be lacking in the kind of detail I had hoped for.

No doubt the committee is aware, as am I, of several commitments that were retrospectively rescinded because of perceived or actual conflicts of interest. I should note here that while I have not received any formal response to the correspondence I sent to the Premier in July, I was invited to a briefing with the Program Office in October, where such matters were discussed.

## **PART 2: REFLECTIONS**

I remain concerned that the program lacks integrity. It is difficult to conceive of the Local Small Commitments Allocation program as anything but a means for Labor candidates to procure support and curry favour within their local communities, at a time when they were canvassing for votes in an election campaign. Indeed, there has been public criticism of the program as "pork-barrelling" and that it amounted to a slush-fund for Labor candidates.<sup>4</sup>

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<sup>3</sup> See <https://www.parliament.nsw.gov.au/Hansard/Pages/HansardResult.aspx#/docid/HANSARD-1323879322-134398/link/2270>, accessed 23 Jan 2025

<sup>4</sup> See <https://www.abc.net.au/news/2023-09-07/nsw-labor-pork-barrelling-allegations-dubbo-councillor-josh-black/102793854>, accessed 23 Jan 2025

Labor's primary defence has been that the grant opportunity was evenly spread across all 93 electorates, as compared to some of the more egregious pork-barrelling recently overseen by the former coalition government by way of geographically targeted grants.<sup>5</sup> Such a defence is optimistic, and requires us to overlook the program's closed, non-competitive process.

The Australian Government's *Public Governance, Performance and Accountability Glossary* defines this as:

*"For example, where applicants are invited by the entity to submit applications for a particular grant and the applications or proposals are not assessed against other applicants' submissions but assessed individually against the selection criteria. Better practice closed non-competitive processes either name the eligible applicants and/or provide information on how eligibility was determined."*

There are examples of such grant programs operating at both the state and federal level, but these are usually targeted to specific sectors to ensure public funds are directed to a particular purpose. Opportunities to be nominated for such grants are generally well promoted, especially within the targeted sector. The NSW Grants Administration Guide sets out a range of considerations for the design of such programs,<sup>6</sup> which, due to the establishment and commencement of this program by a party in opposition, cannot have been adhered to in this case.

According to the program's guidelines, the government has formally characterised the Local Small Commitments Allocation program as consisting of one-off or ad hoc grants of a non-competitive nature. Under the NSW Grants Administration Guide, such grants should be designed to meet a specific need, and the rationale for choosing a non-competitive method of assessment over a competitive one must be documented for approval by the Minister. The document should include risk mitigation strategies and must consider a plan for the management of conflicts of interest.

The Local Small Commitments Allocation program began with local groups being quietly nominated for secret funding opportunities by Labor candidates during an election campaign. The program was not publicly announced, and the application and assessment processes were not produced until well after the election was over. By the time this information was provided many prospective applicants had simply forgotten about Labor's small election commitments, or were surprised that they would now need to make an application to receive them.

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<sup>5</sup> See <https://www.smh.com.au/politics/nsw/nsw-government-defends-small-grants-program-against-pork-barrelling-claims-20230826-p5dzn4.html>, accessed 23 January 2025

<sup>6</sup> Grant Administration Guide, NSW Cabinet Office, March 2024, p28-34

It is worth considering the concept of pork-barrelling in more detail. Definitions vary, and do not universally include reference to politicians committing public funds within a particular area. Some do make this a requirement. But all make clear that it requires a mechanism for politicians to enhance their popularity with voters and improve their chances at the ballot box.

The NSW Independent Commission Against Corruption (ICAC) made an important contribution on this topic in the August 2022 “Report on Investigation into Pork Barrelling in New South Wales”:<sup>7</sup>

*“The term “pork barrelling” is widely used and understood in Australia and there is little disagreement about its general meaning. This report defines pork barrelling as: **the allocation of public funds and resources to targeted electors for partisan political purposes.** [Original emphasis.] Other definitions exist but they all share a central concept: the use of public funds to achieve political objectives.”*

The report elaborates that, as a general rule, pork barrelling entails targeting electorates that a political party wants to win or retain, but also suggests it is not always so straightforward. According to the ICAC, “for pork barrelling to exist, the decision-maker must have an intent to achieve a political or partisan objective.”<sup>8</sup>

One could not argue that candidates making small funding commitments to local groups and communities during an election campaign is not the pursuit of a political or partisan objective. We expect political candidates to make promises while campaigning for voters to elect them, and there is nothing wrong with that. Perhaps there is also nothing wrong with such commitments being costed and covered by a public program for administration by a government department.

But it is quite another thing to commence such a scheme in secret, without clarifying the source of funds being offered, or providing information up-front about the rules and criteria for application, or making it reasonably known to any interested and potentially eligible party how they may opt-in to the scheme.

As I have outlined in my comments above, the scheme has done more than simply track, cost and fund small election commitments. At its inception it allowed Labor’s candidates to approach community organisations to seek promotion, if not endorsement, in exchange for much-needed funds. By its very nature, such a scheme encourages candidates to select organisations that would provide the greatest

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<sup>7</sup> Report on Investigation into Pork Barrelling in NSW, ICAC, August 2022, p14

<sup>8</sup> Ibid

political advantage. While Labor's scheme did not target specific electorates, it allowed candidates to target and canvas prospective recipient groups with the highest electoral value, in terms of potential influence and promotional reach, within each electorate across New South Wales.

Ambiguity surrounding the source of funds, and the apparent secrecy under which offers of funding were initially made, caused local organisations and their members to consider that they were being asked to make a partisan choice. The continuation or repetition of such a scheme has the potential to politicise the delivery of community services.

It is my strong recommendation that the Parliament take such steps as are necessary to prevent a similar scheme from being implemented in the future. If political candidates wish to make discrete funding pledges at the community level during an election campaign, they should do so without the expectation or anticipation of public funds being specifically set aside for the purpose.

I also strongly urge the Committee to explore what further changes can be made to our public grants administration framework that would enhance integrity measures and improve our ability to enforce them. That this program has been established and progressed without adequate practice around conflicts of interest disclosure and management should be of grave concern to us all.

Thank you again for your consideration of the integrity, efficacy and value for money of the Local Small Commitments Allocation process, and for the opportunity to contribute to the Committee's inquiry. Should you wish to discuss the matters raised here in any further detail please do not hesitate to contact my office on (02) 9660 7586 or [Balmain@parliament.nsw.gov.au](mailto:Balmain@parliament.nsw.gov.au).

Yours sincerely,

**Kobi Shetty MP**   
Member for Balmain