Stronger Country Communities Fund

Rounds 1 and 2 Interim Process Evaluation

Economic Appraisal and Evaluation
Economics Branch
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Department of Premier and Cabinet

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Contents

Executive Summary

The objective of the Stronger Country Communities Fund (SCCF) is to improve the lives of regional NSW residents and enhance the attractiveness of these areas as vibrant places to live and work. SCCF does this by funding small-scale social infrastructure in communities where impacts are expected to be significant but relatively local.

This report is an interim process evaluation of Rounds 1 and 2 of the SCCF program, covering program establishment, the funding application process, assessment of applications and funding deeds. The reported findings apply to the early stages of Rounds 1 and 2 of the SCCF program, in which $300 million was distributed to local councils.

The DPC Program Evaluation Unit (PEU) undertook this interim process evaluation in accordance with the evaluation questions and methods outlined in the SCCF evaluation plan. This report is based on a wide-ranging document review conducted by the PEU, and the results of surveys of program staff and funding applicants conducted by an independent evaluation consultant.

This interim process evaluation found that, overall, the program was implemented as intended. The program was established to distribute allocated funds for the purpose of local social infrastructure delivery in regional communities, through grants to local councils. The program distributed $300 million to councils, funding over 1,000 small-scale infrastructure projects to improve the lives of local residents in regional areas, and enhance the attractiveness, liveability and amenity of these areas.

Process evaluation also assesses the efficiency and effectiveness of the activities deployed in pursuit of the program's objectives, to determine whether the program was implemented as well as possible. Efficiency and effectiveness analysis is directed to program improvement, maximising the expected outcomes from future investment in SCCF or programs with similar objectives.

SCCF was the first funding program established and implemented under the Regional Growth Fund, and subsequent programs have benefitted from lessons learned as programs have been refined over time. The observations in this report benefit from 'hindsight wisdom'. SCCF program staff have already considered and acted on many of the issues identified in this report in the administration of SCCF and the design of SCCF Round 3.

The overall program design was well-suited to the pursuit of the stated program objectives, with a program plan that was fundamentally sound. Program objectives were widely and effectively communicated to program stakeholders.

The process evaluation also found that full efficiency and effectiveness of the program in pursuing its objective may be limited by several factors, including tight timelines which resulted in significant constraints on program planning and design in both SCCF Rounds. These impacts included, for example: insufficient time to run a pilot to test choice modelling in the SCCF program situation before it was adopted to rank projects for funding, and accepting applications without all of the required information because there was no time to seek further details.

It was found that a mechanism to monitor project outcomes and their contributions to the achievement of program outcomes was not adequately incorporated in the design of the program.

The evaluation also found that a significant number of applicants for projects that were ultimately funded did not provide all documentation specified in the Program Guidelines. However, the Assessment Review Panel adopted a risk management approach, to ensure that communities were not disadvantaged by tight timelines in which applicants were unable to provide all documentation specified in the Program Guidelines.

The risks associated with omitted documentation and the capacity of local councils (which were the only applicants) to deliver on proposed community infrastructure was considered when assessing project viability. The process, while in line with the established Assessment Methodology, was not clear upfront to applicants. Applicants were not unfairly disadvantaged by this process change, and all

applicants were informed of any identified issues before assessment decisions were made. All funded projects were publicly announced, and details of projects published on the Department's website.

Finally, this evaluation found that the roles and responsibilities of program staff were clear and well understood, probity assurance was adequate, and the program had fundamentally sound governance structures.

Findings and Recommendations

Finding 1 - Evaluation Question 1: Did the program have clear and consistent objectives?

The SCCF program objectives were widely and effectively communicated to program stakeholders, and the program objective was stated mostly consistently throughout internal program documentation. However, the objective was not sufficiently clear to guide every part of the project assessment, and funding principles had to be developed to act as precedents to guide consistent project assessment decisions.

Recommendation 1

Program objectives should, as far as practicable, comply with S.M.A.R.T. design principles.

Finding 2 - Evaluation Question 2: Was the program appropriately planned?

The program was successfully established and is delivering small-scale social infrastructure in regional NSW. Comprehensive planning supported the rollout of the program. Program design and predetermined delivery timelines, however, allowed insufficient time to roll out a large and complex program, and this resulted in administrative burdens on councils and limited value being provided by choice modelling.

Recommendation 2.1

Program design should be appropriate to the time available to deliver the program. If an appropriate timeline for effective delivery of the preferred program design cannot be negotiated, a design that involves higher delivery risk should be abandoned in favour of a simpler design more suited to the available time.

Recommendation 2.2

A pilot should be considered when a survey methodology such as choice modelling is proposed to be used in a new application context.

Finding 3 - Evaluation Question 3: Was information about eligibility, the application process and project reporting requirements well communicated to the target audience?

The program had a high level of engagement with local councils, the target audience. Program eligibility and application assessment procedures were clearly and effectively communicated to councils. Requirements to monitor and report on project outcomes were less well communicated to applicants.

Recommendation 3.1

Applicants should be advised clearly and specifically about project reporting requirements, in a manner distinguishing and separating output reporting from outcome reporting. The general obligation imposed on grantees in funding deeds to provide information upon request should not be relied upon for the reporting of specific project outcomes data because bespoke data collection processes, often commencing prior to project commissioning, will usually be necessary to properly measure outcomes, not just the reporting of routine data held by grantees.

Recommendation 3.2

A legally binding grantee obligation to measure and report project outcomes should be included in all funding deeds. These obligations should continue after project construction is completed, for a period sufficient to ensure all necessary outcomes data are captured and reported.

Finding 4 – Evaluation Question 4: Were project approval decisions transparent and in line with eligibility and assessment criteria?

The program is funding over 1,000 projects after comprehensively assessing over 1,400 applications. Project assessment and approval processes were consistent with the established Assessment Methodology and project-funding decisions were published. The exercise of the Eligibility Review Panel's discretion under the internal Application Assessment Guidelines to progress applications before eligibility was established meant that a significant number of projects that did not provide all documentation specified within the public Program Guidelines were recommended for funding in Round 2.

Recommendation 4.1

Full transparency on the application assessment rules that will apply to all applicants is best practice in grants management and should be adopted in future rounds of the SCCF.

Recommendation 4.2

Application forms should not include a requirement to provide specific information to prove eligibility if the eligibility of some applications will be accepted without provision of this information.

Finding 5 – Evaluation Question 5: Did funded projects identify specific and measurable outcomes in their proposals?

The program is funding over 1,000 projects that aim to improve the lives of residents in regional NSW communities and enhance the attractiveness of those areas as vibrant places to live and work. Project applications outlined a range of outcomes expected from the completion of the project. However, the applications of many funded projects did not identify project outcomes that were specific and measurable enough to provide adequate assurance of an individual project's likely success in terms of the project's contribution to delivery of the stated program objectives.

Recommendation 5.1

Program documentation should provide clear instructions on what information is required in project applications, to specify expected project outcomes and how and when these outcomes will be measured and reported. These instructions should clearly distinguish between outputs and outcomes and should separate outputs reporting requirements (before and at the time of project completion) from outcomes reporting requirement (after project completion).

Recommendation 5.2

Funding should be contingent on the applicant providing a statement of the expected outcomes from the proposed project that clearly shows how the proposed project will contribute to the program outcomes, with a viable plan for the collection and reporting of the data necessary to demonstrate the delivery of these expected project outcomes.

Finding 6 – Evaluation Question 6: Were mechanisms in place for outcome achievement to be assessed and appropriate key performance indicators (KPI) identified and monitored?

The program aims to achieve the short-term outcome of enhancing community use of public facilities and spaces, which can be measured by a change in the amount and diversity of use of these facilities. At the time the document review and stakeholder surveys were undertaken, limited mechanisms had been developed for project outcomes to monitored and assessed, and program KPIs had not been developed. However, the funding agreement included a provision to request project data from funding recipients and a process has subsequently been designed and implemented to ensure project outcome data is collected for all funded projects. The long-term program outcome of improving the lives of residents is being measured by improvements in reported wellbeing.

Recommendation 6

A program outcomes monitoring framework, endorsed by program managers and program evaluators, should be developed before commencement of a grants program. This framework should clearly show how the monitoring of project outcomes will be applied to demonstrate program

outcomes and should include a statement of the minimum acceptable standards for project outcomes definition, monitoring and reporting. This program outcomes monitoring framework should inform the design of project application forms, application assessment procedures and the drafting of funding deeds.

Finding 7 – Evaluation Question 7: Was the program adequately resourced to undertake its planned activities?

The program is funding over 1,000 projects delivering small-scale social infrastructure in regional NSW. Financial resources were available to undertake a comprehensive assessment of all project applications, including a choice modelling survey to identify which projects each community most preferred.

Finding 8 – Evaluation Question 8: How effective were the program's governance arrangements?

The program comprehensively assessed over 1,400 project applications, capturing the preferences of each local community and of local Members of Parliament for local projects. The application process was well governed, with probity advice and robust procedures identifying and addressing any conflicts of interest. Risk management and associated procedures improved over the life of the program.

Continuous Program Improvement

Continuous program improvement is the overarching objective of program evaluation. To this end, many of the findings in this report have resulted in SCCF program staff introducing changes to the program interactively in timely responses to this advice.

SCCF program managers have demonstrated good adaptive management, in many cases responding promptly to evidence of possible problems with program design or implementation. As a result, many of issues identified in this evaluation have been resolved in the planning, design and implementation of SCCF Round 3 in 2020. Round 3 will be evaluated separately, commencing in 2020.

This process of continuous SCCF program improvement has benefitted greatly from the direct and close interaction between field-level program staff and program evaluators as the SCCF program was rolled out and in the planning for Round 3. The creation of the Grants Management Office in 2019 has also improved administration of grant programs, including the SCCF program.

Areas where significant improvements in future SCCF Rounds are anticipated include greater consistency and transparency in grant application assessment processes, better processes to ensure and demonstrate that projects are effectively selected according to contribution to the stated program objectives, timelines being more appropriate to the complexity of the program, and improved communication with applicants about reporting obligations, project outcomes monitoring and reasons for funding decisions. These improvements will be the direct product of a co-designed and interactive program evaluation, as described in this report.

Notwithstanding this acknowledgement that the SCCF program has improved over time, it is very important to record contemporaneous observations about this program, including its historic problems as they were being observed at the time the program was established. These observations will provide important learnings for other future grant programs. It is acknowledged, however, that this report records the situation as it was at the time the reports were written, and does not reflect improvements or changes made to the program design and implementation for SCCF Round 3.

Interim Process Evaluation

About the Stronger Country Communities Fund

The Stronger Country Communities Fund (SCCF), announced in June 2017, is one of nine grants programs distributing $1.7 billion in NSW Government funding for regional infrastructure and community programs under the Regional Growth Fund. SCCF Rounds 1 and 2 distributed $300 million.

The objective of the SCCF program is to improve the lives of local residents in regional areas and enhance the attractiveness of these areas as vibrant places to live and work. It does this by funding small-scale social infrastructure in communities where the impact is expected to be significant but local. The objective of SCCF is therefore primarily social rather than economic.

About this Evaluation

Process evaluation assesses the effectiveness and efficiency of program activities in facilitating the attainment of program objectives. These activities link the program's objectives and expected outcomes in the program "logic" that underpins the program evaluation plan. Process evaluation is critical to determining whether failure to achieve a program's objectives arises from an error in the program logic (i.e. an error in the 'theory of change' which assumes that particular activities will produce particular outcomes) or from ineffective implementation of the planned program activities.

This report is an interim process evaluation of the SCCF Program, Rounds 1 and 2. It is the first of several planned evaluation reports on the SCCF program. The findings reported here apply to early stages of Rounds 1 and 2 of the SCCF program.

The scope of evaluation for this report includes program establishment, the application process, the assessment of applications for funding and the negotiation of funding deeds for those projects funded under SCCF Rounds 1 and 2. This includes program design and planning and program delivery up to the point of contracting grant recipients by funding deed.

Other evaluation reports scheduled for SCCF Rounds 1 and 2 include a final process evaluation, an outcome evaluation and an economic evaluation. These evaluation reports are outlined in the evaluation plan for SCCF Rounds 1 and 2, which is consistent with the NSW Government Program Evaluation Guidelines (2016).

Evaluation Approach

The interim process evaluation was conducted in three parts, as follows:

1. Document Review – A review of public-facing and internal program documentation conducted internally by the DPC Program Evaluation Unit (PEU).

2. Survey – Staff and applicant survey conducted by an independent evaluation consultant

3. A synthesis analysis (this report) comparing, considering, and integrating the results of the document review and the staff and applicant survey, drawing out the overall learnings and conclusions for the interim process evaluation.

The findings from the first two parts of this interim process evaluation (above) were mostly consistent. Both methodologies produced additional information and some explanations for observations that would not have been possible with one methodology alone. There were no fundamental inconsistencies between the findings of the two methodological approaches.

Evaluation Questions

The DPC Program Evaluation Unit undertook this SCCF interim process evaluation in accordance with evaluation questions and evaluation methods outlined in the Program Evaluation Plan (PEP) for SCCF Rounds 1 and 2.

The PEP was developed by the PEU with significant involvement of SCCF program managers. The PEP was independently endorsed by the Executive Directors supervising the PEU and SCCF program staff.

Evaluation questions are the high-level questions that an evaluation is designed to answer. Having agreed evaluation questions in place clarifies what data and information is to be collected, analysed, and reported by an evaluation. This interim process evaluation answers the first eight evaluation questions in the PEP for SCCF.

The following section outlines the evaluation findings relevant to each of these evaluation questions. Where relevant, this includes a discussion of consistency between the findings of the document review and those of the staff and applicant survey. Evidence supporting the findings for the particular evaluation question is cited by cross-reference to relevant facts and analysis in the document review and/or the staff and applicant survey.

Evaluation Findings

Was the program implemented as intended?

This interim process evaluation found that, overall, the program was implemented as intended. The program successfully distributed allocated funds for the purpose of local social infrastructure delivery in regional communities, through grants to local councils. However, tight timelines and complex program design impacted the efficiency and effectiveness of some areas of the program.

The following sections outline the findings for each evaluation question, and the supporting evidence.

1. Did the program have clear and consistent objectives?

Finding 1

SCCF program objectives were widely and effectively communicated to program stakeholders, and the program objective was stated mostly consistently throughout internal program documentation.

However, the objective was not sufficiently clear to guide every part of the project assessment, and funding principles had to be developed to act as precedents to guide consistent project assessment decisions.

SCCF program objectives were widely and effectively communicated to program stakeholders by SCCF program staff. Applicants for funding reported that they had no difficulty understanding the program objectives. Program objectives were stated with reasonable consistency across public and administrative documentation. While there was some variation in wording between documents, the overall intent of the objective was communicated consistently.

The SCCF program objectives were, however, stated quite broadly and this lack of clarity on scope and associated potential for variable interpretation led the SCCF Assessment Review Panel (ARP) to develop a set of additional 'principles' for "interpretation" of the SCCF program objectives to ensure consistency between its recommendations for project funding. The ARP developed these principles as precedents to ensure consistency in the assessment of applications. These principles were developed in line with the program objectives and under guidance from the probity advisors.

Despite the potential risk of variable interpretation of the program objectives (by applicants and staff), there is no evidence of any adverse impact on the delivery of the SCCF program. Stating program objectives in accordance with S.M.A.R.T. design principles would be a valuable innovation in future program design and would minimise risk of inconsistent interpretation at application and assessment stages.

2. Was the program appropriately planned?

> **Finding 2**
>
> The program was successfully established and is delivering small-scale social infrastructure in regional NSW. Comprehensive planning supported the rollout of the program. Program design and predetermined delivery timelines, however, allowed insufficient time to roll out a large and complex program, and this resulted in administrative burdens on councils and limited value being provided by choice modelling.

SCCF managers adopted a comprehensive and technical approach to program planning. This resulted in an overall program design 'concept' well suited to the pursuit of the stated program objectives, with a program plan that was fundamentally sound.

There were some issues identified in program planning that affected program delivery. To some extent these issues reflected the complexity of the program plan, but more importantly, they resulted from intersecting impacts of other factors, some outside the control of program managers. These included:

- Insufficient time allowed for effective planning and establishment of such a large and complex program, impacting on the level of administrative burden in the applications process for councils seeking SCCF funding.

- Evaluation planning was not appropriately integrated with program planning (at least in part due to lack of expert evaluation advice being available during early program planning). Consequently, there was no documentation clearly linking program inputs, activities, outputs and expected outcomes during initial planning. The program logic (illustrating the 'theory of change') was developed retrospectively, with inbuilt constraints to fit the program that had already commenced.

- Risk management processes not fully complying with DPC's Risk Management Framework.

- Lack of specific detail regarding obligations in funding deeds for the measurement and reporting of project outcomes.

- Adoption of an innovative new methodology for infrastructure project selection (choice modelling) without sufficient time to implement a pilot, and hence without any opportunity for modifications before roll out. This led to an implementation of this methodology in the circumstances of the SCCF program that faced challenges and may not have optimised the assessment process.

The planning process identified a clear set of assessment criteria and a strong methodology for project review and approval that should have been fit-for-purpose. However, during the assessment process for Round 2, it became apparent that time pressures did not allow for the preparation of applications of sufficient quality or their correction to meet the set criteria.

By far the most important of the factors impacting on effective planning was a lack of time. Almost all implementation issues identified have their origin in the time pressures faced by program staff and participants alike, including all the factors listed above.

Time pressures led to the submission and acceptance of low quality applications from the eligible councils. Subsequent approval and funding of projects based on low quality applications was a factor contributing to many variations of funding deeds. Forty-seven percent of survey respondents from Round 1 and Round 2 indicated that the application timeframe was too short, and over 50 percent of respondents nominated 12 weeks as their preferred application timeframe. In SCCF Round 1 the time allowed for applications from announcement date to closing date was less than five weeks. In Round 2 it was less than seven weeks. In response to applicant feedback received as part of this evaluation, application timeframes for Round 3 were increased to 12 weeks.

Insufficient time for detailed planning also underlines the general finding that the program was initially deficient in evaluation planning. Numerous projects were funded without a clear statement or understanding of their (intended or unintended) outcomes. Without any plan for data collection to demonstrate project outcomes, future demonstration of program outcomes is likely to be a challenge.

Despite issues in planning of application assessment procedures, as discussed above – most with their origin in insufficient time – the SCCF program was successfully established and has proceeded to deliver small-scale social infrastructure in regional NSW.

3. Was information about eligibility, the application process and project reporting requirements well communicated to the target audience?

Finding 3
The program had a high level of engagement with local councils, the target audience. Program eligibility and application assessment procedures were clearly and effectively communicated to councils. Requirements to monitor and report on project outcomes were less well communicated to applicants.

Information on program eligibility, application assessment procedures, and milestone reporting was clearly and effectively communicated to program stakeholders. There were no significant differences between applicants in Round 1 and Round 2 in the reported high awareness of program materials, although published materials were extensively updated and expanded between the Rounds to improve advice for applicants. Only 11 percent of suggestions for improvements to SCCF program delivery were associated with the need for clearer program guidelines.

Program applicants would have benefitted from more comprehensive guidelines on project reporting requirements, particularly in Round 1. The program materials did not adequately explain the critical distinction between project outputs and project outcomes in the context of reporting obligations. At least 36 percent of surveyed program participants said that they found the reporting requirements difficult to understand prior to submitting applications (36 percent in Round 1 and 36 percent in Round 2).

Although most applicants said the information materials were generally easy to understand, according to statements made by program staff and other funding decision-makers, councils did not always provide enough information in their applications for the Eligibility Review Panel to make clear decisions.

The staff and applicant survey found that project milestone reporting requirements and the general reporting obligation in the funding deed were well understood, but that the requirements for outcomes reporting were not understood. Many applicants apparently believed that their progress on output delivery, as covered in milestone reports, was actually outcome reporting. This is not surprising as the instructions on outcomes reporting included in application forms were not carried over as an obligation in funding deeds in the same way as other requirements. The document review found no evidence that councils were provided with sufficient advice on how to declare in their applications the expected outcomes from their projects and how these outcomes could be measured, despite a stated requirement to do so. This lack of instructions allowed the applicants' misunderstanding about outputs and outcomes to persist.

While funding deeds included a general obligation for grantees to provide any information requested by SCCF program staff, the omission of details on data collection requirements related to program outcomes means that councils are less likely to have outcomes data if, or when, requested.

4. Were project approval decisions transparent and in line with eligibility and assessment criteria?

Finding 4
The program is funding over 1,000 projects after comprehensively assessing over 1,400 applications. Project assessment and approval processes were consistent with the established Assessment Methodology and project funding decisions were published. The exercise of the Eligibility Review Panel's discretion under the internal Application Assessment Guidelines to progress applications before eligibility was established, meant that a significant number of projects that did not provide all documentation specified within the public Program Guidelines were recommended for funding in Round 2.

A review of the SCCF assessment and recommendation process found that project funding decisions were made in line with Program Guidelines and Assessment Methodology and all projects to which funds were allocated were publicly announced. However, consistent implementation of the complex assessment process was a challenge due to the tight timelines.

Eligibility was contingent on a number of factors, including a clear statement of project benefit and a positive assessment of project viability. Amongst other things, applicants were required to provide:

- a detailed project scope;

- an appropriate project plan in a provided pro-forma document;

- a clear and detailed project budget in a provided pro-forma document;

- at least one quote (from a tradesperson or qualified contractor) or detailed estimate from a quantity surveyor or suitably qualified person.

The document review found that up to 489 of Round 2 projects did not provide all the documentation specified in the public Program Guidelines to demonstrate viability. Given the number of projects that were unable to provide all required documentation within the time frame provided, the Eligibility Review Panel considered the level of risk associated with omitted documentation alongside the experience of local councils (as the only applicants) in delivering similar community infrastructure projects in the past. Councils were advised of identified issues that may increase risk to the viability of the project and advised to address this risk prior to funding deed finalisation. This approach was consistent with the program objective and appropriate for ensuring that the program outcomes could be achieved.

The publicly available Round 2 Program Guidelines state that applications would be "checked for eligibility and viability before entering a community choice modelling process". The Round 2 Frequently Asked Questions state that the first step in the assessment process was to "check that projects and applicants are eligible according to the Program Guidelines", and that the second step was to "check that the project scope, timings and budget are viable".

However, the internal SCCF Application Assessment Guidelines state that the Eligibility Review Panel would be convened to "make the final determination of eligibility for all applications", and that this Panel may, at its discretion, "endorse that an application *will likely* be eligible if further information or clarification is received from the applicant, and should proceed to the next stages on this basis".

It is not unusual for internal guidelines designed to assist program administrators to contain more detail than the simplified public guidelines. However, the fact that the Panel had discretion under the internal Application Assessment Guidelines to "endorse that an application will likely be eligible" and that this discretion was not mentioned in the publicly available Program Guidelines, could be viewed as constituting an inconsistency between the documents and/or a barrier to transparency.

In any case, the Panel applied its discretion to all projects in line with the approved Assessment Methodology. Further, as projects were only assessed against other projects submitted by the same council, application of the Panel's discretion did not provide an unfair advantage to applicants.

Applicants' feedback via the survey indicated a limited understanding about how funding decisions were made. Approximately 30 percent of applicants said they were not advised of reasons for a decision on their applications. The program did offer feedback to all applicants who had put forward unsuccessful projects, but not all applicants chose to take up this offer. Applicants with only successful projects were not offered feedback.

All funded projects were publicly announced and their details were published on the Department's website.

5. Did funded projects identify specific and measurable outcomes in their proposals?

Finding 5
The program is funding over 1,000 projects that aim to improve the lives of residents in regional NSW communities and enhance the attractiveness of those areas as vibrant places to live and work. Project applications outlined a range of outcomes expected from the completion of the project. However, the applications of many funded projects did not identify project outcomes that were specific and measurable enough to provide adequate assurance of an individual project's likely success in terms of the project's contribution to delivery of the stated program objectives.

Many projects did not adequately identify specific and measurable outcomes in their applications, as was required for funding approval. Lack of clear definition of expected project outcomes and appropriate measures of these outcomes poses a material risk that project outcomes data will be insufficient to support evaluation of the extent to which the program outcomes were achieved.

While application instructions on outcome definition and measurement were relatively clear, they were insufficient, and assumed a level of knowledge and capacity that was not evident in applicant responses.

Many applicants were not able to clearly define the expected outcomes of their projects, nor provide logical and comprehensive outcome measures. In some cases, particularly smaller councils, it was clear that the applicants lacked the knowledge and capacity to prepare applications of the quality or standard envisaged.

Better outcome definition, and hence better measurement, could have been achieved with more time and/or better planning that enabled a greater level of support for applicants with less capacity to articulate measurable outcomes.

6. Were mechanisms in place for outcome achievement to be assessed and appropriate KPIs identified and monitored?

> Finding 6
>
> The program aims to achieve the short-term outcome of enhancing community use of public facilities and spaces, which can be measured by a change in the amount and diversity of use of these facilities.
>
> At the time the document review and stakeholder surveys were undertaken, limited mechanisms had been developed for project outcomes to monitored and assessed, and program KPIs had not been developed. However, the funding agreement included a provision to request project data from funding recipients, and a process has subsequently been designed and implemented to ensure project outcome data is collected for all funded projects. The long-term program outcome of improving the lives of residents is being measured by improvements in reported wellbeing.

Assessment of the outcomes of any grants funding program is critically dependent on determining the aggregated contribution of the outcomes of individual funded projects to the overall program outcomes. Many projects did not clearly identify project outcomes and measures, and effective mechanisms were not in place for program outcomes (as distinct from outputs) to be monitored. KPIs were not established and hence not applied consistently in SCCF project monitoring or in SCCF program monitoring.

Mechanisms were in place for monitoring and assessing achievement of project outputs. Funding deeds required the applicant to implement their project "in accordance with the terms of this Deed and as detailed in your application for funding and the scope of works detailed as Milestones in this Deed". Milestone achievement was monitored via progress reporting, which included the provision of photographical and financial evidence, in addition to Business Development Managers' (BDMs) site visits.

Partly because many projects did not clearly identify project outcomes and measures, a mechanism was not originally in place for program outcomes (as distinct from outputs) to be monitored. These mechanisms have subsequently been developed, though the quality of the outcomes data is highly variable across projects.

For the reasons previously described (time pressures during program planning and projects not identifying specific and measurable outcomes in their applications), the majority of SCCF projects have not and are not yet engaged in robust monitoring of longer-term project outcomes. While the SCCF funding deed establishes an obligation for recipients to report project data on request after project acquittal, program systems were not established at program design stage to ensure continued outcomes monitoring and reporting after project commissioning. Planning for outcomes evaluation should include post project outcomes monitoring and reporting.

7. Was the program adequately resourced to undertake its planned activities?

> **Finding 7**
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> The program is funding over 1,000 projects delivering small-scale social infrastructure in regional NSW. Financial resources were available to undertake a comprehensive assessment of all project applications, including a choice modelling survey to identify which projects each community most preferred.

On the available evidence the program was adequately resourced with respect to funding.

The staff and applicant survey found that the program was adequately resourced to undertake all planned activities before funding, except for the eligibility and viability checks. Those involved in program processes indicated that the initial allocation of staffing was inadequate to perform the eligibility and viability checks due to the number of applications exceeding expectations for Round 2. They described how the program team needed to recruit staff from other groups within DPC to ensure that these checks could be completed before the Eligibility Review Panel meeting.

Question 2 discusses the impact of timing on planning. Program staff reported that the program was adequately planned, except for the initial timeframes allowed for applications and assessments.

8. How effective were the program's governance arrangements?

> **Finding 8**
>
> The program comprehensively assessed over 1,400 project applications, capturing the preferences of each local community and of local Members of Parliament for local projects. The application process was well governed, with probity advice and robust procedures identifying and addressing any conflicts of interest. Risk management and associated procedures improved over the life of the program.

Overall, the SCCF program established sound governance practices. Roles and responsibilities of program staff were, for the most part, clear and well understood, although it was necessary to further clarify the role of BDMs early in Round 1. Program staff and others involved in funding decisions clearly understood their own roles and responsibilities in the decision process, with clear accountability. Sound procedures were in place for declaration of conflicts of interests by program staff and others involved in funding decisions, and those conflicts declared were appropriately handled by withdrawal of the conflicted person from participation in relevant decisions.

Probity assurance in the SCCF program was adequate. The document review noted some errors in the final report of the probity reports prepared by the external advisors, though all probity issues were appropriately recorded and resolved. The program staff interviewed also said that O'Connor Marsden (OCM) probity advisors had indicated a high quality of record keeping in the SCCF program.

Record keeping procedures in SmartyGrants for applications, and for approvals and milestone monitoring, had worked well. There was clear agreement about the strong document management and information transparency in SmartyGrants. However, the document review found that recording and filing of other program documentation in DPC's Objective electronic document database was less organised.

Certain documents, including legal documents, steering committee minutes and some ARP minutes were apparently missing from the Objective filing system. While the documents are understood to exist, their absence from the primary storage location poses an avoidable risk. The document review noted that program record keeping improved markedly in mid-2019.

Program staff and others interviewed as part of the staff and applicant survey indicated that risk management procedures were adequate. Two interviewees involved in program processes said that "if there were risks identified, the councils were notified of these issues and were asked if they were able to manage the risks".

In relation to effectiveness of risk management, the document review found that "risk management improved between Rounds 1 and 2, however, the management of viability assessments in Round 2 increased program risks".

For Round 2, one risk identified in the SCCF Program Risk Register was "inadequate scope, budget and planning from applicants leading to increased requests for deed variations". A range of mitigation strategies was identified, including ensuring that the application form contains a question on deliverability and viability. This mitigation strategy was supplemented with a risk management approach that considered the level of risk associated with omitted documentation alongside the proven capacity and experience of local councils to deliver on similar community infrastructure projects.