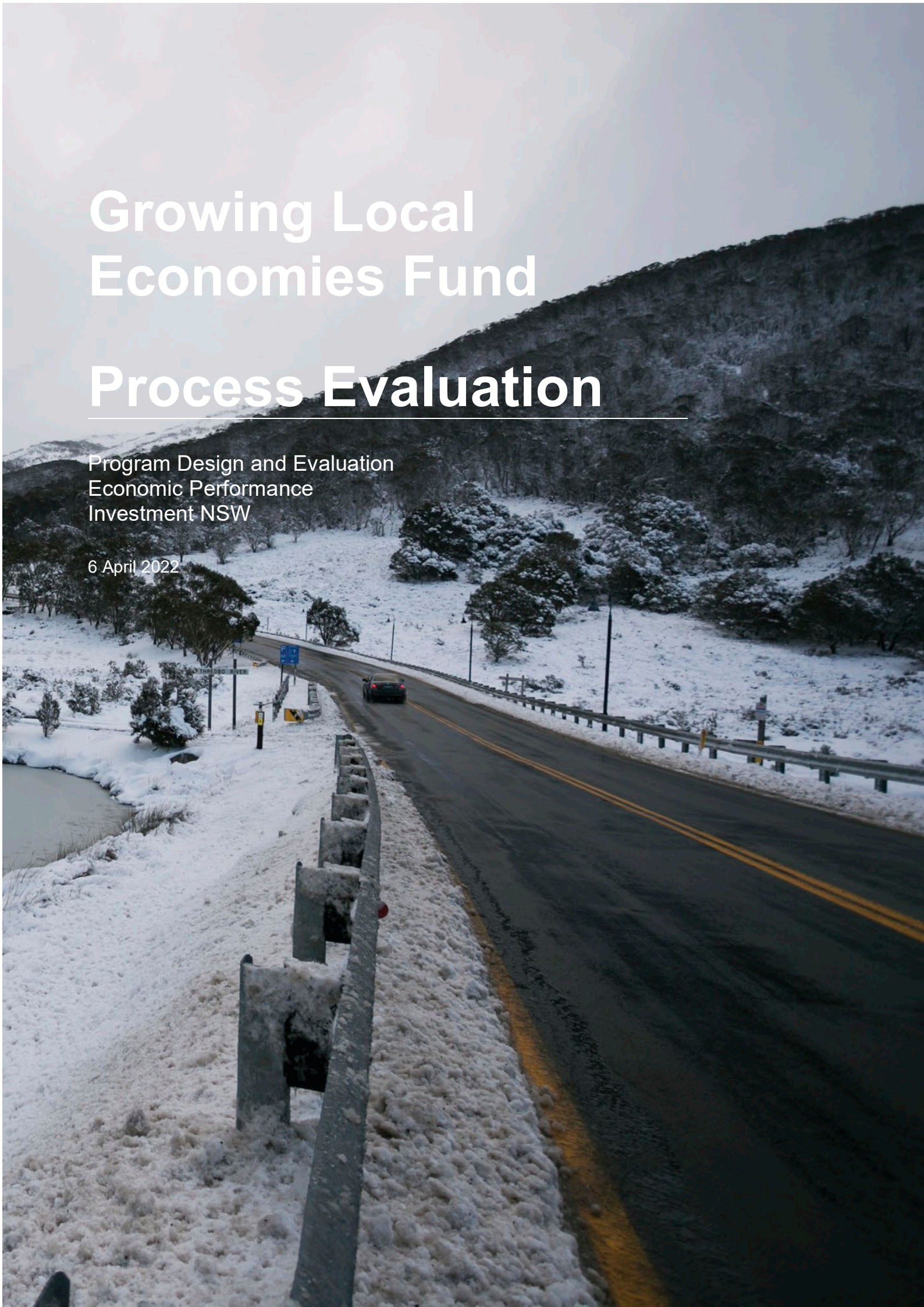


Growing Local Economies Fund

Process Evaluation

Program Design and Evaluation
Economic Performance
Investment NSW

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Executive Summary

The Growing Local Economies (GLE) Fund is a \$500 million allocation under Restart NSW for projects that deliver economic growth and improved productivity to regional New South Wales and the State economy.

The funding source for the GLE Fund was the Restart NSW Fund, which was established in 2011 to help deliver high-priority infrastructure projects with the capacity to improve the State's economic growth and productivity. Projects funded under the GLE Fund must have met the eligibility requirements for the Restart NSW Fund.

GLE co-invests in regional, common use, enabling infrastructure projects of economic significance, and that draw on the strengths or potential strengths identified in the Regional Economic Development Strategies (REDS) of each functional economic region (FER).

The GLE Fund differs from other Regional Growth Fund programs, and most funding programs in that it is characterised by an open, non-rounds-based grant application process, and a notional pool funding allocation model to provide equitable investment opportunities across each of the 38 FERs.

The scope of this report is the implementation of the GLE Fund between 17 August 2017 and 30 June 2019. The evaluation considers 111 applications that, as at 30 June 2019, had completed all assessment processes and been notified of the result. At this time, the GLE Fund had awarded \$177 million to 30 projects across 20 FERs. Of note, the development and rollout of the business case assistance procurement grant scheme is out of scope of this evaluation.

This report is a process evaluation and entails an evaluation of program design and planning, grants administration, and contracting of grant recipients by funding deed. This evaluation does not include evidence of project infrastructure built and consideration of the program's effect on the scale, timing or outcome of this built infrastructure.









This process evaluation has been completed in accordance with the *NSW Government Program Evaluation Guidelines (January 2016)* and as per the *Growing Local Economies Program Evaluation Plan*. It is informed by a document review undertaken by the Program Design and Evaluation Unit at Investment NSW, and stakeholder surveys by an independent consultant, ARTD.

Overall, GLE Fund planning, implementation and management was successful in attracting applicants from 37 of 38 FERs, with clear processes for assessment of and investment in projects of economic significance in regional NSW.

The main findings of this process evaluation can be summarised as follows:

- The GLE Fund objective of 'improving productivity and economic growth in NSW' was clear, consistent, and built into program design.
- GLE design and planning activities delivered a fit for purpose program that successfully funded economic infrastructure projects that are expected to drive economic growth.
- Project assessments of infrastructure projects were transparent and in line with eligibility and assessment criteria. However, the reasons for assessment decisions were not always clearly communicated to unsuccessful applicants.

Findings and recommendations

 <p>Objectives</p>	<p>Finding 1</p> <p>The GLE Fund objective of ‘improving productivity and economic growth in NSW’ was clear, consistent, and built into program design.</p>
 <p>Planning</p>	<p>Finding 2</p> <p>GLE Fund design and planning activities delivered a fit for purpose program that successfully funded economic infrastructure projects that are expected to drive economic growth. Planning for program monitoring and evaluation activities could be improved to better capture program outcomes.</p>
 <p>Communication</p>	<p>Finding 3</p> <p>GLE Fund application information was clearly communicated to the target audience. GLE Fund applicants reported being satisfied with the information provided on the website and reported a high level of understanding of what was required to complete an application.</p>
 <p>Assessment</p>	<p>Finding 4</p> <p>Project assessments of infrastructure projects were transparent and in line with eligibility and assessment criteria. However, the reasons for assessment decisions were not always clearly communicated to unsuccessful applicants.</p>
 <p>Identifying Outcomes</p>	<p>Finding 5</p> <p>Funded projects generally identified project outcomes in their proposals that aligned with GLE Fund objectives and outcomes. However, there were issues with the quality and achievability of many indicators. More detailed guidance on outcome monitoring strategies may have assisted applicants to better identify effective data gathering strategies.</p>
 <p>Monitoring Outcomes</p>	<p>Finding 6</p> <p>The program had some mechanisms in place to identify outcomes, however this did not result in clear plans and responsibilities for outcomes measurement.</p>
 <p>Resourcing</p>	<p>Finding 7</p> <p>Program resourcing was adequate to deliver planned GLE Fund activities.</p>
 <p>Governance</p>	<p>Finding 8</p> <p>Program governance and probity arrangements were robust and worked as planned, although record keeping could be improved.</p>

Process Evaluation

About the Growing Local Economies Fund

The \$500 million Growing Local Economies (GLE) Fund was announced in 2017. The Fund is resourced from the Restart NSW Fund, established by the *Restart NSW Fund Act 2011*. The program objective is to fund common use enabling infrastructure projects in regional NSW to improve productivity and economic growth in NSW.

The GLE Fund program design uses an open, non-rounds-based grant application process, and a notional pool funding allocation model to provide equitable investment opportunities across each of the 38 Functional Economic Regions (FER) in regional NSW. The fund utilised a two-stage application process, comprised of an expression of interest and subsequent detailed application. Funding was open to councils, businesses and other incorporated bodies.

Between 17 August 2017 and 14 July 2019, 176 applications were assessed. As at 30 June 2019, 111 applications had completed all GLE assessment processes and form the focus of this report.

These 111 applications sought \$775 million in government funding towards a total value of \$1.16 billion in projects across 37 FERs. After assessment, 30 applications received \$177 million towards \$296 million in total infrastructure funding across 20 FERs. Funded projects were primarily road and business park projects, and also included airports, education and research, agriculture, tourism and town revitalisation infrastructure.

The GLE Fund also developed a business case assistance procurement grant scheme process in March 2018 to support local government applications to the GLE. The assistance measure targeted local governments that lacked the skills, resources or technical capacity to develop a business case. Of note, the development and rollout of the business case assistance procurement grant scheme is out of scope of this evaluation.

The GLE is administered by the Department of Regional New South Wales (DRNSW) in partnership with Infrastructure NSW (INSW). DRNSW had primary responsibility for program design, planning, application and assessment activities, and INSW made final funding recommendations and managed the contracting and acquittal processes.

About this evaluation

This report is a process evaluation of the implementation of GLE Fund. It assesses the efficiency and effectiveness of the grant funding processes instituted by DRNSW in conjunction with INSW to achieve the GLE Fund program objective. Of note, the development and rollout of the business case assistance procurement grant scheme is out of scope of this evaluation.

This process evaluation answers process questions outlined in the GLE Program Evaluation Plan. This plan was developed by the Program Design and Evaluation Team in consultation with GLE program managers. It was endorsed by DRNSW and approved by Executive Directors overseeing the GLE.

Evaluation Findings

1. Did the program have clear and consistent objectives?

Finding 1

The GLE Fund objective of 'improving productivity and economic growth in NSW' was clear, consistent, and built into program design.

The overall objective of the GLE Fund was stated clearly in GLE Fund documentation. The objective of improving economic growth and productivity through investing in common use enabling infrastructure in regional NSW was consistent with the *Restart NSW Fund Act 2011* and aligns with internal departmental program approval documents.

Two versions of GLE guidelines were provided to applicants. The 2017 Guidelines stated the objective of:

“GLE is designed to unlock economic growth in regional NSW and the state, by delivering the common use enabling infrastructure that supports projects of regional economic significance and is expected to deliver long term growth benefits”.

In 2018, the Guidelines were revised to re-state the objective of the GLE as:

“The Growing Local Economies Fund is designed to deliver economic growth and productivity in regional NSW.”, and “The objective of the fund is to support projects of economic significance in regional NSW, which draw on the strengths or potential strengths of each Functional Economic Region”.

The revised 2018 Guidelines articulated more clearly the intent to fund enabling infrastructure to address constraints and opportunities for economic growth identified in Regional Economic Development Strategies (REDS).

2. Was the program appropriately planned?

Finding 2

GLE Fund design and planning activities delivered a fit for purpose program that successfully funded economic infrastructure projects that are expected to drive economic growth. Planning for program monitoring and evaluation activities could be improved to better capture program outcomes.

Planning was undertaken in a compressed timeline

Administrative program planning activities were undertaken under a compressed timeline. Some planning activities had not been finalised when the program commenced. This includes planning documents such as the GLE Fund Steering Committee terms of reference, risk analysis and the outcome performance framework. The delay of some planning activities, including a program logic and evaluation plan, may have impacted the effective implementation of some elements of the program, although this has not materially impacted the program rollout.

The program design was fit for purpose to deliver the program objective of improving productivity and economic growth in NSW

The GLE fund was implemented in line with the original approach submitted to and approved by government, and considered alternative options during the design phase. Subsequent decisions were appropriately approved under departmental and government delegations. The open, non-rounds-based approach was adopted to address limitations with rounds-based grants programs and the significant planning required for large infrastructure projects. This design allowed applicants time to undertake planning, confirm funding arrangements and submit applications at a time when project planning was sufficiently advanced. The non-rounds-based approach, however, had the impact of increasing the administrative burden of the program and made it difficult to plan for and manage during peak times.

The application and assessment process was rigorous, time-consuming and required extensive resourcing from multiple state government agencies. The standard process included an initial EOI, which then progressed to a full Business Case if eligibility requirements were met. The requirement for applications to be subject to Cost-Benefit Analysis (CBA) was appropriate given the economic growth goals of the program.

The planning process identified a clear set of assessment criteria and a strong methodology for project review that in the main, was fit for purpose. Program staff “generally felt that the overall four strategic, economic, affordability and deliverability assessment criteria were appropriate for selecting the best projects”.

Application assessments were made with reference to regional FERs to build on existing economic strengths. Program staff also considered allocation across FERs to be a desirable and equitable design feature as it ensured that funds were distributed across the State.

Applicant capacity constraints

Capacity constraints were raised as a key issue during consultation with widespread support for a greater investment in capacity-building for applicants. Smaller councils may have less capacity in terms of resources to identify projects and develop an extensive business case. Applicant data demonstrates that smaller Local Government Areas (LGAs) have had a lower success rate than larger LGAs and suggests the need to further explore capacity as the main reason for the different levels of success.

Planning for performance monitoring

The GLE Fund program logic was conceptualised but not formally recorded prior to the implementation of the program. The program logic was documented as part of the evaluation plan

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and was developed after the program commenced. Consequently, there was no documentation clearly linking program inputs, activities, outputs and outcomes during the initial planning.

The retrospective development of the program logic and evaluation plan does not appear to have materially affected grant administration. However, incorporating program logic design and associated monitoring and evaluation planning into the program planning phase would have improved the GLE Fund's ability to plan and assess its performance and to meet the best practice standards. Outcome monitoring is discussed in question 6.

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

Finding 3

GLE Fund application information was clearly communicated to the target audience. GLE Fund applicants reported being satisfied with the information provided on the website and reported a high level of understanding of what was required to complete an application.

Applicants for grant programs are better able to respond to opportunities if eligibility information, the application process, and project reporting requirements are communicated effectively to them.

The GLE Fund delivered webinars, social media pages, a dedicated website, guidelines, frequently asked questions sheets and fact sheets, templates and communicated through regional networks to communicate the two-stage application process, and eligibility requirements.

GLE Fund applicants report being made aware of the GLE Fund by direct communications (i.e. the website) and indirect methods via stakeholders e.g., Local Member of State Parliament, media, letter, or website. Applicants reported high level of satisfaction with website information.

Of the GLE Fund applicants surveyed, 86 percent completely or mostly understood what was required to complete the application process. Applicants also indicated a high level of satisfaction with support provided by DRNSW during the application process. Ninety-six percent of applicants were aware that staff were available to assist and that 92 percent utilised this service. Ninety-one percent cited satisfaction with response times, and 83 percent satisfied with the helpfulness of DRNSW staff.

Despite the positive feedback from surveyed applicants, there are indicators that communication about the requirements of the program could be improved and that some applicants were confused as to the most relevant grant funding program to apply for.

This is evidenced by program data, with more than 60 percent of unsuccessful projects not meeting BCR requirements of above 1.0, and more than 20 percent of applications ineligible because the project did not meet requirements around exclusive private benefits and common use infrastructure.

The fund also had a relatively high level of projects that were transferred to other grants programs for assessment, funded by another program or were withdrawn (34 out of 111 applications). It is likely that many projects were redirected for funding under other programs as they were unable to meet the requirements of the GLE Fund and other programs were more suitable for these projects.

Awareness of complaints and dispute resolution processes was low

Most applicants (86%) were not aware that they could lodge a dispute about their assessment outcome. This information was not included in program guidelines.

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

Finding 4

Project assessments of infrastructure projects were transparent and in line with eligibility and assessment criteria. However, the reasons for assessment decisions were not always clearly communicated to unsuccessful applicants.

Overall, approval decisions were transparent and in line with eligibility and assessment criteria.

The GLE Fund application assessment guidelines detail the Fund's processes, requirements and responsibilities for assessing applications by the GLE Fund Senior Officers Group and Regional Independent Assessment Panel. Meeting papers for assessment panels contained project-based templates comprising the technical assessments undertaken by GLE Fund program staff and other subject matter experts, such as Public Works Advisory. Senior Officers Group and Regional Independent Assessment Panel meeting minutes maintain each project's assessment advice and the recommendations arising from that assessment.

Reasons for application assessment decisions were clearly documented on project template sheets used by the Senior Officers Group and Regional Independent Assessment Panel assessment panels. GLE Fund staff and assessment stakeholders considered that project approval decisions were transparent and in line with eligibility criteria and assessment criteria.

Unsuccessful applicants were notified of the result by DRNSW and provided with an opportunity for feedback on reason for unsuccessful application. Ninety percent of survey responders sought feedback on their application. However, after receiving feedback, 40 percent considered they didn't understand the reason, or they understood it a little.

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

Finding 5

Funded projects generally identified project outcomes in their proposals that aligned with GLE Fund objectives and outcomes. However, there were issues with the quality and achievability of many indicators. More detailed guidance on outcome monitoring strategies may have assisted applicants to better identify effective data gathering strategies.

At 30 June 2019, the GLE Fund had funded 30 regional infrastructure projects. All 30 approved projects were aligned with delivering the long-term GLE Fund outcomes.

DRNSW provided business case guidelines for the preparation of business cases by applicants. The guidance included advice on the development and use key success indicators to be able to clearly indicate and track progress towards achievement of outcomes. The business case guidelines, as detailed in Table 7, detail the use of S.M.A.R.T. objectives and indicators.

3.1 PROPOSAL OBJECTIVES & INDICATORS

Applicants should identify what the proposal aims to achieve. These objectives should be directly linked to the problems or opportunities identified by the applicant.

The objectives describe the desired changes to be brought about by the proposal. These objectives should be directly linked to the problems or opportunities identified by the applicant.

Applicants should identify success indicators for each identified objective to be able to clearly demonstrate the value of their investment to the Department and proposal stakeholders. Applicants should ensure their reporting arrangements allow for the tracking and reporting of these indicators.



Indicators are best expressed using the 'SMART' principle:

- Specific**- objectives should be well defined
- Measurable**- objectives should be measurable so that they can be tracked.
- Achievable**- objectives should be deliverable by the applicant.
- Relevant**- objectives should directly relate to identified problems.
- Timely**- objectives should be achieved within a specific timeframe.

Some approved applications made strong and logical arguments for the contribution of their proposed project to GLE Fund economic outcomes. Most funded projects did not explain the methodology and the time frame in which key outcome performance measures would be measured.

There appears to be a gap between the applicants' ability to identify specific and measurable outcomes, and their self-assessed ability to do so. A majority of surveyed applicants thought it "very easy" to identify the intended outcomes. Applicants perceived identifying methodologies for measurement as more difficult; 39 percent stated that it was either very difficult or somewhat difficult to identify methodologies.

More detailed guidance on outcome monitoring strategies may have assisted applicants to better identify effective data gathering strategies.

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

Finding 6

The program had some mechanisms in place to identify outcomes, however this did not result in clear plans and responsibilities for outcomes measurement.

Infrastructure NSW (INSW) managed the development of funding deeds and reporting for GLE Fund projects

Under the GLE Fund governance structure, INSW developed project funding deeds and managed the milestone and delivery reporting for funded projects. On this basis, DRNSW have limited capacity to influence outcome reporting.

Business cases required applicants to nominate outcomes but not mechanisms to measure these in the future

Business case templates contained dedicated sections for applicants to nominate program outcomes but no sections within the template to propose measurable KPIs or outcome targets in line with the program objective. These templates did not contain sections for applicants to outline data collection methods to measure anticipated benefits. Furthermore, a requirement for sound data collection strategies regarding benefits was not communicated to applicants at the prospective stage.

Funding deeds did not detail specific obligations for applicants to measure outcomes

Funding deeds included provisions for payments to be withheld or suspended in the event of non-compliance. In addition, grant recipients were required to participate in any survey or feedback request by DRNSW during or after the life of the deed.

While acknowledging the requirement to participate in departmental surveys, applicants were not required to collect data, as part of the funding deed, that may inform an outcome evaluation. By better identifying the data requirements of an outcome evaluation and incorporating appropriate reporting requirements in funding deeds, outcomes could be more effectively monitored.

The program did not have an overarching framework to explain how it will achieve its objective. This shortcoming has been addressed through the development of an Outcome Evaluation Framework.

At commencement, the program did not have an overarching framework to provide evidence linking the delivery of project outcomes to the achievement of the program's objective. Program managers engaged the Program Design and Evaluation Team to develop a program evaluation plan at the inception of the program.

The developed plan includes an agreed program logic, illustrating the expected relationship between project inputs, outputs and outcomes, and sets out the methods for assessing and evaluating the program's achievements.

However, a shortcoming of the evaluation plan is its omission of a framework linking project outcomes with the high-level program objectives. This has since been mitigated with the development of the supplementary Outcome Evaluation Framework which details the links between outcomes and objectives

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

Finding 7

Program resourcing was adequate to deliver planned GLE Fund activities.

The GLE Fund administration workload was significant

GLE application and assessment activities created a scheduled stream of activity, including coordinating assessment panels, to transition projects through all stages of the assessment process. As mentioned above, the application and assessment process was rigorous, time-consuming and required extensive resourcing from multiple state agencies and representatives.

The standard process included an initial EOI, which then progressed to a full Business Case (including a CBA), if eligibility requirements were met. Assessment stakeholders were required to respond to assessment requests within two weeks and applicants were given a six week period in which to develop and submit a detailed business case.

The review of processing times for GLE Fund applications revealed that

- The GLE Fund process required on average 265 working days from lodgement to a funding deed being signed
- The EOI stage required an average 79 working days between submission and notification of the result
- The detailed business case required 45 working days between lodgement and notification
- The INSW funding deed stage required on average 97 working days to negotiate a funding agreement

Many EOIs, applications and funding deeds required several follow ups with applicants for further information and clarification, which led to delays in the finalisation of these documents by the applicants.

However, there was adequate resourcing to deliver the program

Noting the extensive assessment and administration activities, GLE fund resourcing appears to have been adequate to manage engagement of cross-agency participants in the above administrative and assessment processes. Generally, GLE staff expressed views that they were adequately resourced to perform their roles. However, consideration could be made that greater resourcing may have reduced significant application processing times.

Documentation of the GLE budget and resourcing could have been improved

Good documentation aids program planning and organisation as well as adding to transparency. The GLE administrative budget appears to have been limited to use of bespoke spreadsheets. No evidence was sighted to show overall administrative budget planning or budget monitoring. This an area for potential improvement.

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

Finding 8

Program governance and probity arrangements were robust and worked as planned.

The Fund implemented a robust governance structure

INNSW and DRNSW established a GLE Fund governance framework after program commencement. The GLE Fund governance framework is driven by cross-agency arrangements and Restart NSW statutory requirements, as described in the March 2018, 'Memorandum of Understanding Submission Based Restart NSW Funds', and the *Restart NSW Fund Act 2011*.

The DRNSW Growing Local Economies Steering Committee was the key overarching governance committee. The GLE Fund also had two panels that formed the project assessment process: the Senior Officers Group (SOG) and the Regional Independent Assessment Panel (RIAP).

All project applications were assessed at each stage (EOI and Business case) against the GLE assessment criteria by the SOG and RIAP. The SOG considered the assessment recommendations prepared by program staff and made recommendations to RIAP.

The RIAP comprised permanent panel members appointed by INNSW and comprised government and non-government members with project related expertise. The RIAP considered the advice of the SOG prior to providing formal advice and funding recommendations to INNSW.

Governance structures worked as planned

Project funding assessment and approvals appear to be consistent with the documented roles and responsibilities of program staff, assessment advisors, and assessment panels as described above. All project approvals to prepare a funding deed for successful projects is consistent with delegated authorities. According to stakeholders and staff, the roles and responsibilities of all parties involved in the delivery of the program were clearly defined, and the lines of accountability were clear for all parties involved in program administration.

Probity arrangements worked as planned, although record keeping could have been improved

INNSW engaged an external commercial probity firm to provide independent probity services to the GLE Fund assessment panels, the GLE Senior Officers Group and the INNSW Regional Independent Assessment Panel. Probity advisers attended Senior Officers Group and Regional Independent Assessment Panel meetings.

Probity arrangements in the GLE Probity Plan conform with best practice. Procedures were in place to identify and manage potential conflicts of interest, and to maintain separation of assessment advisors from applicants and assessment panels.

Program staff indicated they believe probity was well managed, and DRNSW indicated, "we had a probity plan which set out the probity principles, we had a dedicated probity advisor. And so that probity advisers on hand at any time and we had needed probity advice, they also attended all decision-making panel meeting."

The DRNSW Conflict of Interest register records only one conflict of interest and it appears to have been resolved.

A key element of good governance is having record keeping procedures in place to demonstrate compliance and ensure consistent decision making. There was insufficient record keeping in the

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GLE Fund file structure and this has reduced the transparency of the Fund with regard to probity issues. Record keeping issues included:

- Heavy reliance on the use of bespoke excel files to record critical project and assessment data. Errors were identified within these which required referral to primary documents to establish an accurate data set.
- Conflict of interest declarations were not held on file.
- The Senior Officers Group minutes did not report on probity issues.
- Record keeping gaps and inconsistencies across the four relevant governance bodies – the Steering Committee, Project Control Group, Senior Officers Group and Regional Independent Assessment Panel.