



## Mid-Term Evaluation of the Sustainability Program

# Final Report

Prepared for the NSW  
Environmental Trust

September 2016

Copyright © Aegis Consulting Australia and NSW Office of Environment and Heritage 2016

#### **Disclaimer**

Aegis Consulting Group provides no warranties and makes no representations in relation to the information provided in this paper. It accepts no liability for reliance on the information in this paper by any person or organisation. Any person or organisation, using the information in this paper does so at its own risk and agrees to indemnify Aegis Consulting Group for any loss or damage arising from such use.

#### **Contact**

For more information about this report contact:

Vishal Beri  
Managing Director  
Aegis Consulting Group  
T +61 2 9698 2290 E vberi@aegisconsultgroup.com

#### **About Aegis Consulting Group**

Aegis is an independent advisor to government, corporate and non-government organisations on:

- Public Policy
- Economics
- Government
- Strategy

Aegis was established in 2002 and has an international team of consultants in Australia, Singapore and United Kingdom.

## CONTENTS

<b>1. Executive Summary and Recommendations</b>	<b>4</b>
<b>2. Methodology</b>	<b>14</b>
2.1 Scope and timeframe of the evaluation	14
2.2 Objectives of the evaluation	14
2.3 Evaluation framework	15
<b>3. Introduction</b>	<b>21</b>
3.1 Program history	21
3.2 Program outcomes, objectives and management	23
<b>4. Part 1 – Current Funding Agreement</b>	<b>29</b>
4.1 Program appropriateness and management	29
4.2 Program effectiveness	46
4.3 Program efficiency	67
4.4 Value for money	74
<b>5. Part 2 – Transitional Issues and Future Management</b>	<b>80</b>
5.1 Governance	80
5.2 Future program management	81

## Key Tables

1	Key evaluation criteria and questions	15
2	Sub-programs within the Program	24
3	Other community based programs funded by the Trust	37
4	Comparison of the program and approaches in Queensland and Victoria and other programs funded by the Trust	38
5	Seven principles of grant administration	39
6	Program budgets 2014-2016	70
7	Value for money assessment	75

## Key Figures

1	A guide to the nature of purchasing (spending)	18
2	Value for money assessment methodology	20
3	Management of the program	26
4	OEH and Trust structure	28

## Glossary of terms

Office of Environment and Heritage (OEH)  
Regional Operations Group (ROG)  
Government Resource Efficiency Policy (GREP)

# 1. EXECUTIVE SUMMARY AND RECOMMENDATIONS

## 1.1 Background

### 1.1.1 Purpose and structure

This is a report on the mid-term evaluation of the Sustainability Programs (the Program), which is administered by the NSW Environmental Trust (the Trust). The Trust provides Program funding to the Metropolitan Branch (grantee) in the Regional Operations Group (ROG) of the Office of Environment and Heritage (OEH) under a three year agreement. This evaluation examines the current agreement from financial years 2014 to 2017.

The ROG includes state-wide operations and environmental program management. It also includes the administration of the Trust which is an independent statutory body. At the time this evaluation was being conducted the NSW Government announced a re-organisation of OEH which will affect this structure.

The evaluation is in two parts. The first part covers the value for money and program management issues arising under the current funding agreement. This includes an examination of the appropriateness, effectiveness, efficiency and management of the Program. The second part involves transitional and future governance and management of the Program following the transfer of its administration on 1 July 2016 from the Trust to the grantee. Issues arising in the first part of the evaluation influence some of the findings in the second part.

The evaluation involved a review of relevant Program documentation; research of comparative Programs in other Australian jurisdictions; and surveys and interviews of Trust and OEH staff managing the Program, other relevant OEH staff, and external business and community stakeholders who may benefit from the activities that OEH supports using Program funds.

### 1.1.2 The Program

The funding agreement between the Trust and grantee is intended to support activities (outputs) that can deliver the Program's two objectives (outcomes):

- Removing market barriers to resource efficiency and clean energy for business, government, community and household sectors; and
- Strengthening communities so that they can care for their own environment and adapt to climate change and environmental risks through place-based engagement and capacity building of community networks.

The evaluation examines the five key sub-programs that host the bulk of funded activities under the Program. The sub-programs are:

- Sustainability Advantage (Business)
- Sustainable Government (Behaviour)
- Collaborative Sustainable Housing Initiative (formerly Sustainable and Resilient Communities);
- Local Green Economies
- Communities Caring for their own Environment.

In general the funded activities are aimed at facilitating the capacity of business, NSW government, local government, consumers and communities to achieve the Program's two primary objectives. The activities are mostly facilitation, collaboration, awareness raising, information dissemination, and education projects.

### **1.1.3 Evaluation part 1: Current funding agreement**

#### **Context**

- Between 2014/15 and 2016/17, the Trust has and is budgeted to spend a total of about \$252.4 million on funding to community groups, research facilities, Aboriginal organisations, schools and government agencies across NSW. The Program represents about 4.6 per cent of this total expenditure. When the Program is administered by OEH, which has a budget over \$1 billion, the Program expenditure represents an even smaller percentage of spending.
- Given that the Program represents a small percentage of the Trust's and OEH's total expenditure and that the activities (outputs) under the Program are relatively easy to purchase, the evaluation has based its value for money assessment on how the services help deliver government objectives and the non-cost or qualitative issues such as fitness for purpose, quality, service and support. This is consistent with best practice value for money assessments.
- There are funded programs in Queensland and Victoria which seem to have a similar purpose to the Program. There are numerous examples of programs that seek to support the capacity of communities to develop local responses to environmental issues. There is one comparable example of a program that seeks to facilitate sustainability in local government procurement and solutions. There are two comparable examples of programs seeking to improve the knowledge and capacity of business in relation to energy efficiency and sustainability.
- The Trust funds a range of other programs that have a similar purpose and benefits to that offered by the *communities caring for their own environment* sub-program.

## Program appropriateness and planning

It is appropriate that the NSW government intervene through programs and projects to promote environmental sustainability. This is primarily because of the value that the community places on the environment.

The selection of activities (outputs) under each of the five sub-programs occurs within the boundaries of the two main objectives (outcomes) of the Program. The scope and nature of activities under any program will naturally be wider if its objectives are broad, and the converse is true if its outcomes are strictly defined. One of the fundamental risks with broad program objectives is that chosen activities can end up being solutions looking for problems.

The objectives of the Program are very broad and therefore permit activities that may be previously untested in NSW or other jurisdictions and which represent some risk. The entrepreneurial nature of the activities is not of itself problematic, particularly if OEH considers that it is within the role government to challenge orthodoxies and create new opportunities. But it does increase the need for strict risk management. The risk management surrounding the selection of activities should be improved if the Program continues in its current form.

Ways to address this include:

- Reviewing the central objectives of the Program with a view to making them more specific and based on outcomes desired in the short term (intermediate) and/ or longer term (final). This would be more consistent with the Productivity Commission's recommendations about government service delivery.
- Applying a consistent methodology across all sub-programs to assess needs that Program funds are used to pursue.
- Improving risk management in business plans to better address circumstances where activities need variation, and include planned and regular reviews of performance measures to ensure they remain appropriate for the activities being funded.

### Recommendation 1: Program appropriateness

The two objectives of the Program, removing market barriers and strengthening communities to care for their environments, should be reviewed with a view to addressing their ambiguity and giving program managers clearer guidance about the kinds of activities they should pursue; benefits they should be seeking to measure and achieve; and the appropriate balance between activities that are proven so less risky and those that are innovative and more risky.

**Recommendation 2: Program management**

- (a) A consistent methodology should be applied to the needs assessment and activity (output) selection process for each sub-program and should include as a minimum:
  - A clear analysis of the environmental problem being solved by the intervention of the Program.
  - An analysis of why alternative approaches to solving the problem are not suitable, including why other existing OEH and NSW government programs cannot solve the problem.
  - Learnings from comparable programs in other Australian jurisdictions.
- (b) Business plans supporting funding applications should continue to be consistent with OEH program logics and other requirements but in addition include:
  - A risk management plan that guides variations to funded activities in response to learnings about risks to benefits and program management.
  - A clear timeframe for the intervention including an exit strategy and milestones for decisions about revising, extending or ending it.
- (c) Collaboration and partnership should be improved by:
  - Ensuring that OEH regions are consulted as part of the design and business planning process.
  - Business plans including an obligation and systematic method for lessons arising from activities to be shared within OEH and more broadly in the NSW Government.
- (d) Governance and accountability of the Program should be improved by:
  - Including considerations about the success or failure of Program activities in the performance assessments of program managers.
  - Including in annual progress reports a comparative assessment of the performance of funded activities across the years of funding.
- (e) As part of the review of the objectives of the Program (see recommendation 1), consideration should be given to improving synergies by:
  - Separating sub-programs and related activities into distinct categories each supporting a specific objective.
  - Rationalising existing activities which currently sit in different sub-programs but seek to achieve similar outcomes.

## Program effectiveness

The capacity of the Program to be more effective is affected by the following factors.

- There is a misalignment between the Program's two objectives; the nature of the activities that the grantee undertakes to pursue these objectives; and the capacity of the activities to be measured in ways that clearly demonstrate they are achieving the objectives.
- The business plans for activities create expectations of outcomes that may be undeliverable given this misalignment.
- The business plans do not include an obligation and systematic method for lessons arising from activities to be shared within OEH and more broadly in the NSW Government.
- The regional branches of OEH are not effectively consulted during the design of activities and needs assessment.
- Business plans do not include an end point or exit strategy for government funding.
- Some activities are not framed in the context of existing government programs and regulatory interventions, which reduces clarity about their purpose and capacity to achieve benefits.
- Most of the activities are seeking to achieve behaviour change of government, business, consumers and/or communities in relation to the supply, demand, consumption and/or application of sustainable products, services and/or practices. However there is no strict standard methodology being applied to shape, implement and measure the performance of this approach. This creates risks for OEH because the nature of behaviour change is incremental and long term and requires a defined methodology that draws on national and international lessons and applies learnings for continuous improvement and refinement of activities.
- The Trust funds a range of other programs that have a similar purpose and benefits to that offered by the *communities caring for their own environment sub-program*. In most cases these other programs offer a larger level of available funding than the sub-program. The sub-program is not framed against these existing other Trust programs, and it is not clear how the reported immediate and long term benefits of the sub-program address any gaps or extend the reach of the Trust in ways that other existing programs cannot.

### **Recommendation 3: Program effectiveness**

- (a) Consideration should be given to extending the Sustainability Advantage sub-program to small business, and supporting free access for small business by using revenue from the fee for service model now applying to medium and large businesses and/or Program funding.
- (b) Consideration should be given to:
  - Framing the activities of the Sustainable Government sub-program with reference to the priorities of the Government Resource Efficiency Policy (GREP) to reduce any duplication of priorities.
  - Focussing the sub-program on the opportunity to utilise the scale and momentum that government can possess to promote a wide-spread shift in consumption behaviour amongst all public sector employees to stimulate demand for sustainable products and services.
  - Applying this focus to support the Sustainability Advantage, Collaborative Sustainable Housing Initiative and Local Green Economies (sustainable choice) sub-programs which all have the similar purposes of promoting sustainability and addressing information asymmetry faced by consumers of sustainable products and services, whether they be households, businesses or governments.
- (c) Consideration should be given to framing Collaborative Sustainable Housing Initiative relative to BASIX to clarify how it addresses gaps or complements existing regulatory interventions to promote sustainable housing.
- (d) Consideration should be given to:
  - OEH developing a stricter template methodology for the practice and measurement of collective impact and behavioural change based on existing Australian and international lessons including lessons from the behavioural insight teams in the NSW Departments of Premier and Cabinet and Family and Community Services.
  - Applying that methodology to the activities on the Collaborative Sustainable Housing Initiative, Local Green Economies and Communities Caring for their Own Environment sub-programs to guide future funding under the Program.
  - Ensuring that the Communities Caring for their Own Environment sub-program is not duplicating other similar Trust programs.
- (e) If OEH is committed to consumer and market behaviour change as a policy and program tool, it should consider reimagining the sub-programs and activities currently in the Program into a separately funded stand-alone program dedicated to enabling OEH to learn lessons and build its capability as an agent of change.

## Program efficiency

Expenditure in the environmental sector does not lend itself to a traditional assessment of allocative efficiency because many environmental activities are not valued by markets but communities intrinsically value them. Even where individuals have little or no use for a given environmental asset or attribute they would nevertheless feel a 'loss' if such things were to disappear. Governments choose to spend money in the environmental sector because it is a public good, or to address market failure.

The two objectives of the Program are consistent with both these aims. Removing market barriers to resource efficiency implies a response by government to market failure, and strengthening the capacity of communities to care for their environments represents a public good.

In terms of allocative efficiency (value to consumers), the volume of participants across the various activities in the Program is one indicator that the activities have value in the market, and are also intrinsically valued even if markets do not. However, there is not sufficient direct data from the recipients of these services about the nature, extent, and/or pace of current and likely future behaviour change to assess whether the expenditure has directly delivered environmental outcomes that may be valued by markets or intrinsically valued, even if markets do not. To determine this future activities under the Program would need to include more robust measurement of current and likely future behaviour change.

The potential allocative efficiency would be improved by ensuring that the Program objectives clarify that the Program should use funds to address specific market failures that do not require or cannot be addressed by regulatory intervention.

In terms of technical efficiency, over the last two years of the three year funding agreement total spending has been about \$7 million of the total \$11.6 million allocated in the funding agreement, leaving about \$4.6 million for expenditure in 2016/17 (inputs). For these costs the activities (outputs) in the Program deliver a number of common and generally positive characteristics, including that they are ambitious, have wide reach, are facilitative, are innovative and attract good responses from stakeholders.

The *sustainability advantage* sub-program has improved its technical efficiency by moving in 2015 to a fee for membership and service model, which enables it to deliver the same or more services for lower Program expenditure.

Impediments to technical efficiency include the high use of consultancies, extent of variations in spending that are not based on lower inputs and the creation of additional costs in OEH regions because of overly complicated funding agreements between them and the grantee.

#### **Recommendation 4: Program efficiency**

- (a) Consideration should be given to improving potential allocative efficiency (value to consumers) by ensuring that the Program objectives clarify that the Program should use funds to address specific market failures that do not require or cannot be addressed by regulatory intervention.
- (b) Consideration should be given to equipping OEH to manage stakeholder engagement, communication, activity assessment and related activities with minimal assistance from contractors and consultants as this can improve OEH technical efficiency by retaining corporate knowledge and an appropriate skill base.
- (c) Consideration should be given to improving technical efficiency by:
  - Including OEH regions in the business planning process governing activity selection under the Program.
  - Streamlining OEH internal funding agreements to ensure that they are completed within short reasonable timeframes.

#### **Value for money**

The evaluation has found that the Program requires improvement in relation to most non-cost and cost criteria in order to represent value for money. The need for improvement arises primarily because:

- The Program objectives are too broad in nature, thereby making it more difficult to ensure that program activities (outputs) are fit for purpose.
- The Program activities are focussed on and intended to promote behaviour change which is incremental and long term in nature. This kind of long term benefit is difficult to measure without more robust methodologies, which the Program currently lacks. However, the Program demonstrates some immediate benefits, such as innovation and participant engagement.
- The innovative nature of the activities means there is no reliable precedent to assess qualitative issues such as their fitness for purpose, quality, and service. The existing planning and performance assessment process does not provide a solid substitute to help with this assessment, but could do so if it was enhanced with more specific Program objectives and stricter consideration of timeframe, exit strategy, milestone assessment and risk management proposed in this evaluation to improve effectiveness. Applying these stricter program management measures would also assist to ensure the expenditure of funds is efficient.

- The technical efficiency of the Program is reduced because of the reliance on consultants to perform functions that should be the core business of the grantee. The high use of consultants reduces the corporate knowledge, capacity and skills base of OEH, particularly where there is turnover of OEH staff and consultants and limited knowledge transfer.

**Recommendation 5: Value for money**

- (a) Consideration should be given to implementing Recommendations 1 to 4 in this evaluation in order to improve the overall value for money of the Program.

#### **1.1.4 Evaluation part 2: Transitional issues and future management**

##### **Governance**

On 1 July 2016, the administration of the Program was transferred to the grantee. During this evaluation, a reorganisation of OEH was announced which will alter the structure of the ROG. The reorganisation is consistent with the localised delivery model preferred by the NSW Government. It also makes it easier for the grantee to hold and manage the Program funds without being directly involved in implementing activities using the Program funds.

However it also creates a number of risks for the Program and recommendations in this evaluation about collaboration and partnership on program management. These risks may reduce the value of the Program to consumers (lower allocative efficiency) and also affect the effectiveness of the Program. There are two clear options to support the effective governance of the Program to avoid these risks. There are as follows:

- Option 1: Program planning and implementation, including needs assessment and activity selection can be overseen by an OEH committee consisting of the senior leadership team of the ROG.
- Option 2: Program funding could be made contestable with all regional branches competing for it on the basis of projects that meet clear criteria intended to deliver the Program objectives.

## Future Program Management

There are a number of options for OEH to consider regarding the future management of the Program. These options respond to:

- The recommendations in this evaluation about program appropriateness, management, effectiveness and efficiency;
- The proposed restructure of OEH announced during the course of this evaluation; and
- Financial management of the Program in 2016/17.

Option 1: The Program funding could be split into two distinct streams with completely separate purposes.

Option 2: The Program could be split into contestable and a non-contestable funding categories.

Option 3: The Program could be separated into activities that support government (state and local) related outcomes and those that support non-government sectors.

Option 4: The Program could be terminated and funding diverted to the OEH consolidated expenditure.

## 2. METHODOLOGY

### 2.1 Scope and Timeframe of the Evaluation

The Sustainability Program (the Program), is administered by the NSW Environment Trustal (the Trust). The Program provides funding under three year agreements to the Metropolitan Branch (grantee) in the Regional Operations Group (ROG) of the Office of Environment and Heritage (OEH) to support activities (outputs) that can deliver the Programs objectives (outcomes).

The Trust has commissioned Aegis Consulting Group (Aegis) to undertake the mid-term evaluation of the Program for the current three year agreement from 2014/15 to 2016/17. Under that agreement the grantee was to receive a total of \$11.6 million from the Trust. During this funding agreement, the administration of the Program was transferred from the Trust to the grantee from 1 July 2016. This evaluation is required as a part of the agreed transfer.

The evaluation is concerned with the following five sub-programs within the Program:

- Sustainability Advantage (Business)
- Sustainable Government (Behaviour)
- Collaborative Sustainable Housing Initiative (formerly Sustainable and Resilient Communities)
- Local Green Economies
- Communities Caring for their own Environment

The sixth sub-program within the Program, *Who Cares About the Environment*, is not included in this evaluation as it was recently reviewed.

The evaluation occurred during June and July 2016.

### 2.2 Objectives of the Evaluation

The objectives of the evaluation are to:

- Determine to what degree each of the programs are meeting or likely to meet their intended outcomes and deliverables; and
- Identify any risks to the programs', including, but not limited to, risks around governance, financial management, project planning, transitional arrangements, and delivery of intended outcomes; and to provide recommendations on how to address these risks as part of the transition.

## 2.3 Evaluation Framework

### 2.3.1 Key issues being assessed

The assessment framework to meet the evaluation objectives has been agreed by the Trust, OEH and Aegis. The assessment framework is intended to identify the appropriateness, effectiveness, efficiency of the use of the program funds by OEH. These issues form the basis of examining the value for money of the use of the Program funding.

The assessment framework is also intended to identify any improvements that can be made to the allocation and management of the funds by OEH. A series of key questions were developed to guide the gathering and analysis of information required to address these issues.

**Table 1: Key evaluation criteria and questions<sup>1</sup>**

Key Evaluation Criteria	Key Evaluation Questions
<b>Appropriateness</b>	<ol style="list-style-type: none"> <li>How appropriate was the planning process in the initial scoping phase?</li> <li>Do the programs address the identified needs and are they the most appropriate thing to do?</li> <li>Has expenditure to date been appropriate for the programs?</li> </ol>
<b>Effectiveness</b>	<ol style="list-style-type: none"> <li>Have the programs' activities been implemented as intended. If not, why, and what was the impact?</li> <li>Have the programs been appropriately planned and scoped to ensure delivery of intended outcomes and effective measurement of these outcomes?</li> <li>What outputs have been achieved to date, and do these represent value for money?</li> <li>Is it likely the intended outcomes will be delivered?</li> </ol>
<b>Efficiency</b>	<ol style="list-style-type: none"> <li>How efficient are the planned program activities?</li> <li>Are the programs likely to deliver value for money?</li> <li>What are the programs' implementation costs, and are these efficient? Can resources be allocated more efficiently?</li> <li>What are the grant administration costs (Trust and OEH's devolved grants), and are these efficient?</li> </ol>
<b>Process</b>	<ol style="list-style-type: none"> <li>How well managed have the programs been?</li> <li>Are appropriate governance arrangements in place for: commissioning contractors, administration of devolved grant, and other expenditure, and do these align with relevant government procedures and guidelines (e.g. Premiers Good Grant Management Guidelines, Procurement processes)</li> </ol>

<sup>1</sup> Environmental Trust and Office of Environment and Heritage

Key Evaluation Criteria	Key Evaluation Questions
	3. Are the method for making decisions and managing the programs appropriate and likely to ensure success?
<b>Opportunities</b>	1. What are the lessons learned and/or other opportunities related to the programs? 2. What could be done differently? 3. What are the associated risks with governance, financial management, project planning, transitional arrangements? 4. What are the recommendations for the transitioning of this program in light of the findings?

### 2.3.2 Key sources of information

Evidence and data to identify and analyse the key assessment issues and questions and develop findings and options were obtained by the following methods.

**Program document review.** An extensive range of program documentation was reviewed. This included the business plans for each sub-program upon which the funding application in 2013 was made; annual progress reports for the 2013-2016 period on the use of the approved funding to support the delivery of intended outcomes via stated objectives (actions); minutes of the meetings of the Community and Sustainability Subcommittee and Sustainability Steering Committee; and Program financial management data and information.

**Review of existing evaluations.** These included assessments of the activities undertaken to deliver intended outcomes and stakeholder surveys providing feedback on the sub-programs.

**Consultations with the Trust.** This included interviews of Trust staff managing the Program and members of the Community and Sustainability Subcommittee and Sustainability Steering Committee.

**Consultations with the OEH staff responsible for managing the Program.** This included interviews with and a written survey of OEH staff managing the Program and each sub-program. The written survey asked questions designed to extract more detailed information required to assess value for money, such as the methodology for allocating funding.

**Consultations with other OEH staff.** This included interviews with the Deputy Chief Executive responsible for the Regional Operations Group (ROG); the financial management and performance evaluation teams within ROG; and staff within the North, South and Environmental Programs Branches of ROG.

**Consultations with third parties receiving support from the use of the Program funding.** The OEH program managers were asked to provide up to 4 stakeholders who they believed benefited from the use of the funding allocated under the Program. A total of thirteen stakeholders were provided by OEH. These stakeholders were consulted via interviews and a written survey which asked them to identify the benefits they believe they received and provide evidence of the quantitative and/or qualitative nature of these benefits.

**Literature review.** This included research and assessment of comparative program activities undertaken in Queensland and Victoria. This was undertaken to assess whether the activities pursued under the Program and each sub-program were proven to deliver similar outcomes in other jurisdictions or were new and untested.

### 2.3.3 Value for money

#### Selected method to assess value for money

The various sources of information were used to assess the costs and benefits that inform the appropriateness, effectiveness and efficiency (value for money) of the Program and options for its shape and delivery. Appropriate, effective and efficient grants administration should ideally aim to<sup>2</sup>:

- Equitably and transparently select funding recipients that represent the best value for money to deliver the program objectives; and
- Efficiently and effectively deliver government funding to eligible recipients to achieve desired government policy outcomes.

Value for money is a critical outcome for the expenditure of public funds. The standard approach taken by Australian governments is that the assessment of value for money relies on<sup>3</sup>:

- The nature of the spending by a government agency to purchase or support activities or services; and
- The consideration of relevant issues upon which value for money is based.

In relation to the nature of spending, there are two primary factors to take into account:

- The difficulty of securing a supply of services which means (a) the degree to which the required services present risks or are critical to the agency and (b) the extent to which a competitive market for the supply of services exists.
- The relative expenditure for the services which means their cost relative to the total purchasing expenditure of the agency.

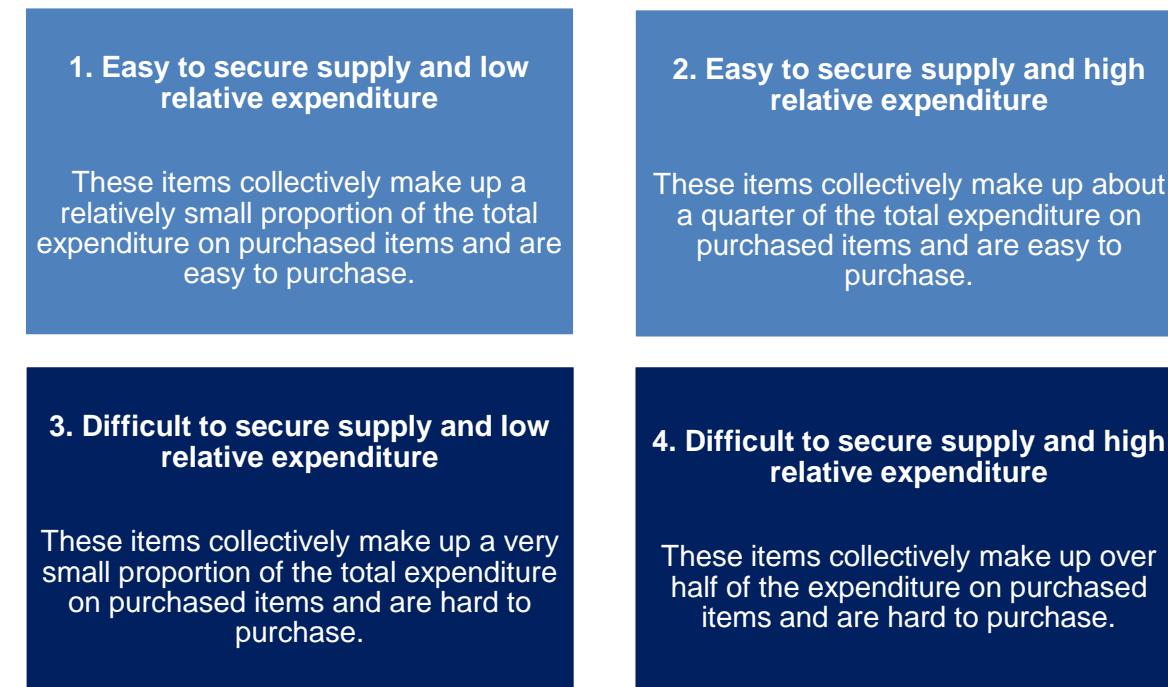
---

<sup>2</sup> Australian National Audit Office, Implementing Better Practice Grants Administration 2010, p3

<sup>3</sup> Australian Government, NSW Government, Queensland Government, State Purchasing Policies

The figure below describes how these two factors can be combined, categorised, compared and applied. Generally, spending in categories 2-4 require a detailed analysis and evaluation of the factors contributing to value for money.

**Figure 1: A guide to the nature of purchasing (spending)**



Based on the guide to spending the Program fits comfortably within category one because:

- The expenditure (at \$4 million per annum) is a very small proportion of the Trust's and OEH's total expenditure; and
- The provision of the facilitation, education and collaboration initiatives which the Program is designed to support is easily available from a range of large and small businesses, NGOs and other relevant parties with expertise and capacity in the delivery of these outcomes.

Accordingly, the value for money of the Program only needs to be assessed against the first two of the following three factors that are often used to judge value which are:

- *How the services help deliver government objectives.*
- *The non-cost or qualitative issues such as fitness for purpose, quality, service and support.*
- The whole-of-life costs of the activities funded under the program, including the internal processing costs of acquiring, using, maintaining and disposing of the service. This activity can include comparing the costs of service provision by government and the non-government sector and comparing the unit costs of funding an activity or service against the quantifiable and/or qualitative benefits the activities achieve for government and the community in general.

### **Selected method in practice**

In the implementation of its methodology the evaluation consistently sought to address the two selected key factors relating to value:

- *How the services help deliver government objectives.*
- *The non-cost or qualitative issues such as fitness for purpose, quality, service and support.*

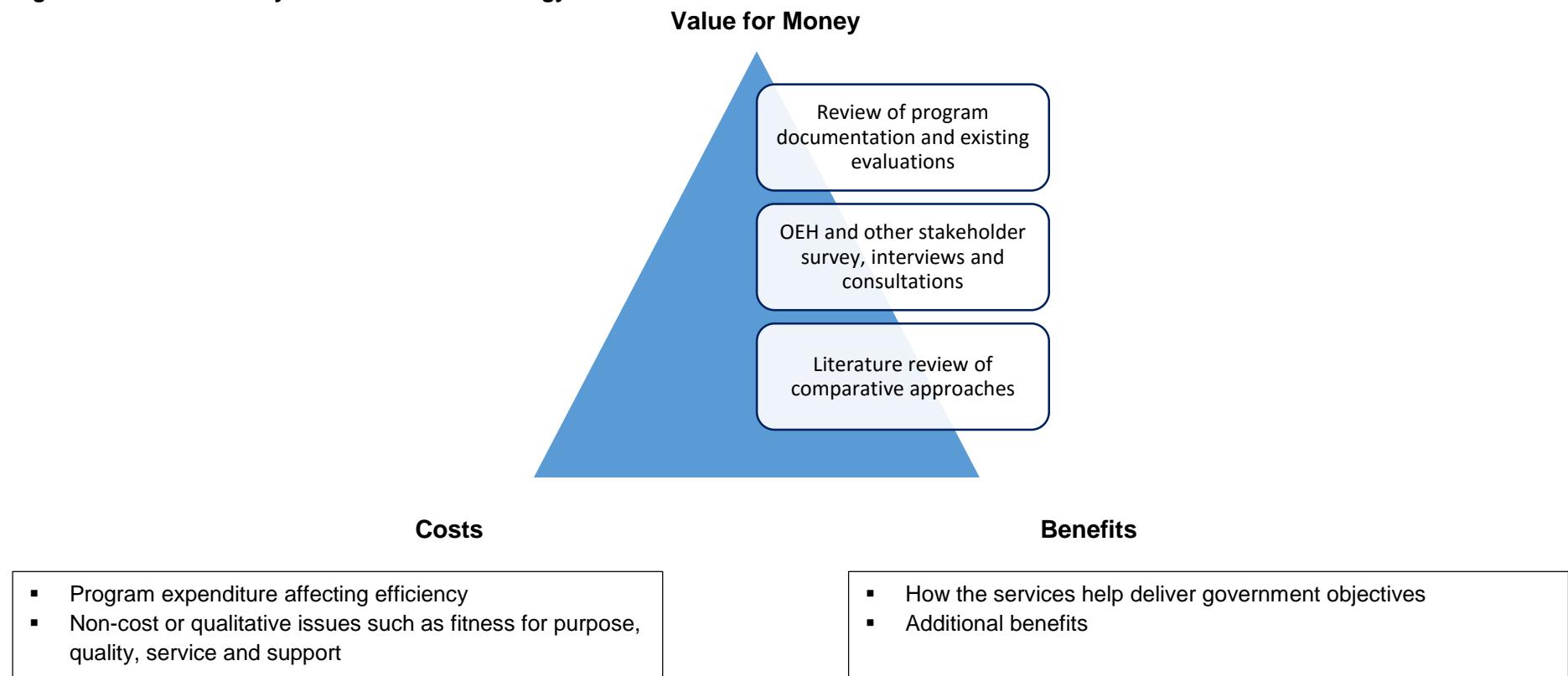
It did this by seeking information that could answer the following fundamental questions which help to address these two key factors.

- What is the environmental problem that needs to be addressed?
- Why does government need to intervene? For example, is it because of some market failure such as necessary behaviour change that cannot occur without government intervention?
- How does this intervention align with the objectives of the Trust and OEH and government more broadly?
- Is the intervention an off the shelf one that is proven to achieve benefits in NSW or other jurisdictions, or is it a new experimental one and why is the option being chosen?
- What are the direct and indirect costs of the chosen option?
- What are the risks of the chosen option?
- What are the benefits of the chosen option?
- What is the timeframe of the intervention and what is the exit strategy for government? For example, is it aimed at delivering a specific short term outcome or is it seeking to achieve a longer term change?
- What are the milestones over the timeframe that will be used to steer the intervention and respond to issues that arise so that it remains effective?
- How will the benefits be assessed so that government can judge whether to exit or continue with the intervention within the nominated timeframe or extend the timeframe?

While the methodology focussed on the delivery of government objectives and cost-issues, consideration was also given to cost issues to the extent they impacted on Program efficiency.

The figure below illustrates how the evaluation methodology sought to assess key value for money factors.

**Figure 2: Value for money assessment methodology<sup>4</sup>**



<sup>4</sup> Aegis Consulting Group 2016 based on the Australian Government, NSW Government, Queensland Government, State Purchasing Policies

## 3. INTRODUCTION

The Program is one of a number of grant programs administered by the Trust. Most programs administered by the Trust involve the allocation of grants to non-government organisations via contestable methods, such as competitive tendering. However, the Program involves the allocation of Trust funds directly to the grantee. This particular grant process occurs for historical policy reasons arising from the NSW Government's commitment to environmental sustainability.

### 3.1 Program History

The history of the Program is important to its evaluation as it provides the context for current and future practice.<sup>5</sup>

#### 3.1.1 Pre 2015

In 2005-06, the former Resource NSW programs were transferred to the Trust for administration with an approximate allocation of \$11 million per year. This funding was provided to OEH as a direct negotiated grant for the purposes of supporting activities that could deliver education, capacity building and partnership outcomes within the community and business sectors in relation to sustainability. The funding was in effect a recurrent allocation and facilitated the capacity of OEH to holistically consider various key elements contributing to environmental sustainability - energy, water and waste use - when designing program responses.

Between 2011 and 2015 a series of policy portfolio and public sector restructures in NSW Government occurred in response to a range of issues including the recommendations of the NSW Government's Independent Commission of Audit in 2012.<sup>6</sup> Some of the key findings of the Commission of Audit included that:

- For many years financial management in NSW had been confusing, lacking in transparency and below the standards expected of efficient and effective government.
- Since 2005-06 the State budget had been deteriorating significantly with the growth in expenditure well in excess of the growth in revenue.
- Proper budget management would enable the delivery of all the goals in the *NSW 2021 Plan* including strengthening the environment and local communities.

---

<sup>5</sup> The information about the history of the program has been obtained from consultations with the Environmental Trust and Office of Environment and Heritage

<sup>6</sup> The Commission released its Final Report on Government Expenditure in April 2012 and the NSW Government has publicly endorsed its recommendations

- Government expenditure policy should equip local decision making.
- Since 2007-08, aggregate expenditure growth in grants to Non-Government Organisations had increased by 12% annually.
- The major driver of the relative high expenditure increase over the decade in the environmental area of 7.9% has been grants, particularly aimed at water and energy conservation to reduce greenhouse gas emissions.

The rearrangement of government policy and program administration during this time resulted in the separation of responsibility for environmental sustainability outcomes between three agencies.

- OEH retained responsibility for energy resource efficiency.
- Environment Protection Authority gained responsibility for waste resource efficiency.
- Department of Primary Industries, and from 1 July 2016 WaterNSW, gained responsibility for water resource efficiency.

Nevertheless OEH retained a broad obligation to deliver education, capacity building and partnership outcomes within the community and business sectors in relation to environmental sustainability in its widest meaning. The Program aims to deliver this obligation and it is funded by way of a direct grant from the Trust to OEH of \$4 million per year. Funding is approved by the Trust in accordance with its legislative objectives on the basis of business plans submitted every three years by OEH.

The evaluation has considered a number of important issues arising from the history of the Program which have a bearing on the management of the Program and capacity of the Program to meet reasonable expectations about its appropriateness, effectiveness and efficiency. These include:

- As a result of changes to the administration of sustainability funding in NSW, resulting in the Program in its current form, OEH has had to build its capacity to behave like a grantee instead of a recipient of recurrent funding. This has included shaping team systems, accountabilities and activities to meet the Trust's grant application and management criteria which are additional to the normal budget cycle obligations governing recurrent funding.
- The capacity of OEH to behave entirely like a grantee under the Program has been affected by ongoing public sector restructuring and redundancies which have disrupted corporate knowledge and team continuity.
- Changes to the policy environment including the separation of integrated factors shaping a holistic approach to sustainability, such as energy, waste and water, into different agencies and Ministerial portfolios has reduced clarity within OEH about its contribution to sustainability under the Program.

- Demands by government for demonstrated action on sustainability by OEH in the absence of a clear policy framework has affected the capacity of OEH to plan activities under the Program in ways that comply with strict program and expenditure methodology. In some respects OEH has been forced to retrofit activities under the Program to meet changes in government policy objectives in relation to sustainability.

### 3.1.2 Post 2015

In 2015, the Trust approved the transfer of the Program to OEH from 1 July 2016. This includes the administration of the \$4 million annual funding, and the approval of activities funded under the Program.

The decision to transfer the Program to the control of OEH was largely made because it was considered that:

- The Trust's criteria for the approval and management of activities and related expenditure under the Program, which it is legislatively obliged to apply, is not a suitable practical fit with OEH's obligations to delivering the government's policies on sustainability; and
- Outside the Trust framework for grant management, OEH would have increased flexibility to efficaciously leverage the funding for sustainability outcomes, particularly in response to changing government priorities.

## 3.2 Program Outcomes, Objectives and Management

### 3.2.1 Outcomes and objectives

The Program's two desired outcomes are:<sup>7</sup>

- Removing market barriers to resource efficiency and clean energy for business, government, community and household sectors; and
- Strengthening communities so that they can care for their own environment and adapt to climate change and environmental risks through place-based engagement and capacity building of community networks.

To achieve these outcomes the Program objectives (actions to deliver outcomes) consists of a range of complementary activities to build business, consumer and community awareness, capacities, collaboration and partnerships in relation to environmental sustainability. These activities are grouped into six sub-programs.

---

<sup>7</sup> Environmental Trust and program documentation

**Table 2: Sub-programs within the Program<sup>8</sup>**

Sub Programs (objectives to deliver outcomes)	Description
<b>Sustainability Advantage (Business)</b>	<ul style="list-style-type: none"> <li>▪ Delivers innovation in the NSW business community through building awareness, skills, implementation and recognition of achievement.</li> </ul>
<b>Sustainable Government (Behaviour)</b>	<ul style="list-style-type: none"> <li>▪ Demonstrates leadership and improves resource efficiency by increasing the sustainability behaviour and practices in government.</li> </ul>
<b>Collaborative Sustainable Housing Initiative</b>	<ul style="list-style-type: none"> <li>▪ Aims to build housing industry collaboration to remove barriers, provide incentives and build capacity so that communities are more resource efficient, resilient and adaptable.</li> </ul>
<b>Local Green Economies</b>	<p>Comprises three key initiatives:</p> <ul style="list-style-type: none"> <li>▪ Sustainable Choice: promotes sustainable procurement and purchasing practices in NSW councils.</li> <li>▪ Smarter Choice: partners with hardware retailers to influence consumer behaviour by educating sales staff.</li> <li>▪ Social Enterprises for Sustainability: fosters local enterprises by providing access to capacity building, networking opportunities and awareness raising.</li> </ul>
<b>Communities Caring for their own Environment</b>	<p>Enables communities to care for their local environments by creating opportunities for participation, learning and networking via three initiatives:</p> <ul style="list-style-type: none"> <li>▪ Our Place and Youth Environmental Engagement initiatives work with key local partners and existing OEH regional teams to reach new networks in different NSW locations.</li> <li>▪ Sustainable Schools NSW continues to customise web resources for schools and teachers in NSW to support environmental student learning and action.</li> </ul>
<b>Who Cares about the Environment (social research)</b>	<ul style="list-style-type: none"> <li>▪ Use of research methods to inform stakeholders' work in addressing key environmental issues in NSW.</li> </ul>

<sup>8</sup> Ibid

### 3.2.2 Management

#### Overview<sup>9</sup>

The Program is managed by the Trust through its Sustainability Programs Steering Committee and its Community and Sustainability Subcommittee.

The Steering Committee consists of representatives from the Trust, the Environmental Protection Authority, the grantee, and the OEH's Environmental Programs branch. The Steering Committee is chaired by the Trust representative.

The Subcommittee consists of a range of OEH, Trust, local government, business, community, academic and environmental peak body representatives. It is chaired by a representative of the business community.

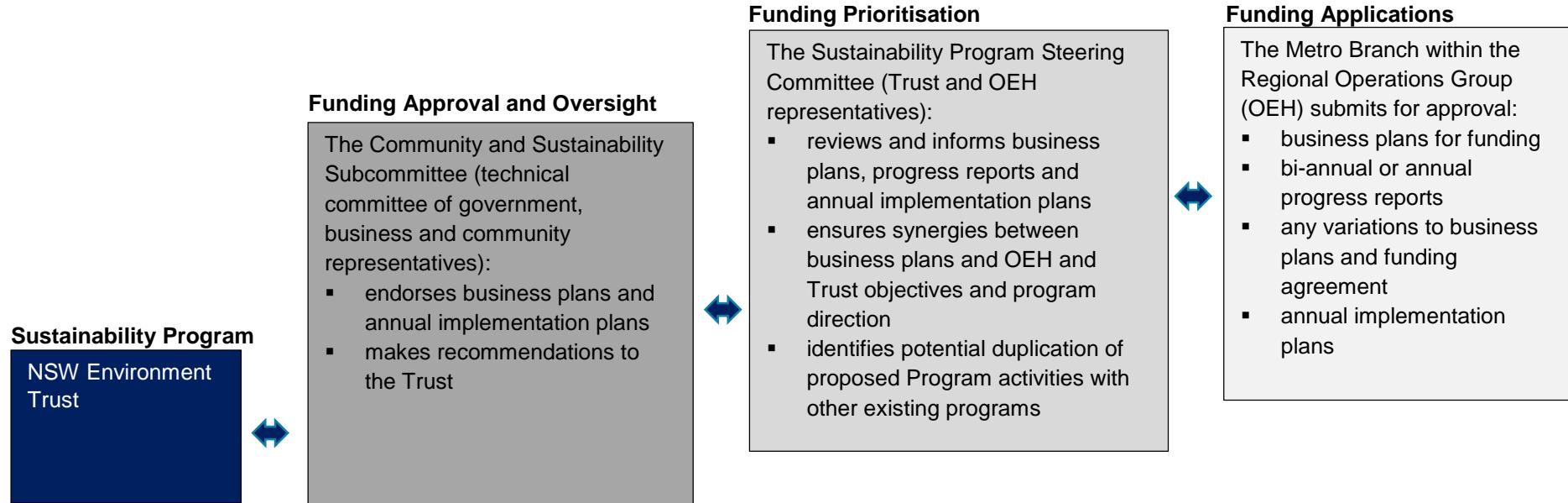
Under the terms of the funding agreement between the grantee and Trust, the grantee is required to:

- Prepare *business plans every three years*. The business plans are reviewed and informed by the Steering Committee to ensure synergies with the program priorities and activities of the organisations represented on the Committee. The business plans are endorsed by the Subcommittee which makes recommendations to the Trust. The business plans are ultimately approved by the Trust.
- Prepare *annual implementation plans* which demonstrate how specific objectives and outputs are being implemented within the allocated budgets. The annual implementation plans are reviewed and informed by the Steering Committee and considered by the Subcommittee.
- Prepare *bi-annual or annual progress reports* which detail the achievement of objectives, and identify risks and any variations to the business plans. The progress reports are reviewed and informed by the Steering Committee and considered by the Subcommittee. Any variations to the business plans and any activities and spending arising from them must be first approved by the Trust.

---

<sup>9</sup> The information about the management of the program has been obtained from consultations with the Environmental Trust and Office of Environment and Heritage

**Figure 3: Management of the Program<sup>10</sup>**



### Role of the Environmental Trust

The Trust is an independent statutory body established by the NSW government to fund a broad range of organisations to undertake projects that enhance the environment of NSW. The key features of the Trust are that it is:

- Empowered under the *Environmental Trust Act 1998*, and its main responsibility is to make and supervise the expenditure of grants.
- Administered by the OEH.
- Chaired by the Minister for Environment and its other members are the Director-General of Department of Premier and Cabinet (delegated to the Chief Executive of the OEH) and representatives from the Local Government NSW, the Nature Conservation Council and NSW Treasury.

<sup>10</sup> Aegis Consulting Group 2016 based on information from the Environmental Trust

The objects of the Trust are to:

- Encourage and support restoration and rehabilitation projects.
- Promote research into environmental problems of any kind.
- Promote environmental education in both the public and private sectors.
- Fund the acquisition of land for the national parks estate.
- Fund the declaration of areas for marine parks and for related purposes.
- Promote waste avoidance, resource recovery and waste management (including funding enforcement and regulation and local government programs).
- Fund environmental community groups.
- Fund the purchase of water entitlements for the purpose of increasing environmental flows for the State's rivers and restoring or rehabilitating major wetlands.

Section 9(1) of the *Environmental Trust Act 1998* (the Act) requires that a Technical Committee be established to assess applications for funding under each of the programs administered by the Trust. Consistent with the Act, the Subcommittee that assesses the funding applications (business plans) under the Program has representatives from the NSW Government, community and industry. Section 14 of the Act provides that the functions of the Technical Committee are as follows:

- The Trust is to refer each application for a grant to a Technical Review Committee of the Trust.
- The committee is to assess the practicability and overall worthiness of each application referred to it and provide the Trust with its assessment.
- A member of a committee may nominate another person to take the member's place in assessing a particular application if the member considers that the nature of the application requires the expertise of that other person.

The funding principles of the Trust govern the use of the grants it allocates. These principles are that:

- Grant funding is most appropriate for:
  - actions that will fix a problem or significantly change behaviours around that problem
  - niche filling (where no other funding is available)
  - early intervention of emerging issues, where an early injection of resources will allow innovation and address a persistent problem
  - actions that provide a platform for further action
  - additionality/complementary actions
  - proof of concept projects
- Grant funding should be used to foster co-contributions, strategic collaboration, and longevity of outcomes.
- All funded projects must meet at least one of the objects of Trust.
- Projects cannot be for core business/cost shifting/replacement funding/ongoing maintenance or to fix policy or program failings.

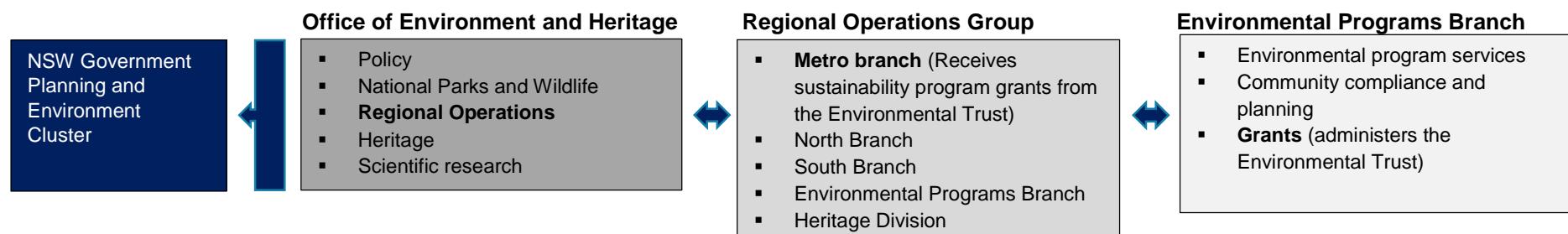
## The Role of the Office of Environment and Heritage (OEH)

The OEH is an agency within the NSW Government's Planning and Environment cluster of departments. The OEH performs a range of functions including:

- Developing policies to care for and protect NSW's environment and heritage, including the natural environment, Aboriginal country, culture and heritage, and built heritage.
- Administering the provision and management of environmental licences.
- Providing and administering grants and program funding to support environmental sustainability, conservation and resilience.
- Delivering integrated and customer focused services at the regional and local level to strengthen communities and partnerships across NSW.
- Managing the use, care and conservation of more than 7 million hectares of land in national parks and reserves.
- Providing an integrated approach to conserving Aboriginal and non-Aboriginal heritage.
- Undertaking scientific research to support environmental policy making.

The Regional Operations Group (ROG) within OEH is responsible for delivering integrated and customer focused services at the regional and local level to strengthen communities and partnerships across NSW. This includes services, programs and grants to support land use planning, threatened species, native vegetation, education, community engagement, energy efficiency, volunteering, environmental water management, coast and flood protection, compliance and enforcement, adapting to a changing climate and private land conservation.

**Figure 4: OEH and Trust structure<sup>11</sup>**



<sup>11</sup> Aegis Consulting Group 2016. This structure is subject to change following a reorganisation of OEH that was announced during this evaluation

## 4. EVALUATION PART 1 – CURRENT FUNDING AGREEMENT

### 4.1 Program Appropriateness and Management

#### 4.1.1 Objectives and role of government

##### Environmental policy

The environment is generally viewed by responsible governments as a public good and an inter-generational legacy worth preserving. As a result these governments embed a range of measures to promote and continuously improve environmental protection and conservation, including programs to encourage sustainability of resource use.

The environmental protection and conservation measures that governments choose to take reflect the significant value that both domestic and the global society places on the conservation of biodiversity and natural ecosystems and habitats. For many years this value has been reflected in the World Conservation Union (IUCN), which was established in 1948 to “influence, encourage, and assist societies throughout the world to conserve the integrity and diversity of nature and to ensure that any use of natural resources is equitable and ecologically sustainable”. The IUCN has over 1000 government and NGO members, as well as more than 11 000 volunteer scientists from about 160 countries, including Australia<sup>12</sup>.

More recently, the value that the international community places on environment and conservation has also been captured in the *Convention on Biological Diversity* 1992 (CBD). The CBD is an international treaty and the paramount legal instrument governing the conservation of biodiversity. Every nation in the world, with the exception of the United States of America, has ratified the CBD<sup>13</sup>.

Two of the indicators of the value that the Australian community attributes to the environment and conservation are (1) the fact that the Australian government is a signatory to the CBD<sup>14</sup>, and (2) the extent of regulation that the Commonwealth and State parliaments have and continue to enact to implement the CBD and promote and improve biodiversity outcomes<sup>15</sup>.

---

<sup>12</sup> Information from the ICUN

<sup>13</sup> Convention website <http://www.cbd.int/countries/>

<sup>14</sup> Australia ratified the CBD on 18 June 1993

<sup>15</sup> Commonwealth Department of Environment

## Strengthening communities

As part their commitment to the international principles of environment protection and conservation governments in Australia and globally recognise the need for their communities to understand and be aware of environmental issues and practice sustainability. Supporting community capacity building to practice environment protection and sustainability through dedicated program funding is one way governments respond to this.

Consistent with community capacity building, the overall findings of the NSW Commission of Audit supported a move away from larger government and excessive spending towards smaller government that uses public funds to harness effective partnerships between government and other sectors and encourages local participation and ownership of issues and solutions<sup>16</sup>.

Funding community capacity building has a range of benefits. It should help government to:

- Build the strength of the community and voluntary sector.
- Leverage the lower cost structures and access to a voluntary workforce that community focussed NGOs have.
- Harness the close relationships that community focussed NGOs often have with local and regional communities, marginalised communities and special interest groups.
- Access the specialist local knowledge or expertise that communities and their representative NGOs often have.
- Enlist NGOs to bring people together in constructive relationships to work directly with communities to achieve shared goals.

Program design should be clear about the extent to which activities (outputs) are achieving these specific benefits.

However, NSW Government funding is not the sole source of assistance that communities and their representative NGOs can draw upon to build their knowledge and capacity to practice sustainability and environment protection. Other sources include:

- Commonwealth Government Grants.
- Corporate sponsorship.
- Individual donations.
- Membership fees.
- Use of volunteers.

Therefore any program design should include a robust assessment of the comparative sources of funding and support that can be deployed to strengthen communities for the purpose of determining whether a NSW Government response is necessary and the most effective and efficient.

---

<sup>16</sup> The Commission released its Final Report on Government Expenditure in April 2012 and the NSW Government has publicly endorsed its recommendations

The objective of the Program in relation to strengthening communities is very broad and gives no signal about the specific benefits that funding community capacity building is seeking to achieve. For example, it does not indicate whether Program funding is intended to directly and/or indirectly build capacity of individuals within communities and/or the capacity of representative community organisations.

The objective also does not provide any limitations or conditions on the use of government funding to achieve benefits. For example, it does not provide any signal that Program funding should be used as seed funding or in matched partnership with other funding sources or to fill gaps created by an absence of other funding sources. This ambiguity of this objective enables business plans to:

- Be unclear about the specific achievable outcome benefits of choosing particular activities to fund, such as tangible behaviour change arising from capability building;
- Fail to include robust up front assessments of alternative funding sources for activities being selected; and
- Fail to include an assessment of the rate of return for funding when considering the achievable benefits and alternative ways for them to be achieved.

### **Market interventions**

Usually government programs are funded for one or more of the following reasons:

- To achieve a public good. Governments can support a public good by (a) funding services that the market would not normally fund (b) subsidising market based activities to enable an increase in the scope, scale or accelerated delivery of services and/or (c) subsidising services to retain affordability for consumers.
- To address market failure. Governments can seek to address market failure by (a) providing services itself (b) subsidising market based services to ensure a particular standard or quality and/or (c) responding with the same actions as it would to support a public good. Barriers to market entry are generally associated with market failure.

The nature of these possible responses by government indicates that there is a range of inter-relationships between supporting public good and addressing market failure. Sometimes in choosing one option government is also pursuing another.

However, not all market failure can be addressed by government regulation or spending. Some failures can more effectively be addressed by changes in business culture and operating practice in response to commercial need.

When choosing an intervention government should be clear about whether an activity is to provide a public good and/or address a market failure. Doing so will help to clarify the achievable benefits of the intervention at the outset, and shape the measurement and risk management of the intervention. It will also avoid situations where government chooses interventions that it cannot deliver better than business or the market itself.

The objective of the Program in relation to removing market barriers is very broad and gives no signal about whether the intention is to address market failure associated with barriers to activities that should occur in the market, or barriers arising from existing activities in the market. These are different kinds of market failures. For example a barrier preventing an activity from occurring could be procurement policy which excludes consideration of innovative sustainable housing products. However a barrier arising from existing activities in the market could be the use of monopoly power by a vertically integrated building product manufacturer and distributor to exclude certain competitive products from the supply chain.

Market failures can have a real impact on economic growth, and to determine the value of government intervention to improve growth it is important that programs are clear about the kinds of barriers they are intended to and can realistically address. The ambiguity of this objective of the Program enables business plans to be:

- Be unclear about the specific benefits of choosing particular activities to fund, such as the economic impact of addressing a particular market barrier;
- Fail to consider up front whether an identified barrier can be solved in an alternative way; and
- Fail to include an assessment of the rate of return for funding when considering the achievable benefits and alternative ways for them to be achieved.

#### **Recommendation 1: Program appropriateness**

The two objectives of the Program, removing market barriers and strengthening communities to care for their environments, should be reviewed with a view to addressing their ambiguity and giving program managers clearer guidance about the kinds of activities they should pursue; benefits they should be seeking to measure and achieve; and the appropriate balance between activities that are proven so less risky and those that are innovative and more risky.

#### **4.1.2 Comparative assessment of program activities**

The evaluation has reviewed the activities of the Queensland and Victorian governments to assess whether the Program is pursuing proven outputs and associated benefits, or new innovative activities with less well established benefits.

The evaluation has also compared the *communities caring for their environment sub-program* against other existing similar programs funded by the Trust.

##### **Queensland**

Environment grants are administered by the Department of Environment and Heritage Protection (DEHP) as part of a normal budget allocation process. Revenue to fund grants includes a range of regulatory fees associated with contaminated land searches; development applications and sand dredging royalties; permits

for the keeping of wildlife and licensing of the recreational and commercial harvesting of wildlife, and also includes fines and forfeitures. These fees are generally levied on business and members of the community and remitted to Government's Consolidated Fund.

Grants are allocated via a contestable process under the following programs<sup>17</sup>:

- Litter and illegal dumping community and industry partnership. This assists community and industry to reduce the incidence, scale, impact and cost of littering and illegal dumping through community education and behavioural change. The program has a total of about \$0.3 million to allocate each year and individual grants are up to \$50,000.
- Queensland Indigenous land and sea grant program. Grants of up to \$0.1 million are available to Indigenous communities each year to achieve long-term visions to enhance communities and conserve and protect natural and cultural resources.
- Everyone's environment grants program. Grants of up to \$0.1 million are available to organisations each year to undertake projects in Conservation, Urban Wild Spaces, Heritage, and Research. Groups eligible to apply for funding include community and school based groups, Landcare and conservation organisations, heritage owners and caretakers and research institutions<sup>18</sup>.
- Coastal Hazard Adaptation Strategy. In association with the Local Government Association Queensland, the program provides \$12 million over three years to assist coastal local governments map coastal hazards from climatic events and change or rises in sea level and develop management strategies.<sup>19</sup>

The *everyone's environment grants program* has a similar focus to the Program's objective of strengthening communities to care for their environments, which is primarily supported by the *communities caring for their environment sub-program*.

## **Victoria**

Grants for environmental and sustainability outcomes are managed under different programs by the Victorian Department of Environment, Land, Water and Planning (DELWP) and Sustainability Victoria (SV) which is a statutory authority reporting to DELWP.

---

<sup>17</sup> <https://www.ehp.qld.gov.au/funding/index.html>

<sup>18</sup> <http://www.qld.gov.au/environment/pollution/funding/everyones/>

<sup>19</sup> <https://www.qld.gov.au/environment/climate/adaptation-program/>

The DELWP administers the following grant programs:

- Coastcare Community Grants. Total grant funding of \$0.15 million is available each year. Grants of up to \$7500 are available for Coastcare groups to undertake projects that help protect and enhance the coastal and near-shore marine environment<sup>20</sup>.
- Landcare Grants. Funding is provided for Landcare groups to protect their local environments<sup>21</sup>.
- Wildlife Rehabilitation Grants. Funding supports volunteer wildlife rehabilitators and to increase the standards of wildlife care. Some funding goes to wildlife institutions to help maintain or upgrade their facilities, provide education programs or research and respond to emergency incidents<sup>22</sup>.
- Climate Change Grants (for Local Government). Total funding of \$1.15 million is available. Grants of \$20,000 to \$80,000 each are provided to assist local governments to deal with the most vulnerable local sectors in adapting to climate change, reducing greenhouse gas emissions and making innovative decisions on how to increase resilience of services and assets<sup>23</sup>.
- Threatened Species Protection Initiative. A total of \$5.2 million over three programs is intended to support immediate action on threatened species and habitat protection.
- Community Volunteer Action Grants. A total of \$2.0 million is used to fund small scale, local threatened species projects that build community connections to the local environment. Program recognises the value of grassroots community action in making change happen quickly.
- Critical Action and Strategic Partnerships Grants. A total of \$3.0 million is available to environmental agencies and organisations who are experts in threatened species management, to undertake work that reduces threats and secures important sites for threatened species<sup>24</sup>.

---

<sup>20</sup> <http://www.delwp.vic.gov.au/parks-forests-and-crown-land/coasts,-bays-and-marine-areas/coastcare-victoria-community-grants-program>

<sup>21</sup> <http://www.landcarevic.net.au/vri/vri-start-up-grants-now-available>

<sup>22</sup> <http://www.delwp.vic.gov.au/environment-and-wildlife/wildlife/wildlife-rehabilitation/wildlife-rehabilitator-grants>

<sup>23</sup> <http://www.delwp.vic.gov.au/environment-and-wildlife/climate-change/victorian-climate-change-grants>

<sup>24</sup> <http://delwp.vic.gov.au/environment-and-wildlife/conserving-threatened-species-and-communities/threatened-species-protection-initiative>

- Crowdfunding. Grants of up to \$25,000 are offered to match funds raised from successful crowdfunding campaigns to fund additional action for threatened species<sup>25</sup>.
- Sustainable Business Capacity Program (SCCP) 2014-2018. This is a grant program administered by Local Government Victoria (LGV) which sits within DELWP. LGV works co-operatively with Victoria's local councils to improve business and governance practices that maximise community value and accountability<sup>26</sup>. The SBCP provides opportunities for local government to collaborate on procurement projects focussed on an environmentally sustainable outcomes. The program provides funding to groups of councils of up to \$75,000 to develop a collaborative business case or feasibility study to provide innovative solutions to sustainability issues in their area. Grants are intended to give councils the opportunity to collectively increase procurement of shared service delivery, invest in more socially, economically and environmentally sustainable technologies, reduce waste and support innovation in recycling<sup>27</sup>. Prior to the SBCP, the Local Government Reform Strategy provided grants to councils to collaborate on improving operational sustainability.

A number of these programs have a similar focus to the Program's objectives of strengthening communities to care for their environments and addressing market issues which are supported by the *communities caring for their environment, and local green economies (sustainable choice) sub-programs*.

From July 2015 DELWP also began administering the Sustainability Fund (SF) which is a perpetual fund that receives part of the money collected from Victorian landfill levies. The purpose of the SF is to foster:

- Environmentally sustainable uses of resources and best practices in waste management; and/or
- Community action or innovation to reduce greenhouse gas emissions or adaptation or adjustment to climate change.

The SF was formerly administered by Sustainability Victoria which aims to help households, businesses and the broader community adopt more short and long term sustainable practices.

The funds under the SF are currently allocated to support the Victorian Government's priorities within the areas of waste, resource recovery and climate change<sup>28</sup>. The current primary funding priorities are initiatives that:

- Support Victorians to reduce waste and dispose less waste to landfill;

---

<sup>25</sup> <http://delwp.vic.gov.au/environment-and-wildlife/conserving-threatened-species-and-communities/threatened-species-protection-initiative>

<sup>26</sup> <http://www.delwp.vic.gov.au/local-government/about-local-government-victoria>

<sup>27</sup> <http://www.dtpli.vic.gov.au/local-government/strengthening-councils/building-council-capacity#SBCP>

<sup>28</sup> <http://delwp.vic.gov.au/environment-and-wildlife/sustainability-fund>

- Support innovators in the waste management and recycling industry and local government who are willing to invest early in better technologies, facilities and services; and/or
- Remove logistical and systemic obstacles to recovering commercial value from otherwise abandoned material.

A secondary funding priority is for initiatives that can assist all sectors of the community improve the environment, respond to climate change, use resources efficiently and support sustainability<sup>29</sup>.

These primary and secondary priorities are funded via two streams – (1) a grants scheme available to a variety of recipients including community groups, local government, non-government organisations and business; and (2) funding for strategic initiatives which align with the purpose and priorities of the fund, allocated by the Premier and Minister<sup>30</sup>.

In 2014/15 the grants scheme supported similar activities to those undertaken via the Program. These included the<sup>31</sup>:

- Communities for Nature Grants Program;
- Smarter Resources Smarter Business Program: Building Business Capability Grants; and
- Smarter Resources Smarter Business Program: Energy Efficiency.

The *communities for nature grants program* for example, provides \$20M over 4 years (2011-14) to support projects undertaken by local community groups and organisations including schools. Funding is available for 1 to 4 years depending on the project. Supported projects include those aimed at biodiversity and habitat protection, revegetation, cleaning up waterways, and control of pests and weeds.

In its purpose it is similar to the Program objective of strengthening communities to care for their environments which is supported by the *communities caring for their environment sub-program*.

### **Comparative NSW Environmental Trust programs**

The Trust funds a range of other programs that have similar purposes to the *communities caring for their environment sub-program*, particularly in relation to capacity building, education and behaviour change. Some of the main programs that have this purpose are included in the table below.

---

<sup>29</sup> [http://delwp.vic.gov.au/\\_\\_data/assets/pdf\\_file/0009/305955/Sustainability-Fund-Priority-Statement-2012.pdf](http://delwp.vic.gov.au/__data/assets/pdf_file/0009/305955/Sustainability-Fund-Priority-Statement-2012.pdf)

<sup>30</sup> [http://delwp.vic.gov.au/\\_\\_data/assets/pdf\\_file/0010/305956/Sustainability-Fund-Priority-Statement-Guidelines-2012.pdf](http://delwp.vic.gov.au/__data/assets/pdf_file/0010/305956/Sustainability-Fund-Priority-Statement-Guidelines-2012.pdf)

<sup>31</sup> Sustainability Victoria 2015, Annual Report 2014/15

**Table 3: Other community based programs funded by the Trust<sup>32</sup>**

Program	Funding in 2016/17	Purpose
<b>Environmental Restoration and Rehabilitation</b>	<p>A total of \$4 million including:</p> <ul style="list-style-type: none"> <li>▪ \$2 million for projects by community organisations</li> <li>▪ \$2 million for projects by government entities.</li> </ul> <p>Grants of between \$5,000 and \$100,000 are awarded.</p>	<ul style="list-style-type: none"> <li>▪ Facilitate projects run by community organisations and government entities working to prevent or reduce environmental degradation of any kind.</li> <li>▪ Improve the capacity of communities and organisations to protect, restore and enhance the environment.</li> </ul>
<b>Eco Schools</b>	<p>Grants of \$3500 each are available for up to 80 schools.</p> <p>Up to 25 of these grants will be available for projects working primarily with students with special needs.</p>	<ul style="list-style-type: none"> <li>▪ Enable schools to promote more efficient resource use and improve the quality of the local environment.</li> <li>▪ Promote the development of knowledge, values and behaviour in students that supports environmental sustainability.</li> <li>▪ Assist teachers to access targeted professional learning, and to assist with integrating environmental management into curriculum delivery.</li> <li>▪ Encourage schools and the community to explore opportunities for working together for sustainability outcomes.</li> </ul>
<b>Education</b>	<p>A total of:</p> <ul style="list-style-type: none"> <li>▪ \$0.5 million to the community program and</li> <li>▪ \$0.5 million to the state and local government program.</li> </ul> <p>Grants of between \$5000 and \$100,000 are awarded.</p>	<ul style="list-style-type: none"> <li>▪ Facilitate changes in behaviour of individuals and groups which affect specific environmental problems.</li> <li>▪ Develop and promote education projects that improve the environment.</li> </ul>
<b>Protecting Our Places</b>	<p>The future program is currently under evaluation.</p>	<ul style="list-style-type: none"> <li>▪ Facilitate changes in behaviour of individuals and groups which affect specific environmental problems.</li> <li>▪ Develop and promote education projects that improve the environment.</li> </ul>

---

<sup>32</sup> Environmental Trust

**Table 4: Comparison of the Program and approaches in Queensland and Victoria and other programs funded by the Trust**

Program (sub-programs)	Comparative programs in QLD and VIC and funded by the Trust
<b>Sustainability Advantage (Business)</b> <ul style="list-style-type: none"> <li>▪ Supports business innovation by building awareness, skills, implementation and recognition of achievement.</li> </ul>	Victorian Sustainability Fund support for: <ul style="list-style-type: none"> <li>▪ Smarter Resources Smarter Business Program: Building Business Capability Grants.</li> <li>▪ Smarter Resources Smarter Business Program: Energy Efficiency.</li> </ul>
<b>Sustainable Government (Behaviour)</b> <ul style="list-style-type: none"> <li>▪ Knowledge sharing about sustainability to improve government resource efficiency.</li> </ul>	<ul style="list-style-type: none"> <li>▪ No clear comparison.</li> </ul>
<b>Collaborative Sustainable Housing Initiative</b> <ul style="list-style-type: none"> <li>▪ Seeks to address consumer information asymmetry to increase consumer demand for sustainable housing.</li> </ul>	<ul style="list-style-type: none"> <li>▪ No clear comparison.</li> </ul>
<b>Local Green Economies</b> Three initiatives: <ul style="list-style-type: none"> <li>▪ Sustainable Choice – facilitates local government awareness of sustainable suppliers to aid procurement of sustainable products.</li> <li>▪ Smarter Choice – education of staff in hardware stores about sustainability to enable them to advise consumers.</li> <li>▪ Social Enterprises for Sustainability – support for local enterprises by providing access to capacity building, networking opportunities and awareness raising.</li> </ul>	Victorian Government's: <ul style="list-style-type: none"> <li>▪ Sustainable Business Capacity Program which seeks to build local government capacity to pursue sustainable solutions and procurement.</li> </ul>
<b>Communities Caring for their own Environment</b> Three initiatives: <ul style="list-style-type: none"> <li>▪ Our Place – supports participation, learning and networking to facilitate local responses to environmental care.</li> <li>▪ Youth Environmental Engagement – targets youth to facilitate an early awareness about sustainable behaviour.</li> <li>▪ Sustainable Schools – customised web resources for schools and teachers in NSW to support environmental student learning and action.</li> </ul>	Queensland Government's: <ul style="list-style-type: none"> <li>▪ Everyone's Environment Grants Program which seeks to support local responses to environmental care by communities and schools.</li> </ul> Victorian Government's: <ul style="list-style-type: none"> <li>▪ Community Volunteer Action Grants, Landcare Grants, and Coastcare Community Grants which all seek to enable local responses to environmental issues.</li> <li>▪ Crowdfunding which provides matched funding for local community initiated projects.</li> </ul> Other Environmental Trust programs with a community focus.

#### 4.1.3 Management

##### Best practice

Any program involving grant administration should seek to apply a best practice approach to managing and measuring the allocation and performance of funds to achieve clear benefits. This best practice approach is framed by seven key principles that should govern grant administration. These principles are described in the table below.

**Table 5: Seven principles of grant administration<sup>33</sup>**

Principle
1 <b>Robust planning and design</b> which underpins efficient, effective and ethical grants administration, including through the establishment of effective risk management processes.
2 <b>An outcomes orientation</b> in which grants administration focuses on maximising the achievement of intended government outcomes from the available funding.
3 <b>Proportionality</b> in which key program design features and related administrative processes are commensurate with the scale, nature, complexity and risks involved in the granting activity.
4 <b>Collaboration and partnership</b> in which effective consultation and a constructive and cooperative relationship between the administering agency, grant recipients and other relevant stakeholders contribute to achieving more efficient, effective and equitable grants administration.
5 <b>Governance and accountability</b> in which a robust governance framework is established that clearly defines the roles and responsibilities of all relevant parties; establishes the policies, procedures and guidelines necessary for defensible funding recipient selection and administration processes that comply with all relevant legal and policy requirements; and supports public accountability for decision-making, grant administration and performance monitoring.
6 <b>Probity and transparency</b> in which program administration reflects ethical behaviour, in line with public sector values and duties; incorporates appropriate internal and fraud control measures; ensures that decisions relating to granting activity are impartial, appropriately documented and publicly defensible; and complies with public reporting requirements.
7 <b>Achieving value with public money</b> which should be a prime consideration in all aspects of grant administration and involves the careful consideration of costs, benefits, options and risks.

<sup>33</sup> Commonwealth Grant Guidelines—Policies and Principles for Grants Administration, Financial Management Guidance No. 23, July 2009 and NSW Department of Premier and Cabinet, Good Practice Guide to Grants Administration

## Compliance with best practice

### *Robust planning and design*

The allocation of funding under the Program is guided by approved business plans which provide information about the need for activities; the targeted outputs to address those needs; the implementation of actions to achieve those outputs and the ways in which outputs will be measured. This is provided consistently with a program logic used by ROG State-wide Programs, and a standard OEH pre-approved objectives and outcomes hierarchy, evaluation framework and project plan.

The ways in which the need for selected activities have been identified vary between and within sub-programs. For example:

- Some sub-programs and activities have been in existence in response to government policy commitments since well before the Program was created and have subsequently been placed in the Program. Other activities appear to be chosen as a result of consultation with stakeholders and/or literature research to refine a pre-identified objective. Others appear to rely on stakeholder and community consultation to identify selected activities to pursue.
- Not all selected activities involve a clear standardised comparative assessment of existing OEH and NSW government programs to ensure against duplication and focus Program funds on addressing identified gaps.
- Not all selected activities include an assessment of the results and lessons of comparable programs in other jurisdictions. For example this evaluation has identified some comparable programs in Victoria and Queensland and similar other Environmental Trust programs. However business plans underpinning the Program do not discuss these comparable approaches and outputs do not seem to be consider any relevant learnings.
- Only some activities include a clear focus on the environmental problem being solved by Program funding and alternative solutions.

A consistent methodology across all sub-programs should be used to assess needs that Program funds are used to pursue.

The business plans include risk management plans, which list risks to the delivery of activities and mitigation strategies to the extent that they have been identified at the time the business cases are prepared. When taking into account the fact that many of the activities are innovative and unproven with unclear and potentially unmeasurable long term benefits leading from immediate outputs, it is important that future business plans and progress reports provide enhanced risk management plans. Useful enhancements include:

- Identification and planning for circumstances where activities need variation and the consequences of this for funding allocation and program design and implementation.
- Planned and regular reviews of performance measures to ensure they remain appropriate for the activities being funded.
- Risk management plans should also be integrated with clear timeframes for activity implementation and an exit strategy when benefits are achieved.

### *An outcomes orientation*

As discussed in section 4.1.1, the two key Program objectives are broad and do not provide clear guidance for program managers to enable them to make well planned choices between proven and innovative activities; activities that require or do not need government intervention; activities with clear and less clear benefits; activities able to deliver outcomes in the short or long term; and activities that require ongoing or limited government support.

As a result there is a misalignment between the Program's two objectives; the nature of the activities that OEH undertakes to pursue these objectives; and the capacity of the activities to be measured in ways that clearly demonstrate they are achieving the objectives. In essence activities that pursue network facilitation, collaboration, collective action, raising consumer awareness, information dissemination, and experimental projects are concerned with behaviour change by business, consumers and government. The generally incremental and long term nature of behaviour change makes it difficult to measure with certainty and clearly identify that it has resulted in removal of market barriers or stronger communities. Thus direct and indirect outcome related benefits may be unclear.

The business plans for activities create expectations of outcomes that may be undeliverable given this misalignment. This is evident from the annual progress reports that OEH makes to the Trust which tend to report outputs (what is being done), rather than outcomes (what has the result been). This is a natural consequence of the activities themselves. For example the bulk of benefits being delivered by the Program are currently annually reported as the volume of stakeholders engaged; number of collaborative or information forums held; and type and number of small projects undertaken. This is consistent with a program that is focussed on raising awareness, spreading ideas and supporting place based initiatives. But annual reports do not discuss how stakeholders changed their behaviour as a result of the engagement in ways that achieved the Program objectives (outcome) and/or the likelihood of this behaviour change being embedded over the long term. This is difficult to assess without clear and robust standard methodologies to shape expectations about and measure behaviour change, such as longitudinal surveys, which Program funding does not currently support.

### *Proportionality*

The Program under the three year funding agreement represents about 4.6 per cent of the Trust's total planned expenditure for this period. This, when combined with the fact that the Program in its current form encourages innovative unproven activities, suggests that the normal rigorous grant administration process applied by the Trust may not be an entirely suitable fit for the Program.

The Trust usually determines the allocation of its funding via a contestable process. In the case of the Program, the business planning process is intended to be a substitute for the rigour inherent to a contestable process. However this process may not be proportional to the kinds of activities that the Program funding supports because while the Trust is seeking tangible evidence of the benefits of its funding, the results of the activities pursued under the Program are difficult to measure.

Any misalignment between the evidentiary reporting required by the Trust and the reality of the Program is likely to be addressed by the transfer of the administration of the Program to OEH.

One issue for the consideration of proportionality is that while the grantee is receiving funding from the Trust without a contestable process, the grantee uses some of the Program funding to provide grants to external organisations, particularly community NGOs, via a contestable process. While the award of grants by the grantee appears consistent with the procurement practices of OEH, the Trust has specific legislative objectives governing its grant awards and does not appear to participate in the evaluation of competing bids received by the grantee. This may create the potential for circumstances where the Trust funding is not being used entirely for the legislative purposes of the Trust.

The current process may suggest, that as a matter of principle, future Program funding should be governed in the first instance by a contestable process open to various parts of OEH. It would then be incumbent on these parts of OEH to demonstrate that their bids for funding included any financial support they wish to provide to external parties, such as NGOs.

#### *Collaboration and partnership*

To ensure that Program funding is being optimised across NSW the activities that the grantee selects to fund should be informed by the regional branches of OEH and other government, business, environment and community stakeholders. There is evidence that most of the activities under the Program are selected and/or refined on the basis of systematic consultation with external stakeholders, particularly those activities that are seeking to build the capacity of local government, business, environmental NGOs and communities to take action to improve their practice of sustainability.

However there are also examples where the regional branches of OEH do not appear to have been consulted effectively during the design of activities and needs assessment. This exposes the business planning process to the risk that selected activities may be duplicating existing efforts and/or not be deliverable at a local level. In various situations, the grantee has tended to consult with regional branches when there are surplus Program funds to spend towards the end of a financial year. This consultation has included contractual negotiations of up to three months which reduces the time for regions to plan and execute activities that can properly be assessed against the Program objectives. To be consistent with a state-wide approach to delivering the Program objectives, regions should be consulted as part of the design and business planning process. This will assist to ensure delivery of benefits across NSW.

The business plans do not include an obligation and systematic method for lessons arising from activities to be shared within OEH and more broadly in the NSW Government. This is particularly important as many of the activities are innovative and therefore valuable lessons about success and failure may be able to be drawn. For example, some of the activities include the pursuit of collective impact, a way for government to procure and stimulate market responses. While the business plans suggest that the grantee's pursuit of this is relatively new, in reality collaborative approaches to bring together stakeholders to develop

ideas, solutions and government approaches to procurement have been used for some time by the Australian, NSW and other domestic and international governments in both economic and social policy portfolios, including for example defence and family and community services. Thus there would be value for government as a whole from knowledge sharing. This, combined with a more standard way of identifying comparative activities, should enable OEH to leverage existing practice to maximise benefits.

#### *Governance and accountability*

The Program is appropriately governed by the Trust consistent with the requirements of its legislation. The Technical Committee process supported with the advice provided by OEH have delivered an auditable, documented decision making process. Business plans and annual progress reports inform the decision making of the Technical Committee.

In 2014/15 most of the sub-programs experienced variations in some of the activities originally included in the business plans. These variations led to about \$0.477 million in allocated funds being returned to the Trust. The returned funds represented about 12 per cent of allocated funds in that year. These variations occurred for different reasons including, inability to meet overly ambitious outputs and milestones; redundancy of originally planned outputs following more detailed research; risks to planned delivery measures; and failures to recruit required personnel.

One concern about these variations is that they were undertaken by the grantee before approval was sought and gained by the Trust. This is not consistent with the terms of the funding agreement between the Trust and grantee. The prevalence of variations is partly a result of the fact that the grantee is able to experiment with innovative approaches to deliver the Program objectives. Improved risk management would reduce variations and ensure a stricter discipline in seeking approval for them. As part of risk management and to incentivise the more consistent use of approval processes, the performance assessment of program managers should include consideration of the success or failure of activities selected under the Program. This would be more consistent with performance assessments of entrepreneurial activities in the private sector.

Another concern is that business plans do not include an end point or exit strategy for government funding. Any program should strive to be a means to an end, not an end in itself, as this provides a discipline to ensure government expenditure is being used for optimal return. Activities which are designed to encourage behaviour change are particularly vulnerable to expectations of ongoing funding as results are often perceived to occur over the long term. To prevent this business plans should include clear and realistic timeframes for results and milestones for achieving those results. Expected timeframes for achieving results should be one consideration in the up-front assessment of activity selection. This will help to frame the delivery of benefits.

A further problem is that annual progress reports do not compare delivery of outputs and outcomes across the three years of funding. This means it is difficult to assess progress across a timeframe for each activity within a business plan and also difficult to compare the relative performance of business plans.

Comparative annual performance is one way to judge how and to what extent a Program is delivering against its objectives, and is useful tool to review and revise priorities. Progress reports should include annual comparative performance assessments.

*Probity and transparency*

Based on the relevant documentation the Program is managed consistently with the Trust's legislative obligations. All of the Trust's decisions about the Program are well documented and transparent.

The accounting of spending on activities under the Program is acquitted in keeping with OEH requirements. However the process of variations in business plans and funded activities is less transparent than is required under the terms of the funding agreement between the Trust and grantee. This arises primarily because decisions are made by the grantee about variations before approval is gained from the Trust. One way to manage this more effectively is to improve the anticipation of potential variations in risk management plans.

The use of Program funding by the grantee to award grants to external parties, such as community NGOs seems consistent with NSW Government procurement processes. A mix of expression of interest and contestable processes appear to be used to seek and co-design ideas and award funding to community NGOs. However more clarity should be provided around the methodology used to identify and select the organisations with whom the grantee is partnering.

The grantee makes significant use of consultants to help frame activities and undertake consultation and communication about activities, including the preparation of presentations within government about the activities. The engagement of consultants appears to be undertaken via NSW Government procurement processes including the use of pre-qualification panels and tenders to select them.

*Achieving value with public money*

There is potentially an opportunity to ensure value for money for the Program by rationalising or reimagining some of the sub-programs and activities. More specific options are discussed elsewhere in this report but in general terms the need for some rethinking arises because there are opportunities to clarify the purpose of activities and their delivery of benefits against key Program objectives, and organise activities in more logical groupings that maximise the cross-fertilisation of ideas and efficiency of effort. For example, some *sub-programs* include activities that are aimed at achieving both of the objectives of the Program. This can reduce synergies with other sub-programs which are focussed on one objective or the other. Consideration should be given to matching sub-programs and activities within them to distinct program objectives to harmonise program management and maximise common learnings.

## **Recommendation 2: Program management**

- (a) A consistent methodology should be applied to the needs assessment and activity (output) selection process for each sub-program and should include as a minimum:
  - A clear analysis of the environmental problem being solved by the intervention of the Program.
  - An analysis of why alternative approaches to solving the problem are not suitable, including why other existing OEH and NSW government programs cannot solve the problem.
  - Learnings from comparable programs in other Australian jurisdictions.
- (b) Business plans supporting funding applications should continue to be consistent with OEH program logics and other requirements but in addition include:
  - A risk management plan that guides variations to funded activities in response to learnings about risks to benefits and program management.
  - A clear timeframe for the intervention including an exit strategy and milestones for decisions about revising, extending or ending it.
- (c) Collaboration and partnership should be improved by:
  - Ensuring that OEH regions are consulted as part of the design and business planning process.
  - Business plans including an obligation and systematic method for lessons arising from activities to be shared within OEH and more broadly in the NSW Government.
- (d) Governance and accountability of the Program should be improved by:
  - Including considerations about the success or failure of Program activities in the performance assessments of program managers.
  - Including in annual progress reports a comparative assessment of the performance of funded activities across the years of funding.
- (e) As part of the review of the objectives of the Program (see recommendation 1), consideration should be given to improving synergies by:
  - Separating sub-programs and related activities into distinct categories each supporting a specific objective.
  - Rationalising existing activities which currently sit in different sub-programs but seek to achieve similar outcomes.

## 4.2 Program Effectiveness

The effectiveness of the Program depends on whether funding is delivering the objectives and related benefits. The discussion of effectiveness is based on the most recent and available annual progress reports submitted by the grantee to the Trust (30 June 2015), and responses provided by the grantee to questions asked during this evaluation. Annual progress reports for the 2015/16 period are being prepared and therefore have not been reviewed in this evaluation.

### 4.2.1 Sustainability advantage (business)

**Funding provided (2014/15): \$1.556 million**

#### Purpose and need

The *sustainability advantage (SA) sub-program* was first introduced in 2006 by the NSW Government and subsequently placed within the Program. It was originally designed to provide one-on-one support to medium to large organisations to assist them with their sustainability activities. Program documentation suggests that this was in response to a demand by businesses to enable them to act more sustainably and equip them to respond to market demand for sustainable practices, solutions and products.

As SA was developed in response to business demand, it is possible that government's response was partly in response to a market failure in the form of a lack of easily accessible holistic information about sustainability that business could rely on to assist the operations and competitive advantages. However this is not clear. Since that time a reasonably large professional advisory and consulting industry has developed around the issues of sustainability and which is available to business. However advisory fees may remain a barrier to accessing information for businesses.

#### Services

The SA provides business with access to a panel of accredited experts and advisors on sustainability issues, up to date information about sustainability trends and developments, member networking opportunities to exchange knowledge and experiences and an award process to showcase sustainability innovation.

Over 500 organisations over the last 10 years have accessed the services. Their views on opportunities to refine the service offering is obtained formally through regular surveys and also informally via OEH staff.

From 1 July 2015 SA transitioned to a fee for service model, more in keeping with the fact that the program was now competing with other private sector provision of information about sustainability. Organisations pay an annual membership of \$4,000 to receive services from SA. Over 110 organisations have become members of SA under this model and they range in size and industry. Nevertheless funding of about \$1.3 million each year is currently required from the Program.

### Benefits

The SA is aiming to support the delivery of the Program objective relating to removing market barriers to resource efficiency and clean energy for business. Some of the key benefits that the SA seems to be delivering to achieve this objective are as follows:

- An independent assessment in 2012 estimated the contribution of SA based on nine case studies, and interviews with 26 SA members. The evaluation estimated that these members had saved about \$23 million in the costs of industry ecology projects during their membership of the SA program, and that about 66 per cent of these savings could be attributed in full or part to the contribution of SA. It also estimated that these members invested about \$30 million in capital projects for industrial ecology and that SA facilitated about 44 per cent of this investment. It further estimated that these members reduced their energy use of over 1.8 million kWh and that SA encouraged 67 per cent of these savings<sup>34</sup>. The urban and regional spread of these benefits is unclear, but the grantee reports that around 50 per cent of SA members are located outside the Sydney metropolitan area.
- Members of SA were consulted on the options that the government should consider for a future SA model and this led to the co-design with members of the new fee for service model. This and the degree of businesses currently willing to pay the fee for membership demonstrate the intrinsic value the market places on the benefits delivered by SA.
- Under the new membership model, a tailored 12 month plan agreed between each member and SA frames the priorities for service the member wishes to receive. These priorities can vary between members and include reducing energy, water and waste use, increasing the use of renewable energy, developing a climate change adaptation plan and promoting their sustainability services or products. This kind of tailoring of benefits embeds the value that SA can have for members. In 2015 members of SA program won 9 category of awards at the NSW Premier's Green Globe Awards.
- In delivering member's tailored plans SA works in partnership with other NSW Government agencies with relevant responsibilities. This assists knowledge transfer within government and enables government to leverage lessons for public policy and program improvement. This is a key benefit for government administration.

---

<sup>34</sup> Data Build, Verification of outputs of Sustainability Advantage, May 2012

One consideration for the future effectiveness of SA is whether it should be extended to support small business. Small business is an important contributor to the economy. There are over 2 million small businesses in Australia and of these about 660,000 are located in NSW<sup>35</sup>. Of all small businesses about 24 per cent employ between 1 and 4 people, and about 11 per cent employ between 5 and 19 people<sup>36</sup>. Their contribution to employment is highest in agriculture (about 86 per cent of total employment) and construction and business services industries (about 50 per cent of total employment)<sup>37</sup>. The agriculture and construction industries can be high users of resources.

In 2010/11 small businesses contributed around 34 per cent of total Australian private sector industry value added<sup>38</sup>. In 2009/10, 42 per cent of small businesses were engaging in innovative activity, compared to 62 per cent for larger businesses<sup>39</sup>. However there is evidence that small businesses face a range of barriers to innovation, including access to funding. It is also clear that with the removal of barriers small businesses have the potential to innovate<sup>40</sup>.

These barriers impede the capacity of small business to improve their resource and energy efficiency and other environmental outcomes. For example in 2010/11 about 49 per cent of small businesses employing between 0 and 4 people, and 26 per cent of those employing between 5 and 19 people had no commitment to environmental performance such as recycling or adherence to environmental regulations. Only 7 per cent of those employing between 0 and 4 people, and 10 percent of those employing between 5 and 19 people had major commitments to environmental performance<sup>41</sup>.

These factors illustrate that there may be an opportunity for SA to improve the performance of small business in similar ways to its contribution to medium and large business. This is likely to have the particular support of government and other stakeholders in regional areas. More than one third of all NSW small businesses are based in regional NSW<sup>42</sup>. Regional stakeholders consulted during this evaluation consider that SA could deliver benefits to small business in regional areas, particularly because small business is critical to the economic and social vibrancy of regional communities. The integrated nature of regional activity would also assist OEH leverage one opportunity and success into another.

With SA now based on a fee paying model for medium and large businesses, there may be an opportunity to use this revenue and continued Program funding to subsidise free access to SA services for small business.

---

<sup>35</sup> The Australian Department of Industry, Innovation, Science, Research and Tertiary Education, Australian small business, December 2012

<sup>36</sup> Ibid

<sup>37</sup> Reserve Bank of Australia, Small business – an economic overview

<sup>38</sup> The Australian Department of Industry, Innovation, Science, Research and Tertiary Education, Australian small business, December 2012

<sup>39</sup> ABS Cat. No. 8166.0

<sup>40</sup> Reserve Bank of Australia, Small business – an economic overview

<sup>41</sup> The Australian Department of Industry, Innovation, Science, Research and Tertiary Education, Australian small business, December 2012

<sup>42</sup> NSW Small Business Commissioner 2016

#### 4.2.2 Sustainable government (behaviour)

**Funding provided (2014/15): \$164,000**

##### Purpose and need

The *sustainable government behaviour change program* (SG) is intended to support and encourage NSW government agencies to seek opportunities to depart from 'business as usual' in relation to resource use and undertake projects that demonstrate leadership in resource efficiency. The SG is responding to demand from NSW government agencies that has been identified through consultation with them. The services provided under SG have been co-designed with other government agencies.

##### Services

During 2014/15 SG has provided the following services:

- Facilitation of information and knowledge sharing about resource efficiency issues and solutions within government. This includes ideas, data, trends and benchmarking.
  - Development and launch of REAL (Resource Efficiency Action Lab) an on-line discussion tool for government agencies.
  - Facilitation of six forums with various government agencies about waste management.
  - Preparation of a video targeting sustainability managers and executives about best practice organisational sustainability.
  - Development and distribution via REAL and the OEH website of six case studies of collaborative change in government to improve resource efficiency.
  - Preparation of general information material for government agencies about resource efficiency improvement opportunities.
  - Presentations at the *Cross-Jurisdictional Energy Productivity Workshop*, where ideas about resource efficiency were shared between inter-governmental representatives.
  - Provision of information to the *NSW Inter-departmental Committee on Resource Efficiency*. The Committee includes senior executive representation from all ten government clusters, and the Minister for the Environment.
- Development of practical tools.
  - Design and launch of the solar assessment tool to assist agencies identify sites suitable for solar panels.

## Benefits

The SG sub-program is based on the notion that it is helping to deliver both objectives of the Program. These are removing market barriers to resource efficiency and clean energy for government, and strengthening communities, with communities in this case being considered to be government agencies. As a result, SG currently frames its actions and their benefits in the following ways.

- A market barrier to resource efficiency is the lack of information and tools available to managers in agencies responsible for making decisions to improve resource efficiency. The role of SG is to provide this information and facilitate knowledge sharing within government to enable managers to make the right decisions. Accordingly the benefits are considered to be the number and type of information dissemination measures developed and facilitated by SG. The services provided by SG indicate these assumed benefits.
- Another market barrier is that agencies do not have the appropriate information and tools to make procurement decisions that promote resource efficiency and suppliers of services and products that enable this efficiency do not understand the needs of government. The role of SG is to use its networks and information to encourage collaboration between government and suppliers. Accordingly the benefits are considered to be the facilitation of forums by SG where connections can be made and mutual understanding improved. It is reported by the grantee that energy service companies in particular are now better able to tailor their products to government needs.
- The community of government lacks information and tools to take action to improve resource efficiency. The role of SG is enable the community of government to take action. The grantee reports that in response to this need it has delivered the following benefits.
  - Prepared and made available to government agencies the consolidated NABERS rating (environmental performance measure) of government buildings with a view to enabling agencies to prioritise their resources efficiency responses.
  - Provided a data management tool to support resource efficiency priority setting by agencies. This is currently used by 56 managers in the public sector.
  - Developed a template to support resource efficiency response reporting by government agencies.
  - Developed an on-line centralised database of resource efficiency information, priorities and responses that agencies can utilise to manage and store site based localised data across their portfolios. This was co-designed with 15 other agencies. This includes relevant training manuals and other information to support the use of the on-line portal.
  - Co-designed with the EPA an air emissions checklist to support information collation from agency sub-contractors.
  - Prepared 52 reports tailored for different agencies to assist their reporting of resource efficiency actions.

One of the concerns with the current framing of SG is that there is overlap between the two market barriers it is seeking to address and the community enabling outcome it is pursuing. In essence all three targets are aiming for the same goal, which is to improve the access to and use of information by government

agencies to make decisions about resource efficiency. A fundamental question for OEH is whether this goal should be part of SG specifically, or is it inherent to the general activities of the department more broadly. For example, the Government Resource Efficiency Policy (GREP) plays the primary role in defining outcomes and responses in relation to sustainability. The GREP has significant funding attached to it and is focussed on enhancing government's energy efficiency through procurement and providing the platform for a whole of government approach to sustainability. It is not clear whether and to what extent the actions pursued by SG do or should form part of GREP.

In order to better clarify the benefits SG can deliver, it should define its activities with reference to the GREP going forward. Some issues to consider when doing this include the following.

- Government is a large employer.

In 2014/15 the NSW public sector employed almost 400,000 people or about 10.6 per cent of the working population in NSW<sup>43</sup>. Awareness of the practices and benefits of resource efficiency and sustainability amongst this cohort of the population can have a large impact on demand for and consumption of sustainable services and products and alter markets. However it is not clear that SG is focussed on educating all NSW public sector employees about shifting their consumption patterns towards sustainable products. This is not something that the GREP is involved in.

Most SG activity is centred on providing managers within other agencies with information about resource efficiency. This may enable those managers to shift their agency decisions towards a preference for procuring sustainable services and products. It may also inspire those managers to conduct awareness campaigns about the practices and benefits of sustainability for employees in their agencies. Surveys conducted by the grantee of the benefit of SG to public sector officials seem to affirm that it plays a useful role here. There is a high level of recognition of the role of OEH (supported by SG) in providing information that other agencies rely on to pursue their resource efficiency policies and programs.

But this is a policy role inherent to the output of OEH and there is no particular evidence that SG's support of this is leading to the removal or weakening of any market barriers per se within the intention of the Program. For example while the information provided within government via SG may be influencing behaviour, there is no clear evidence that any behaviour change has occurred as a result of the information or that any behaviour change has led to the removal of any specific market barriers. It is also not clear how the provision of information by SG to managers duplicates or complements the work undertaken within the auspices of GREP.

One clear opportunity for SG is devise strategies to utilise the scale and momentum that government can possess to promote a wide-spread shift in consumption behaviour amongst all public sector employees to achieve the Program objective regarding markets. The REAL platform may be an ideal tool

---

<sup>43</sup> NSW Public Sector Commission 2016

to achieve this large scale awareness penetration across the public sector, but at this stage about 70 people have subscribed and 400 have visited the site. The focus of REAL may need to be reconsidered to optimise its larger scale impact.

- Government has a significant economic footprint.

In 2013/14 the NSW public sector represented about 13.5 per cent of the NSW economy and its net worth in 2014/15 was about \$175 billion<sup>44</sup>. This footprint arises from the number of people government employs, the services government provides, the goods and services it procures to provide its services, and the assets it owns and operates. The role of SG in leveraging this footprint should be refined to increase its opportunities to achieve against the Program objective relating to market barriers. Given that the GREP is focussed on improving energy efficiency through procurement, SG may have an opportunity to focus on other issues.

#### **4.2.3 Collaborative sustainable housing initiative**

**Funding provided (2014/15): \$394,000**

##### **Purpose and need**

The primary outcome of the *collaborative sustainable housing initiative sub-program* (CSHI) is to enable consumers to be more aware of sustainable housing design, products and features and with this knowledge increase their demand for such housing.

Thus at its core CSHI is seeking to effect long term behaviour change in consumers of housing. This may include consumers purchasing housing, building new housing and/or renovating existing dwellings, as well as body corporates managing the maintenance of apartment buildings. The intended outcome is based on an assumption that consumers are not always aware of the benefits of sustainable housing. As a result, consumers have limited capacity to influence the market and create demand for sustainable housing. It is equally assumed that without consumer driven demand the housing industry will not be motivated to supply sustainable housing. The kinds of products and characteristics of sustainable housing which CSHI is seeking to make consumers more aware about include passive housing design, insulation, double glazing, solar energy, efficient appliances and sustainable materials.

The need for this kind of approach has been established through consultation with the housing industry, extensive NSW, national and international research of comparative and complementary programs and research of the behavioural economics.

---

<sup>44</sup> Ibid

## Services

To deliver the outcome the key service being delivered by CHSI is the facilitation of 'collective impact' by providing the mechanisms for housing industry organisations to collaborate to address the information asymmetry experienced by consumers. The action of encouraging collaboration between housing industry organisations was preferred over other options because it was considered that:

- Engaging key organisations would stimulate business to customer (B2C) dialogue as well as dialogue between peak organisations and their members and therefore secure impacts with scale and scope.
- Co-design of CHSI with organisations it is relying on to change behaviour is consistent with collective impact processes.
- Awareness and commitment by consumers to energy efficiency at the time of build or renovation has the greatest value to sustainability.

## Benefits

The CHSI is seeking to deliver against the Program objective of removing market barriers to resource efficiency and clean energy for households. In the case of the CHSI the identified barrier is the information asymmetry experienced by consumers in relation to sustainable housing design, products and features. This information asymmetry is a market failure arising from the existing activities in the market.

The overall reported benefits are as follows.

- *Extent of engagement with potential collaborating housing industry organisations.* About 149 organisations are engaged within a network of collaboration. These include housing industry associations, government and private research institutions and universities, housing developers, financial institutions, government agencies, and building product manufacturer. A total of about 294 people from these organisations are involved in the network.
- *Extent of collaboration.* The collaborating organisations have been involved in co-designing projects and have invested funding and in-kind support in eight projects worth about \$724,000. This investment was leveraged from about \$403,000 in Trust funding (2014/15 funding and some 2015/16 funding).
- *Behavioural change.* About 15 per cent of the participants in the collaborative network responded to a perception audit of the CHSI. Key findings of that were that the housing industry does not have a good track record of collaborating to find solutions; around 56 per cent of respondents considered CHSI had some early to good progress on collaboration; about 50 per cent of respondents believed that CHSI stimulated industry based projects to progress sustainable housing; and 31-36 per cent of respondents expected that CHSI would increase consumer awareness and demand for sustainable housing.

- *Lessons learned.* Collaboration to achieve outcomes intended to change behaviour is a slow and iterative process. A commitment to a process of change needs to include flexibility of approach and funding. The shift in levels of collaboration within the housing industry participants throughout the process towards solutions has been positive and demonstrates a model for OEH to address other complex environmental problems such as native vegetation, biodiversity and community engagement in the environment.

The CHSI includes four key activities intended to support its intention. Their immediate and longer term benefits are as follows.

Specific CHSI Activities	Immediate Benefit	Longer Term Benefit
<i>National conversation</i>	An industry led project to develop a source of information about sustainable design, products and features for households building and renovating their properties.	Provides a visible place where industry can promote sustainable housing services and stimulate consumer demand for them.
<i>Housing Typology</i>	A project to develop a report that provides information on the best ways to improve the sustainability of the 8 'typical' housing types in NSW.	Provides a key information tool for households wanting to upgrade their homes.
<i>Backbone</i>	Provides a network based platform where industry can collaborate to share knowledge, information, ideas and solutions about sustainable housing and align goals.	Provides the basis for a measurement framework for industry to use to assess the delivery of shared goals.
<i>Education</i>	Project to develop training materials about sustainability for the design and real estate industries.	Goal is to train up to 150 professionals to a standard that enables them to promote sustainable housing.

The effectiveness of the CHSI to deliver against the Program objective it is seeking to achieve is restricted by the following issues.

- *Raising the awareness of consumers about sustainable housing is a long term behaviour change project.* If OEH is committed to using programs to facilitate this kind of change it may wish to consider wrapping the CHSI into a wider whole of portfolio approach consisting of a suite of targets for change and approaches to achieve change. This may present increased opportunities for OEH to deliver the kind of outcomes the Program objectives represent, compared to pursuing CHSI as a stand-alone one off project. The CHSI provides lessons that can inform this approach.
- *The science of behaviour change is a complex one requiring sophisticated data collection and measurement in order to continuously assess the extent, nature and reasons for change.* The theory of change and understanding how to use behaviour to achieve change is accepted within the NSW Government as a worthwhile pursuit. For example the Departments of Premier and Cabinet and Family and Community Services have each invested in behavioural insights teams, resources and methodologies to support policy and program design. Doing so reduces the risk of embarking on behaviour change projects without the appropriate expert methodologies and practitioners. If OEH is committed to programs that are seeking behaviour change it may need to invest similarly and/or learn lessons from other agencies to ensure its methodologies are rigorous.

- *Collective impact through stakeholder collaboration is an iterative process.* The notion of collective impact is a broad one and is applied variously. For example it has been used by governments in Australia for many years to co-design services, programs and policies as well as shape procurement specifications. This includes in economic portfolios such as defence and social policy areas such as human services, including family and community services in NSW. Incubator hubs or mind labs supported by governments, the research and academic sectors and private sectors similarly aim to collectivise effort and ideas for common goals. Innovation policies of governments around the world promote these activities. Achieving collective impact can be limited by competing agendas and priorities of participants; the need to educate participants to think outside the norm they are used to; the wide ambition of objectives often necessary to entice participants to collaborate; and the time taken to forge specific actions that participants can agree to achieve.
- *Regulatory levers can achieve a wider set of outcomes more quickly.* The NSW Government's Building Sustainability Index (BASIX) is the prime regulatory instrument to drive an increase in sustainable housing. A BASIX certificate is required with any development application in NSW for a new home or renovation of more than \$50,000 to an existing home. One of the issues for CHSI is that it is not framed with reference to BASIX. For example it does not highlight how it is addressing any specific gaps in driving consumer demand for sustainable housing that BASIX cannot meet, or how it is complementing the capacity of BASIX to create this demand. Improving the framing of CHSI relative to BASIX would help to explain its effectiveness.
- *The priority it is afforded in the suite of OEH residential and community energy efficiency programs.* A recent evaluation undertaken for OEH proposes a framework for the pursuit of energy efficiency programs to achieve multiple benefits. One of the benefits considered was partnerships including the kind represented by CHSI. The evaluation noted the following benefits and risks that are inherent to the effectiveness of the pursuit of partnerships<sup>45</sup>.

Benefits	Risks
<ul style="list-style-type: none"> <li>▪ Improved or wider range of services for beneficiaries</li> <li>▪ Wider geographical reach or access to new beneficiary groups</li> <li>▪ More integrated approach to beneficiary needs</li> <li>▪ Financial savings and better use of existing resources</li> <li>▪ Knowledge, good practice and information sharing <ul style="list-style-type: none"> <li>- Sharing the risk in new and untested projects</li> <li>- Capacity to replicate success</li> <li>- Stronger, united voice</li> <li>- Better co-ordination of organisations' activities</li> <li>- Positive PR opportunities around reduced duplication</li> <li>- Mutual support between organisations</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Outcomes do not justify the time and resources invested</li> <li>▪ Beneficiary confusion</li> <li>▪ Loss of flexibility in working practices</li> <li>▪ Complexity in decision-making and loss of autonomy</li> <li>▪ Cultural mismatch between organisations</li> <li>▪ Diverting energy and resources away from core aims</li> <li>▪ Change management challenges</li> <li>▪ Lack of consistency and clarity on roles and responsibilities</li> <li>▪ Dilution of brand</li> <li>▪ Damage to organisation if collaboration is unsuccessful</li> <li>▪ Legal obligations</li> </ul>

<sup>45</sup> Data Build, Multiple Benefits Indicator Framework for Residential and Community Energy Efficiency Programs in NSW, Phase 2 Final Report April 2016

#### 4.2.4 Local green economies

**Funding provided (2014/15): \$830,000**

##### Purpose and need

The *local green economies sub-program* (LGE) includes three primary activities with distinct purposes based on varying identified needs. Two pre-date the Program and one has been developed under the Program.

Specific LGE Activities	Purpose	Need
Smarter Choice	To educate consumers about sustainable products at the point of purchasing products in hardware retail outlets.	Has existed since 2010 and subsequently placed in the Program. Need identified through research conducted under the Program and by delivery partners in other governments as well as stakeholder consultation with private companies in the hardware retail sector.
Sustainable Choice	To support local government's capacity to procure sustainable services and products.	Has existed since 2006 and subsequently placed in the Program. Ongoing need is identified through an annual survey of local councils by the Local Government Association.
Social Enterprises for Sustainability (SEFS)	To support the activities of social enterprises in the environmental sector.	Need being identified by research under the Program.

##### Services

The services provided by the LGE activities are also varied. But their connection with the two key Program objectives is not explicit in the way LGE is framed.

Specific LGE Activities	Services Provided	Link to Program Objectives
Smarter Choice	The development and implementation of an on-line training module for employees in hardware retail outlets to increase their capacity to advise customers about sustainable products.	It is not clear in the framing of LGE whether this activity and related service is intended to support the removal of market barriers to resource efficiency and clean energy or strengthen the capacity of communities to care for their own environments.

Specific LGE Activities	Services Provided	Link to Program Objectives
		For the purposes of this evaluation it is assumed that this activity is seeking to deliver the objective relating to market barriers and that the barrier being targeted is the information asymmetry consumers experience in relation to sustainable products. Addressing this barrier is assumed to support change in consumption behaviour. Based on this assumption this activity is similar to CSHI.
<i>Sustainable Choice</i>	Support for the development of tools to inform local councils about the procurement of sustainable products and services. This includes guidelines on sustainable procurement, an annual survey of local councils to identify and respond to resource efficiency priorities, and a website that provides the details of suppliers of sustainable services and products.	Although it is not explicitly referred to in the LGE framing it is assumed for the purposes of this evaluation that this activity is seeking to address market barriers that arise when governments are unaware of the availability and benefits of purchasing sustainable services and products. It is also seeking to increase the participation of suppliers of sustainable services and products in government procurement processes.  This is similar to the purpose of some elements of SG.
<i>Social Enterprises for Sustainability (SEFS)</i>	Funding of research to identify the opportunities to support social enterprises and projects to build the capacity of social enterprises to contribute to OEH priorities.	Although it is not explicitly referred to in the LGE framing it is assumed for the purposes of this evaluation that this activity is seeking to build the capacity of communities to care for their own environments.  However, it is noted that the manager of this activity also participates in one of the CHSI projects and also with SA. Accordingly there also seems to be an attempt to utilise social enterprises in the effort to address market barriers, although it is not specifically clear in what way.

## Benefits

Overall the Trust and OEH would be better placed to assess the effectiveness of LGE now and into the future if its selected activities were framed more clearly against the delivery of the Program objectives. Nevertheless, the activities seem to be delivering a range of benefits.

Specific LGE Activities	Immediate Benefits	Longer Term Benefits
Smarter Choice	<p>Since 2010 the activity has been occurring as a collaboration between OEH and Sustainability Victoria. The activity was subsequently placed in the Program.</p> <p>In 2014/15 the focus of the activity was face to face training of staff in hardware retail stores. Under this approach:</p> <ul style="list-style-type: none"> <li>▪ 234 retail outlets were participating</li> <li>▪ 1,611 store employees received training</li> </ul> <p>The two major hardware retail companies participating in the activity are Mitre 10 and Bunnings Warehouse. One of the key benefits expressed about the activity from external participating stakeholders is that the training is neutral to product type and this has customer benefits.</p> <p>In 2015/16 the approach was varied to an on-line module to extend the scale and scope of training. At the same time the Australian Government Department of Industry's Equipment Energy Efficiency (E3) team joined the collaboration with a view to apply the approach nationally. To test the viability of the approach pilot projects were designed to focus training on treated timber and lighting. These pilot projects commenced in April 2016 and since then:</p> <ul style="list-style-type: none"> <li>▪ 608 employees of Bunnings Warehouse and Mitre-10 have completed the treated timber online training module.</li> <li>▪ 36 employees of Mitre-10 have completed the lighting online training module since it was made available.</li> </ul>	<p>Ultimately the training of staff in hardware retail outlets, whether delivered face and face or on-line, is seeking to facilitate change in the consumption behaviour of consumers. Similarly to the analysis of this evaluation in relation to CHSI, behaviour change is a long term exercise that should be framed within rigorous assessment methodologies.</p> <p>There is no particular evidence that the initial face to face training was famed in this way or delivered desired results in behaviour change by consumers.</p> <p>The timber treatment and lighting pilot projects are reported to include an evaluation methodology which is intended to inform future decisions about the activity. There would be benefit for OEH and the Program if this methodology was shared with CHSI.</p> <p>One clear benefit for OEH is the collaboration with the Victorian and Australian governments as this reduces duplication and enables OEH to apply learnings from other jurisdictions.</p>
Sustainable Choice	<p>Local Government NSW (LGNSW) considers that the activity has several key benefits. These are as follows.</p> <ul style="list-style-type: none"> <li>▪ Prior to being placed in the Program the activity had limited governance.</li> <li>▪ The purchasing power of local government is about \$9 billion and this presents a significant opportunity for the suppliers of sustainable services and products.</li> <li>▪ LGNSW uses Program funding to:           <ul style="list-style-type: none"> <li>➢ Help build the capacity of local councils to understand, identify and procure sustainable services and products.</li> </ul> </li> </ul>	<p>There are no particular benchmarks used by LGNSW or the activity to assess when sufficient local council capacity has been built and awareness raised. Doing this may be a useful guide to determine the ongoing need for the funding under the Program.</p> <p>Nevertheless, the funding for this activity under the Program is expected to cease in June 2017.</p>

Specific LGE Activities	Immediate Benefits	Longer Term Benefits
	<ul style="list-style-type: none"> <li>➤ Help survey local councils each year to identify their priorities and needs about sustainability. The survey gathers information about council's spending on sustainability, culture of sustainability, awareness of sustainability and need for sustainability.</li> <li>➤ Manage and continually refine a database of suppliers of sustainable services and products that local councils can access when developing their procurement strategies for sustainability. The database has 9 indicators of sustainability and there are over 300 suppliers and almost 1000 services and products on this database.</li> <li>▪ The information gathered through the annual survey is used by LGNSW to:           <ul style="list-style-type: none"> <li>➤ Assess average state-wide spending on sustainability.</li> <li>➤ Develop and distribute case studies to assist councils adapt to sustainable practices.</li> <li>➤ Draw lessons for councils.</li> <li>➤ Highlight priority areas for improvement.</li> <li>➤ Create opportunities for collaboration between councils and with other stakeholders.</li> </ul> </li> <li>▪ About 50 per cent of councils subscribe to the sustainability activities undertaken by LGNSW using the Program funding.</li> </ul>	
Social Enterprises for Sustainability (SEFS)	<p>Since 2014/15 the activity is reported to have delivered the following benefits.</p> <ul style="list-style-type: none"> <li>▪ Foundational research was commissioned to identify the needs and opportunities for OEH to support social enterprises in the environmental sector. This included identification of 259 existing sustainability focussed social enterprises and the barriers they face.</li> <li>▪ Five social entrepreneurs were funded to complete a comprehensive capacity building program delivered by the School for Social Entrepreneurs (SSE);</li> <li>▪ Six social enterprises participated in an OEH supported 'Collaboration Strategy' process in the Illawarra;</li> <li>▪ Formed a partnership with an Aboriginal enterprise in north-western NSW to support capacity building for Aboriginal community enterprises.</li> </ul>	<p>By their nature social enterprises challenge orthodoxies. They seek to make a difference without the usual scale of commercial enterprises and they focus on delivering public good in commercial ways. The entrepreneurial nature of their activities means they are generally seeking to tackle issues that government has not prioritised and/or from angles that government has not considered.</p> <p>For these reasons social enterprises are generally worth supporting. However support for them, like any entrepreneurial activity, carries with it an increased risk of failure. One way to minimise this risk is to invest in the capacity of social enterprises</p>

Specific LGE Activities	Immediate Benefits	Longer Term Benefits
	<ul style="list-style-type: none"> <li>▪ Increased OEH knowledge about social enterprises. About 61 OEH and corporate partner organisation staff participated in a Social Enterprise Hackathon, introducing them to the concept of social enterprise, identifying opportunities to work with social enterprises supported through the SEFS project and using their professional knowledge to further develop the enterprises' business action plans, and;</li> <li>▪ Increased the private sector's knowledge about social enterprises. About 25 staff members from 11 businesses were provided with an introductory workshop session on how social enterprises can contribute to sustainable supply chain strategies. This is to be followed by a larger Social Enterprise Marketplace in August 2016.</li> </ul>	<p>to succeed over the long term. This is something the activity appears to have done.</p> <p>Recipients of the capacity building support provided under the Program report that it was of great benefit to their:</p> <ul style="list-style-type: none"> <li>▪ Ability to think critically about their ideas and business plans;</li> <li>▪ Access knowledge of experts; and</li> <li>▪ Build the networks for future collaborations necessary for the execution of their strategies.</li> </ul>

#### 4.2.5 Communities caring for their own environment

**Funding provided (2014/15): \$659,000**

##### Purpose and need

The *communities caring for their own environment sub-program* (CCE) is clearly seeking to deliver one of the two key Program objectives. The reported purpose of CCE activities are to:

- Enable community participation.
- Foster collaboration and networking.
- Share community learning.

This purpose is consistent with the following NSW Premier's priorities and OEH corporate goals.

- Communities have the knowledge and capacity to make and influence change.
- Communities look after their local neighbourhoods and environments.
- Communities are involved in decision-making on government policy, services and projects.
- Communities live more sustainability.

It is not clear what methodology was used to originally select the direction of activities, other than the need to pursue activities which were consistent with the inherent purpose of CCE. Accordingly the initial selection of activities does not seem to have been undertaken to address any specific environmental problem, other than the general concerns justifying the Premier's priorities and OEH corporate goals which are that social and environmental welfare would be worse off if communities were not able to care for their environments.

Once activities were underway it is reported that needs setting for particular actions was managed by stakeholders at a local level including NGOs and community groups on the basis of their engagement with communities through surveys and other consultations. The setting of needs by local CCE partners is consistent with the broad purpose of CCE to empower communities.

One additional purpose of CCE, which was sanctioned by the Trust and OEH, is that its activities should preferably:

- Engage communities and organisations that OEH had traditionally not worked with on environmental matters; and
- Demonstrate a new style of working to securing community ownership and decision making, such as co-designed local environmental projects, development of collaborative networks and community learning.

This second preferred additional purpose is consistent with the general motivation for other activities under the Program, such as CHSI, and LGE (smarter choice and social enterprises).

However, it is not clear how the CCE differs from the other Trust programs aimed at supporting the capacity of and promoting behaviour change within communities. For example as described in section 4.1.2, the Trust funds community based action under its Restoration and Rehabilitation, Protecting Our Places, Eco Schools and Education programs. These programs target specific groups such as school students and Aboriginal communities in much the same way as some aspects of the CCE. The available funding provided under these programs is generally larger than that provided by the CCE.

Given the existence of these Trust programs the purpose and activity selection of the CCE should be framed with reference to them, and seek to address any gaps and avoid duplication. The business planning and project documentation of the CCE does not appear to currently do this.

## **Services**

To deliver its purpose CCE provides a range of activities which align with three main services.

Specific CCE Services	Host Activities	Purpose	Comparison with Other Trust Programs
<i>Provision of information about sustainability</i>	Sustainable Schools NSW (SSNSW) provides to teachers regular newsletters and website updates with curated and trusted resources for environmental and sustainability-related learning.	Equipping teachers to engage with students and local communities for shared learning, actions and outcomes at local level.	The Eco Schools program has a similar purpose and funds activity of a similar nature and scope.
<i>Grants to community organisations and OEH regional offices</i>	Our Place and Youth Environment Engagement provide funding to support multiple actions identified and pursued at local level.	Enabling Aboriginal and CALD communities and youth to take action to protect their environments. This is because these groups include those not traditionally specifically engaged by OEH.	The Protecting Our Places program has a similar purpose and funds activity of similar nature and scope by Aboriginal communities. Youth are also supported through the Eco-Schools program.
	Our Place and Youth Environment Engagement facilitate collaboration between groups at local level through the provision of information and workshops.	Building the capacity of targeted groups to identify, co-design and implement multiple projects at local level.	In addition the Restoration and Rehabilitation program is open to any community groups including those representing CALD and youth communities. The available funding provided by this program is much larger than that provided by CCE.

## Benefits

Activities in the CCE are generally aimed at encouraging behaviour change in communities towards increasing their initiatives and actions to care for their local environments. Accordingly, the benefits of CCE activities are both immediate and long term. Currently however only immediate benefits, reported as outputs by CCE, are able to be evaluated.

As the CCE is not framed against other similar Trust programs it is unclear how and to what extent the reported immediate and long term benefits are delivering Trust and OEH objectives in additional ways to that achieved by other similar Trust programs. The reporting of benefits does not include how the CCE is addressing gaps in other similar Trust programs or extending the reach of the Trust in ways other programs cannot. The reported benefits should be considered with these factors in mind.

Specific CCE Services	Immediate Benefits	Longer Term Benefits
Sustainable Schools	<ul style="list-style-type: none"> <li>▪ About 4,800 teachers receive information via newsletters and website to enable engagement with students and local networks about environmental actions and learning.</li> <li>▪ There are about 15,000 visits to the website each year.</li> <li>▪ More than 20 local networks are highly active and host meetings once a term, distribute information and facilitate collaborative learning to network members</li> <li>▪ Local councils are involved by linking local teachers and environmental educators and providing locally relevant learning experiences, teacher professional development and resources.</li> </ul>	<p>The engagement of youth as part of the education experience can be formative for future actions that support sustainability.</p> <p>However to be meaningful over the long term a baseline from which to measure progress needs to be developed and implemented.</p>
Our Place	<p><i>Aboriginal communities</i></p> <p>A partnership has been formed with the Murdi Paaki Regional Economic Corporation (MPREC), an Aboriginal community organisation in north-western NSW. Funding was provided to MPREC to support its capacity to award and administer grants for community led projects. The seven projects being supported are:</p> <ul style="list-style-type: none"> <li>▪ Establishment of a community fresh food garden and garden/food waste repository in Brewarrina</li> <li>▪ Enhancement of an existing community native nursery in Cobar including the development of a community composting facility with associated education materials.</li> <li>▪ Enhancement of an existing community native nursery in Condobolin and creation of a seed propagation facility for sorting, packaging and storing.</li> <li>▪ Harnessing the expertise of an Indigenous nursery to plant a riparian area in Dubbo Zoo with species that can be used to feed animals.</li> </ul>	<p>The immediate benefits can provide the foundations for continuous positive behaviour change. For example it is reported that as a result of the CCE projects:</p> <ul style="list-style-type: none"> <li>▪ Aboriginal communities in North West NSW restored their pride in local place and traditional caring for country in North West NSW and made meaningful contributions to local infrastructure.</li> <li>▪ Regional communities took ownership of their town and established their local environmental priorities for future action in Corowa in the Riverina.</li> <li>▪ Marginalised multicultural communities in Western Sydney took on local environmental challenges, changed their waste management behaviours and developed a sense of belonging.</li> <li>▪ Families, council and community organisations in the Hunter together created a multicultural garden, which built</li> </ul>

Specific CCE Services	Immediate Benefits	Longer Term Benefits
	<ul style="list-style-type: none"> <li>▪ Planting of trees and improvements to a popular camp site at the Pilliga Bore Baths with the support of the Land Council, Local Council, Community Link Centre and NSW Aboriginal Land Council.</li> <li>▪ Construction, branding and distribution of Walgett Honey Bees "honey bee havens" kits which are intended to encourage honey bee pollination locally and increase the population of declining swarms of native bees.</li> <li>▪ Engagement of local Aboriginal women in a native reeds identification and harvesting workshop at the Macquarie Marshes.</li> </ul> <p><i>Multicultural communities</i></p> <p>Via the use of \$200,000 in grant funding:</p> <ul style="list-style-type: none"> <li>▪ Six projects to raise awareness about actions to protect the environment and promote sustainability were undertaken in Western Sydney and Illawarra by CALD community NGOs including the Ethnic Communities Council NSW, Multicultural Communities Council of Illawarra and Liverpool Migrant Resource Centre.</li> <li>▪ These projects included 195 events and workshops with 3,150 attendees, the engagement of 60 organisations and the utilisation of about 16,000 volunteer hours.</li> </ul> <p>Via funding for the Northern OEH region:</p> <ul style="list-style-type: none"> <li>▪ The Hunter Multicultural Prelude Centre worked with Singleton Council to deliver the multicultural garden project which aimed to harness community support and education for an on-site garden that yields herbs and vegetables from other countries.</li> </ul> <p><i>Regional communities</i></p> <p>Through a long term community partnership with Charles Sturt University (CSU) an initial community based project focused on renewal and environmental activity in Corowa which resorted local interest in environmental action.</p>	<p>community cohesion and sparked interest in volunteering and creating gardens.</p> <p>Some key lessons learned to inform future action under the Program or more generally by OEH include:</p> <ul style="list-style-type: none"> <li>▪ Working with locally embedded partners reaches local communities.</li> <li>▪ Diverse cultural heritage and values bring enthusiasm and strengths to environmental initiatives.</li> <li>▪ Strong and lasting relationships between community organisations and government agencies provide a robust foundation for community environmental initiatives</li> <li>▪ A robust outcomes measurement framework needs to be developed that local partners can apply.</li> </ul> <p>To entrench longer term value there may be merit in OEH consulting with Multicultural NSW on CALD focussed projects.</p>

Specific CCE Services	Immediate Benefits	Longer Term Benefits
<i>Youth Environment Engagement</i>	<p>A series of forums have been held with 70 organisations representing youth to explore ways to overcome existing barriers to youth environmental participation. These forums:</p> <ul style="list-style-type: none"> <li>▪ Recommended the engagement of young people locally and this led to various projects in Dubbo, Wollongong and the Hunter Valley, such as a festival based on a competition for films about sustainability.</li> <li>▪ Co-designed a youth environmental engagement resource, which addresses the “Why” and “How” of getting young people involved in the environment, from an organisation’s and young person’s perspective. Promoting personal rewards such as the enhancement of job skills, employability and leadership, is one of seven topics covered in the resource. The resource will be available early in the 2016/17 financial year for stakeholders to co-brand, promote and utilise.</li> </ul>	<p>Recent surveys of stakeholders involved in this initiative suggest that they remain committed to fostering youth engagement for environment into the future.</p> <p>One of the key learnings from regional youth initiatives is that youth are embedded in their communities and it may be more effective to integrate youth and community engagement opportunities in a particular location.</p>

### **Recommendation 3: Program effectiveness**

- (a) Consideration should be given to extending the Sustainability Advantage sub-program to small business, and supporting free access for small business by using revenue from the fee for service model now applying to medium and large businesses and/or Program funding.
- (b) Consideration should be given to:
  - Framing the activities of the Sustainable Government sub-program with reference to the priorities of the Government Resource Efficiency Policy (GREP) to reduce any duplication of priorities.
  - Focussing the sub-program on the opportunity to utilise the scale and momentum that government can possess to promote a wide-spread shift in consumption behaviour amongst all public sector employees to stimulate demand for sustainable products and services.
  - Applying this focus to support the Sustainability Advantage, Collaborative Sustainable Housing Initiative and Local Green Economies (sustainable choice) sub-programs which all have the similar purposes of promoting sustainability and addressing information asymmetry faced by consumers of sustainable products and services, whether they be households, businesses or governments.
- (c) Consideration should be given to framing Collaborative Sustainable Housing Initiative relative to BASIX to clarify how it addresses gaps or complements existing regulatory interventions to promote sustainable housing.
- (d) Consideration should be given to:
  - OEH developing a stricter template methodology for the practice and measurement of collective impact and behavioural change based on existing Australian and international lessons including lessons from the behavioural insight teams in the NSW Departments of Premier and Cabinet and Family and Community Services.
  - Applying that methodology to the activities on the Collaborative Sustainable Housing Initiative, Local Green Economies and Communities Caring for their Own Environment sub-programs to guide future funding under the Program.
  - Ensuring that the Communities Caring for their Own Environment sub-program is not duplicating other similar Trust programs.
- (e) If OEH is committed to consumer and market behaviour change as a policy and program tool, it should consider reimagining the sub-programs and activities currently in the Program into a separately funded stand-alone program dedicated to enabling OEH to learn lessons and build its capability as an agent of change.

## 4.3 Program Efficiency

### 4.3.1 Approach to assessing efficiency

#### Allocative efficiency

A traditional approach to assessing whether any program is an efficient allocation of resources involves examining whether the grant is maximising the economic well-being (welfare) of society. The efficient allocation of resources usually occurs in a competitive, freely functioning market when supply is in equilibrium with demand and therefore the marginal cost of government expenditure is equal to the marginal benefit gained by people using it. However this approach is not applicable to the Program for the following reasons:

- As established in section 2.3.3, the size and nature of the Program does not require an assessment of the whole of life cost issues that would form the basis of determining the efficiency of the allocation.
- Expenditure in the environmental sector does not lend itself to a traditional assessment of allocative efficiency<sup>46</sup> because environment values are complex and multi-dimensional. Many environmental activities are not valued by markets but communities intrinsically value them. Even where individuals have little or no use for a given environmental asset or attribute they would nevertheless feel a 'loss' if such things were to disappear. Thus it can be meaningless to assign an economic value to an environmental asset, activity or expenditure.

In circumstances where a traditional approach to assessing allocative efficiency is not possible governments can still consider that it is efficient to allocate spending to environmental programs to achieve policy, legislative or program objectives to achieve a public good or to address market failure. The two objectives of the Program are consistent with both these aims. Removing market barriers to resource efficiency implies a response by government to market failure, and strengthening the capacity of communities to care for their environments represents a public good. Accordingly, to the extent possible given the sources of data, this evaluation considers whether the Program represents allocative efficiency in non-price terms based on its value to the consumers of its services.

---

<sup>46</sup> **Allocative efficiency** occurs when there is an optimal distribution of goods and services. This involves taking into account the preferences of consumers and calculating whether the price that consumers are willing to pay is equivalent to the marginal benefit that they receive from the service of good. Allocative efficiency occurs when the marginal benefit of the good or service equals the marginal cost of purchasing it.

## Technical efficiency

Technical efficiency requires that goods and services be produced at the lowest possible cost. This is a key component of cost-effectiveness which is the measure of how efficiently the outcomes of a service were achieved.

As discussed elsewhere in this evaluation, the primary purpose of all selected activities under the Program are to stimulate behaviour change to deliver the two key Program objectives (outcomes). Behaviour change is a long term endeavour and as discussed in section 4.2, actual outcomes of change are unlikely to be measurable without stricter methodologies governing activities, investment in longitudinal studies and a more robust performance assessment framework. Currently, reporting under the Program is based on providing evidence of inputs and outputs to pursue the purpose of activities, not evidence of outcomes of behaviour change.

Accordingly there is insufficient data to assess the cost-effectiveness of the Program. But the evaluation considers some issues about technical efficiency.

### 4.3.2 Assessment of efficiency

#### Allocative efficiency

##### *Market and intrinsic value*

The complexity of environmental expenditure assessment partly arises because there is a need to examine (1) sustainability issues such as how the welfare of society is affected if future generations have reduced opportunities to enjoy ‘natural assets’; and (2) the intrinsic value of activities that are not valued by markets. The very existence of the Program and the kinds of activities pursued under it are based on the fundamental assumption that the welfare of society would be worse off if the extent of current resource use reduced access to and the quality of resources for future generations. Consistent with this assumption, all the activities under the Program have the primary purpose of enabling and encouraging behaviour change towards the application, consumption and/or supply of sustainable practices, products and services by governments, business, communities and households.

To achieve this the Program provides services such as facilitation, collaboration, awareness raising, and information dissemination to address any barriers to behaviour change, such as information asymmetry for consumers; support place based behaviour, such as community action; and/or promote the need for behaviour change.

The volume of participants across the various activities in the Program is one indicator that the activities have value in the market and are also intrinsically valued even if markets do not. For example:

- The response to and participation of business organisations in the *sustainability advantage*, *collaborative sustainable housing initiative*, and *local green economies (sustainable choice) sub-programs* indicates that markets value these activities.
- More specifically markets seem to value the *sustainability advantage sub-program* sufficiently enough for a significant proportion of different businesses in various sector to pay its newly applied membership fee.
- Different organisations in the housing industry seem to value the *collaborative sustainable housing initiative sub-program* sufficiently enough to be willing to collaborate in it and have expectations that it can make a difference to the demand for sustainable housing product. This is despite survey results undertaken by the grantee which also show that historically the housing industry has not been collaborative.
- The response to and of participation of individuals and communities in the *local green economies (sustainable schools and social enterprises)*, and *communities caring for their own environment sub-programs* suggests that these activities are intrinsically valued, even if markets do not value them. These activities are responded to by thousands of teachers and numerous local networks, community based NGOs and local communities across the Aboriginal, multicultural, regional and social entrepreneurship sectors.

However, there is not sufficient direct data from the recipients of these services about the nature, extent, and/or pace of current and likely future behaviour change to assess whether the expenditure has directly delivered environmental outcomes that may be valued by markets or intrinsically valued, even if markets do not. To determine this future activities under the Program would need to include more robust measurement of current and likely future behaviour change.

#### *Impediments to efficiency*

Some of the activities under the Program are focussed on behaviour change to address market barriers, but the needs assessment process and business plans are not based on responding to failures in the market that it is clear government can address, or which have been assessed as having a significant impact. For example, the *collaborative sustainable housing initiative* is focussed on addressing information asymmetry faced by consumers about sustainable housing. There is value in making consumers more aware, but the impact this will have on boosting the supply and use of sustainable building products is uncertain, possibly indirect and long term. By comparison regulatory intervention through a measure such as BASIX has an immediate impact to raise sustainability standards in the market.

The potential allocative efficiency (value to consumers) would be improved by ensuring that the Program objectives clarify that the Program should use funds to address specific market failures that do not require or cannot be addressed by regulatory intervention.

All of the recommendations in this evaluation in relation to Program appropriateness and effectiveness should improve the allocative efficiency of the Program.

## Technical efficiency

### *Inputs and outputs*

As identified in this evaluation, the cost of the Program (primary input) is less than 5 per cent of the Trust's budget over the three year funding agreement and will be an even smaller part of the OEH budget.

**Table 6: Program budgets 2014-2016**

Program items	2014-15 total budgeted cost (\$ million)	2015-16 total budgeted cost (\$ million)
Sustainability advantage	1.556	1.258
Sustainable government	0.164	0.296
Collaborative sustainable housing initiative	0.394	0.531
Local green economies	0.830	0.668
Communities caring for their own environment	0.659	0.666
<b>Total</b>	<b>3.603</b>	<b>3.419</b>

Over the last two years of the three year funding agreement total spending has been about \$7 million of the total \$11.6 million allocated in the funding agreement, leaving about \$4.6 million for expenditure in 2016/17.

For these costs the activities (outputs) in the Program deliver a number of common characteristics.

- *They are ambitious in nature.* They demonstrate this in a number of ways including by seeking behaviour change in business, government, consumers and communities; and engaging with business and community stakeholders and sectors that OEH has limited previous experience with. This is a positive output if the Trust and OEH are willing to absorb increased risk, but not ideal with that is not the case. Recommendations 1, 2 and 3 offer ways to improve the management of risk.
- *They have wide reach.* The breadth of activities under the Program is extensive and many different kinds of industry sectors and communities are exposed to them. This is a positive output given the limited pool of funding. It can have positive consequences for the reputation of OEH, unless the ambition of the activities creates expectations amongst stakeholders that cannot be met.
- *They are facilitative.* They largely rely on collaboration between stakeholders to gain a commitment to the principles and practices of behaviour change. This is a positive output when stakeholders are engaged and are voluntarily willing to take on additional unfunded commitments towards achieving

outcomes. This seems to be the case with the eight projects being undertaken as part of the *collaborative sustainable housing initiative*. But a primarily collaborative approach can have limited value if stakeholders won't commit to more than funding permits.

- *They are based on volume of action.* They generally measure their significance by the number of actions that occurred, such as forums held, and/or the number of stakeholders involved in those actions. This is not unusual given the nature of the activities under the Program, but these measures do not support an assessment of outcome delivery.
- *They are innovative.* They tend to seek to experiment with activities that challenge norms of thinking, but are not fully proven in NSW or other jurisdictions. Accordingly the activities are not 'business as usual' ones. This is a positive output if the Trust and OEH are seeking to try new approaches to solve problems that present significant challenges. They offer the Trust and OEH an opportunity to learn new lessons about program design and execution.
- *They attract good responses.* The external stakeholders consulted during this evaluation are supportive of the activities. This enables OEH to build on the activities and leverage stakeholder interest more widely.

The *sustainability advantage sub-program* has improved its technical efficiency by moving in 2015 to a fee for membership and service model, which enables it to deliver the same or more services for lower Program expenditure.

#### *Impediments to efficiency*

There are a number of issues that may need to be addressed to improve the efficiency of the Program.

- In 2014/15 the majority of the Program's operating costs were employees (\$1.011 million) and the use of consultancies (\$1.661 million). Together these costs represent about 74 per cent of total budgeted costs, with salaries being about 28 per cent and consultancies about 46 per cent.

Program items	Total budgeted cost (\$ million)	Salaries component of total budgeted cost (\$ million)	Consultancies component of total budgeted cost (\$ million)
Sustainability advantage	1.556	0.346	1.141
Sustainable government	0.164	0.108	0.08
Collaborative sustainable housing initiative	0.394	0.178	0
Local green economies	0.830	0.219	0.265
Communities caring for their own environment	0.659	0.160	0.175
<b>Total</b>	<b>3.603</b>	<b>1.011</b>	<b>1.661</b>

Consultancies were engaged to develop and implement stakeholder management projects, prepare communication tools for internal and external use, undertake research for needs assessment and project evaluation, and connect parties collaborating on activities. It should be noted that in addition to these costs, contractors were also engaged as temporary staff with the grantee to assist deliver the Program. The evaluation does not have precise data about this and therefore it is not reflected in the table above.

The nature of the *sustainability advantage sub-program*, which relies on external professional experts to provide information and advice to members of the program, means that it makes a particularly high use of consultancies well above its cost in full time equivalent (FTE) to OEH. However all the other sub-programs, with the apparent exception of *collaborative sustainable housing initiative*, make a relatively equivalent use of FTEs and consultancies. The evaluation has examined a range of supporting communication and market research material prepared by professional services firms to support the *collaborative sustainable housing initiative sub-program*, and it is likely that these firms were engaged as contractors, not consultants.

Consideration should be given to equipping OEH to manage stakeholder engagement, communication, activity assessment and related activities with minimal assistance from consultancies and contractors. This is particularly as the majority of Program activities involve the core business of government, such as connecting industry, community and government stakeholders for collaborative purposes, analysing information and data for policy and program purposes, and communicating findings and lessons within and outside government.

Reducing the use of consultancies and contractors would also improve retention of corporate knowledge, skills and experience within OEH and support actions to leverage the lessons from Program activities within government. It would also incentivise OEH staff to take personal and professional responsibility for the success or failure of innovative activities consistent with a risk management framework recommended in section 4.1. Overall these proposed actions would enable OEH to improve its technical efficiency by enabling existing staff to deliver more services themselves without additional cost.

- In 2014/15 most of the sub-programs experienced variations in some of the activities originally included in the business plans. These variations led to about \$0.477 million in allocated funds being returned to the Trust. The returned funds represented about 12 per cent of allocated funds in that year. These variations occurred for different reasons including, inability to meet overly ambitious outputs and milestones; redundancy of originally planned outputs following more detailed research; risks to planned delivery measures; and failures to recruit required personnel.

These variations do not represent technical efficiency improvements in the Program as they are not reflective of OEH providing increased services with lower cost. Instead they demonstrate the need for stricter business planning consistent with the key findings in this evaluation about program effectiveness.

- In some cases the management of the Program by the grantee appears to have added costs to the regional branches in Regional Operations Group, OEH. It is likely that such diversions created opportunity costs for these branches and potentially allocative inefficiencies. This arose because the grantee chose

to spend surplus funds in 2014/15 on regional projects not originally included in business plans. For example in one case it is reported that the provision of \$0.015 million by the grantee created up to \$0.050 million in costs for a regional branch. These costs arose from the time needed to seek further funding to deliver the requested project, and negotiate the funding agreement with the grantee (up to 3 months).

These situations do not represent circumstances of providing more services with less inputs. To address this regions should be involved in the business planning process governing activity selection, and OEH internal funding agreements should be streamlined and required to be completed within short reasonable timeframes.

- At 30 June 2016 two of the sub-programs (*sustainability advantage and communities caring for their own environment*) had full year commitments to spending exceeding their available budgets. The total variance was about \$160,000. This represents a risk to the efficiency of these sub-programs.

#### **Recommendation 4: Program efficiency**

- (a) Consideration should be given to improving potential allocative efficiency (value to consumers) by ensuring that the Program objectives clarify that the Program should use funds to address specific market failures that do not require or cannot be addressed by regulatory intervention.
- (b) Consideration should be given to equipping OEH to manage stakeholder engagement, communication, activity assessment and related activities with minimal assistance from contractors and consultants as this can improve OEH technical efficiency by retaining corporate knowledge and an appropriate skill base.
- (c) Consideration should be given to improving technical efficiency by:
  - Including OEH regions in the business planning process governing activity selection under the Program.
  - Streamlining OEH internal funding agreements to ensure that they are completed within short reasonable timeframes.

#### 4.4 Value for Money

It cannot be concluded that Program outputs have no or limited value, given the broad nature of the Program objectives and incremental nature of behaviour change that the activities within the Program focus on. The existence of the Program is evidence of its importance to government objectives.

However it is also not conclusive that the activities of the Program represent value for money precisely because the innovative nature of the activities means there is no reliable precedent to assess qualitative issues such as their fitness for purpose, quality, and service. The existing planning and performance assessment process does not provide a solid substitute to help with this assessment, but could do so if it was enhanced with more specific Program objectives and stricter consideration of timeframe, exit strategy, milestone assessment and risk management proposed in this evaluation to improve effectiveness. Applying these stricter program management measures would also assist to ensure the expenditure of funds is efficient.

The value for money assessment based on the methodology outlined in section 2 of this evaluation is provided in the table below. While the methodology to assess value for money is based on examining delivery of government objectives and non-cost issues, the table also includes an assessment of cost issues arising from the assessment of technical efficiency. This is considered to be relevant because of the high cost of consultancies and contractors in the Program.

The assessment in the table can be read in accordance with the following key.

Meets value for money criteria	Needs improvement to meet value for money criteria	Does not meet value for money criteria
This means that an assessed element of the Program contributes sufficiently to the overall value for money.	This means that an assessed element of the Program has some features which are valuable, but other features may not contribute to value. Accordingly the assessed element requires improvement in order for it to fully support the overall value for money.	This means that an assessed element of the Program does not support the overall value for money.

The assessment shows that overall the Program requires improvement in relation to most non-cost and cost criteria in order to represent value for money.

**Table 7: Value for money assessment**

Assessment Factor	Criteria	Value for Money Assessment	Status
<b>Delivery of government objectives</b>	<i>Delivery of legislative and/or policy objectives</i>	<p>The evaluation of appropriateness has found that to the extent that the Trust, OEH and NSW Government are committed to promoting sustainability, the intent and principles underpinning the Program are broadly consistent with the:</p> <ul style="list-style-type: none"> <li>▪ Specific legislative obligations of Trust.</li> <li>▪ Corporate goals of OEH.</li> <li>▪ Priorities of the NSW Government.</li> </ul> <p>However the appropriateness of the Program also depends on the practicality of implementing its purpose and the nature of implementation actions (the fitness for purpose). The evaluation finds that the Program is not entirely fit for purpose (see non-cost issues below) and therefore this means the Program requires improvement to be fully able and appropriate to deliver government objectives.</p>	
	<i>Promotion of public good</i>	<p>The evaluation of appropriateness has found that the objective of the Program to strengthen communities to enable them to care for their own environments is a public good.</p> <p>It is based on an assumption that the welfare of future generations would be decreased if current behaviours deplete resources unnecessarily or use them inefficiently.</p> <p>Some of the sub-programs within the Program are dedicated to delivering this public good.</p>	
	<i>Addressing market failure</i>	<p>The evaluation of appropriateness has found that the objective of the Program to remove market barriers to resource efficiency and clean energy is aimed at addressing market failure. Some of the sub-programs within the Program are dedicated to addressing market failure.</p> <p>However the appropriateness of addressing market failure is also affected by how actions within the Program actually identify and respond to specific failure. The evaluation finds that the Program is not entirely fit for purpose (see non-cost issues below) in relation to choosing and responding to market failure. This is because the Program objectives are too broad and do not support a specific focus on addressing market failure within a defined timeframe and/or by achieving clear and measureable milestones. This means the Program requires improvement to be fully able and appropriate to address market failure.</p>	

Assessment Factor	Criteria	Value for Money Assessment	Status
	<i>Support for regional service delivery</i>	<p>The evaluation of appropriateness has found that the Program is intended to provide funding for use in State-wide programs in NSW, including across all regions. To this extent the Program is appropriate and consistent with Trust, OEH and NSW Government objectives in this regard.</p> <p>However, the appropriateness of the Program in supporting regional service delivery is also dependent on how Program actions actually include and respond to regional issues and priorities. The evaluation finds that the Program does not adequately include OEH regions in the up-front business planning process to ensure that regional priorities shape funding allocations (see non-cost issues below). This means the Program requires improvement to be fully able and appropriate to support regional service delivery.</p>	
<b>Non-cost issues</b>	<i>Fitness for purpose</i>	<p>The evaluation of appropriateness, effectiveness, efficiency and management has recommended that there are ways in which the fitness for purpose of the Program can be improved. This includes:</p> <ul style="list-style-type: none"> <li data-bbox="720 790 1911 922">▪ Making the Program objectives more specific to enable clearer identification of activities that can deliver achievable benefits, and therefore ensure the appropriateness of the Program and activities under it. This includes defining objectives more specifically to enable actions to identify and address market failure in achievable and measurable ways within defined timeframes.</li> <li data-bbox="720 922 1911 1044">▪ Improving the management and effectiveness of the Program by applying more robust business planning; processes to reflect the needs of regional areas; risk management and performance assessment processes; and standard and stricter methodologies to govern projects designed to deliver long term benefits.</li> <li data-bbox="720 1044 1911 1129">▪ Addressing current impediments to allocative efficiency (value to consumers) and technical efficiency (outputs for inputs provided) including reducing the cost of regional OEH branches to participate in the Program.</li> <li data-bbox="720 1129 1911 1213">▪ Considering alternative ways to govern and manage the Program into the future such as making the funding fully contestable or separating the funding into contestable and non-contestable streams.</li> </ul>	
	<i>Risk exposures</i>	<p>The evaluation of appropriateness, effectiveness, efficiency and management has found that the activities pursued under the Program are ambitious and innovative and therefore include a higher degree of risk than other more conservative and proven funded programs. This is not problematic in itself, but OEH needs to be clear that it wishes to pursue such activities which challenge norms.</p>	

Assessment Factor	Criteria	Value for Money Assessment	Status
		<p>The primary risks arise because the activities are seeking behaviour change in governments, business, consumers and communities which are incremental and long term. Risks also arise because methodologies governing the approach to behaviour change do not adequately provide for timeframes, performance measures and exit strategies.</p> <p>The evaluation makes a number of recommendations regarding Program appropriateness, effectiveness and management to improve the management of risks.</p>	
	<i>Benefits to be obtained from the purchase</i>	<p>The evaluation of effectiveness and efficiency has found that the activities deliver a range of immediate benefits. These immediate benefits include the fact that the activities are:</p> <ul style="list-style-type: none"> <li>▪ Ambitious and innovative in nature, which offers OEH opportunities to learn new lessons about program design and implementation.</li> <li>▪ Wide in their reach to consumers across government, business and communities, including engaging with some industry and population sectors with whom OEH has had limited previous contact.</li> <li>▪ Facilitative and achieve collaboration within and between government, business and communities to an extent that is greater than some of the engaged industry sectors would normally voluntarily accept.</li> <li>▪ Highly used by the consumers they are intended for, particularly business and communities.</li> <li>▪ Well received by stakeholders who participate in them.</li> </ul> <p>However the ultimate purpose of most of the activities pursued under the Program is to promote and achieve behaviour change of business, consumers, communities and government in relation to sustainability. This is by its nature an incremental and long term benefit which cannot be established at this stage. The evaluation has found that the current methodologies, risk management, key performance indicators and timeframes used in business planning and implementation do not clearly and consistently support the measurement of long term benefit to the extent required to effectively inform government about the continuing need for the Program.</p> <p>Accordingly the evaluation has found that improvements in program management are required to ensure the Program is able to identify, pursue and deliver immediate and long term benefits.</p>	

Assessment Factor	Criteria	Value for Money Assessment	Status
	<i>Compliance with specifications where relevant</i>	The evaluation of program management has found that the grantee has not complied fully in all cases with the terms of its funding agreement with the Trust. This arises in relation to the grantee making variations to the business plans upon which funding is allocated, without prior approval from the Trust.	
<b>Cost Issues</b>	<i>Allocative efficiency</i>	<p>The evaluation of efficiency has found that the volume of participants across the various activities in the Program is an indicator that the activities have value in the market, and are also intrinsically valued even if markets do not.</p> <p>However, there is not sufficient direct data from the recipients of these services to assess whether the expenditure has directly delivered environmental outcomes that may be valued by markets or intrinsically valued. To determine this future activities under the Program would need to include more robust measurement of current and likely future behaviour change.</p> <p>The potential allocative efficiency (value to consumers) would be improved by ensuring that the Program objectives clarify that the Program should use funds to address specific market failures that do not require or cannot be addressed by regulatory intervention.</p> <p>All of the recommendations in this evaluation in relation to Program appropriateness and effectiveness should improve the allocative efficiency of the Program.</p>	
	<i>Technical efficiency</i>	<p>The evaluation of efficiency has found that the Program costs support activities (outputs) that have common benefits across all sub-programs. These are that the activities are ambitious in purpose and design; have a wide reach amongst business, communities and government; are facilitative in bringing together a wide range of government, business, and community stakeholders; are founded on the volume of action to demonstrate value; are generally innovative in nature; and receive good responses from recipients of services.</p> <p>Specifically, the <i>sustainability advantage sub-program</i> has improved its technical efficiency by moving in 2015 to a fee for membership and service model, which enables it to deliver the same or more services for lower Program expenditure.</p>	

Assessment Factor	Criteria	Value for Money Assessment	Status
		<p>However, the evaluation has also found that the current management of the Program reduces and creates risks to technical efficiency in the following ways:</p> <ul style="list-style-type: none"> <li>▪ The use of consultancies by the grantee in 2014/15 represented about 46 per cent of total Program operating costs. This is significantly high by any standard, but particularly high given that the primary activities of the Program are and should be core business of the grantee. Extensive use of consultants and contractors to perform the core business of government can reduce the corporate knowledge, capacity and related long term effectiveness of government agencies.</li> <li>▪ About 12 per cent of allocated Program funding in 2014/15 was returned to the Trust by the grantee. This was a result of inadequate business planning, not improved efficiency.</li> <li>▪ In some cases the management of the Program by the grantee appears to have unnecessarily added costs to the regional branches in Regional Operations Group, OEH.</li> <li>▪ At 30 June 2016 two of the sub-programs (<i>sustainability advantage and communities caring for their own environment</i>) had full year commitments to spending exceeding their available budgets. The total variance was about \$160,000.</li> </ul>	

**Recommendation 5: Value for money**

- (a) Consideration should be given to implementing Recommendations 1 to 4 in this evaluation in order to improve the overall value for money of the Program.

## 5. EVALUATION PART 2 – TRANSITIONAL ISSUES AND FUTURE MANAGEMENT

### 5.1 Governance

#### Current arrangements

On 1 July 2016, the administration of the Program was transferred to the grantee. At the time this evaluation commenced the grantee was one of five main branches in Regional Operations Group (ROG). Of these branches three are regional branches and the grantee is one of these (Metropolitan branch).

One of the recommendations of the evaluation is that the other two regional branches (North and South branches) should be more intimately involved in the business planning and activity selection under the Program. This would support improved service delivery in regional areas, and also enhance the overall effectiveness and technical efficiency of the Program.

A committee consisting of executives from the five ROG branches would be an appropriate and inclusive forum to oversee and approve the business planning, activity selection and funding allocation process prior to submission of business plans to the Trust.

#### Future arrangements

During this evaluation, a reorganisation of OEH was announced which will alter the structure of the ROG. Under the new structure:

- A sustainability branch is proposed to be created and it would hold and manage the Program funds. It would be the grantee.
- Instead of three regional branches there would be several covering more localised sub-regions across NSW, including a greater Sydney area. This is consistent with the localised delivery model preferred by the NSW Government.

This structure makes it easier for the new sustainability branch to hold the Program funds without being directly involved in implementing activities using the Program funds. This occurs currently because the grantee is also one of the regional branches with implementation responsibilities.

However the new structure also creates a number of risks for the Program, and recommendations in this evaluation about collaboration and partnership on program management. These risks are as follows.

- When designing and selecting activities to reflect the needs and opportunities within regions, the sustainability branch will need to consult with several regional branches. This can increase administrative cost thereby reducing the technical efficiency of the Program.

- The increased risk that either some branches may not collaborate effectively or too much collaboration and competition of ideas may reduce the capacity of the Program to select meaningful activities in a timely manner. This may reduce the value of the Program to consumers (lower allocative efficiency) and also affect the effectiveness of the Program.

There are two clear options to support the effective governance of the Program to avoid these risks. There are as follows:

- Option 1:** **Program planning and implementation, including needs assessment and activity selection can be overseen by an OEH committee consisting of the senior leadership team of the ROG.** This would be consistent with the oversight afforded under the current funding agreement by the Trust. It also ensures that regional branches would be equitably included in the design of business plans and related activities as proposed in recommendation 2(c) in this evaluation.
- Option 2:** **Program funding could be made contestable with all regional branches competing for it on the basis of projects that meet clear criteria intended to deliver the Program objectives.** To support this procurement of outcomes, the Program objectives will require revision to be more specific in keeping with the assessment of proposals against comparative criteria. This is consistent with recommendation 1 of this evaluation.

## 5.2 Future Program Management

There are a number of options for OEH to consider regarding the future management of the Program. These options respond to:

- The recommendations in this evaluation about program appropriateness, management, effectiveness and efficiency;
- The proposed restructure of OEH announced during the course of this evaluation; and
- Financial management of the Program in 2016/17.

The package of recommendations in this evaluation respond to the opportunities to clarify the Program objectives (appropriateness) to ensure that activities and outputs can deliver the kinds of benefits (effectiveness) which offer maximum value to consumers and government (efficiency).

As part of the proposed restructure, the current grants administration branch which administers the Trust would report to the sustainability branch which would be the new grantee of Program funds. This is relevant to the extent that Program funds for 2016/17 would for accounting purposes still be provided by the Trust to the grantee.

At 30 June 2016 two of the sub-programs (*sustainability advantage and communities caring for their own environment*) had full year commitments to spending exceeding their available budgets. The total variance was about \$160,000.

Options for the future management of the Program include the following.

**Option 1:** **The Program funding could be split into two distinct streams with completely separate purposes.** One stream could be dedicated to addressing market failure through non-regulatory means. This would include the *sustainability advantage, sustainable government, collaborative sustainable housing initiative and local green economies (sustainable choice and smarter choice) sub-programs*.

The other could be focussed on building the capacity of communities to care for their environments. This would include the *communities caring for their own environments and local green economies (social enterprises) sub-programs*. This would require the revision of Program objectives and redistribution of sub-programs amongst these categories. This option would improve the synergies, shared knowledge and optimisation of lessons between current activities which are currently separated into different sub-programs, but essentially pursuing similar outcomes. It would also offer the opportunity to streamline the Program activities in this regard that overlap with other Trust programs which have similar purposes.

**Option 2:** **The Program could be split into contestable and a non-contestable funding categories.** This could include using non-contestable funds to support existing or new innovative approaches that carried risk. For example this could enable OEH to continue to support selected approaches to behaviour change in business, government, consumers and/or communities to address specific market failures (such as information asymmetry facing consumers), or leverage the market power of public sector employees to shift demand for sustainable products. Using non-contestable funds to challenge specific norms would provide OEH with the opportunity and discipline to develop appropriate methodologies to shape, measure and review behaviour change projects and apply lessons more broadly within OEH.

At the same time it would enable OEH to reduce the current risks in the Program by seeking competitive bids for some funding. Contestability could be open to other parts of OEH, such as regional branches, and also external parties where appropriate. One of the benefits of contestability is that it can encourage collaboration between the private sector, universities, NGOs and government agencies and ensure that funding is leveraging existing alignments. One example of this is funding for social enterprises, where government funding should be aiming to maximise the support these enterprises receive from other sectors. Contestable funding would be used to pursue defined policy goals of OEH.

**Option 3:** **The Program could be separated into activities that support government (state and local) related outcomes and those that support non-government sectors.** One benefit of this approach is that government can make a significant impact in the marketplace through its footprint and purchasing power. Dedicating some funding to support activities which assist government make a tangible impact can optimise

funding in ways that scattering funding across various private and NGO sector activities cannot. This would also support the Government Resource Efficiency Policy (GREP). Under this option the *sustainable government and local green economies (sustainable choice) sub-programs* would be with the government stream of activities.

- Option 4:** **The Program could be terminated and funding diverted to the OEH consolidated expenditure.** One benefit of this is that it would subject the funding to the normal budget allocation process to improve financial management and activity selection discipline. However, this may reduce the capacity of OEH to support innovative approaches to issues such as behaviour change, where such approaches did not meet the normal expenditure criteria applied during the budget allocation process.