Environmental Trust
Major Projects program review
Final report
July 2019

NSW
GOVERNMENT

Natural Resources Commission

Enquiries

Enquiries about this report should be directed to:

List of acronyms

The Commission	Natural Resources Commission
The Program	Major Projects Program
The Trust	The NSW Environmental Trust

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1   Executive summary

The NSW Environmental Trust's (the Trust's) Major Projects Program (the Program) is one of the NSW Government's largest environmental funding programs. At the time of the evaluation (December 2018) active projects were valued at over $255 million. The Program accounted for 56 percent of the Trust's total grant funding in 2017/18.[1] It is a long standing program, first established in 2005 as a strategic grants funding stream designed to address large scale and highly complex issues.[2] The Program currently has four funding streams, including strategic projects (formerly known as 'sunset' projects), ongoing projects, new government priorities and unsolicited projects. Project funding in each of these streams ranges from $225,000 to over $60 million.

In line with good governance, the Trust commissioned a review to ensure the Program's decision making processes are sound, fit for purpose and maximise public value from the Trust's considerable investment.

The Trust engaged the Natural Resources Commission (the Commission) to conduct this review. The Commission was asked to review the Program's current governance processes to assess how well they align with best practice and recommend improvements where appropriate.

The Commission's review comprised the following four lines of inquiry:

1   How appropriate are the Program's processes for selecting priority issues to fund projects?

2   How appropriate are the Program's processes for selecting projects for each funding stream?

3   How effective are the Trust's processes for program and project oversight?

4   In what ways can the Program be improved in the future?

For further detail on the evaluation framework, see **Attachment 1**.

1.1   Key findings

The Commission found the Trust has established sound processes to govern the Program and there is ample evidence of robust Program design and oversight including:

-   The process for selecting priority issues (Prospectus[3]) is comprehensive, involves expert stakeholders and includes technical review.

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[1]   NSW Environmental Trust (2019) *Major projects as a percentage of total Environmental Trust grants expenditure,* NSW Environmental Trust internal document, unpublished.

[2]   NSW Environmental Trust (2016) NSW Environmental Trust Annual Report 2015-16, Office of Environment and Heritage. Available at: https://www.environment.nsw.gov.au/research-and-publications/publications-search/nsw-environmental-trust-annual-report-2015-to-2016.

[3]   The Trust has established a biennial, consultative approach known as the Prospectus to select priority issues suitable for funding under the strategic projects stream, and then select projects to fund. The document put forward for funding consideration is called the Prospectus.

- The priority issues and projects identified in the Prospectus are well justified and clearly evaluated against the Trust's objects and funding guidelines.

- The co-design approach used with potential grantees to develop projects, is a key strength of the Program, particularly given the size and complexity of projects.

- The engagement approach with stakeholders and grantees throughout prioritisation, selection and oversight processes were highly valued.

- A key strength of the Prospectus consultation and co-design approach was that it encouraged collaboration between agencies and other stakeholders, which is an important factor in effective natural resource management.

- Program governance and accountability measures for projects are well designed and align with Australian standards for grants management. This includes sound business cases, grant agreements, evaluation measures and mechanisms to review project progress.

- The subcommittee processes align with Trust requirements, are effective and provide robust governance and accountability measures. A key strength of sub-committees is their review of detailed business cases and involvement in oversight processes. There is a genuine commitment to continuous improvement throughout the staff demonstrating the strong culture of a learning organisation dedicated to delivering best value for money in grants administration.

The Commission found there were opportunities to improve strategic Program governance in order to support the Program to better achieve Trust objectives. In particular, the Program itself does not have a documented logic or strategy to guide its investment. In the absence of a strategy, the Commission identified a range of objectives that are known but not clearly documented. Without clear program objectives, it is difficult for the Trust to determine if priority issues identified in their Prospectus process are meeting the Program's underlying investment objectives. Clear objectives will inform future design of the prioritisation and selection processes for each funding stream and align the Program with good practice.

Of the Prospectus processes reviewed by the Commission, the most recent process, in which priority issues were identified for the strategic projects stream, was considered the most rigorous and well-structured. Of the Program participants surveyed by the Commission, 80 percent were very satisfied or satisfied with the process and involvement of relevant experts. However, opportunities remain to improve the Prospectus process, including broadening stakeholder participation in workshops and improving communication to participants about the process. These opportunities are to build upon what is already a strong process.

The Commission found that there is clear internal evidence of funding priorities, eligibility criteria and merit assessment to support project selection for each funding stream. However, this guidance was not published or easily accessible to stakeholders or grantees to inform their business cases[4]. There are also opportunities to improve processes to develop, select and fund projects to increase the stream's transparency, openness and efficiency.

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[4]   Potential grantees of Major Projects complete 'business cases' for funding consideration. Business cases serve the purpose of funding applications used for traditional contestable grants programs in the co-design process (**See Box 4**).

The Commission recommends the Trust postpones undertaking an extensive consultation process for the 2020 Prospectus process until the program strategy is developed and the funding stream priorities are clarified.

The Commission found that the general design of the strategic (formerly sunset) projects, ongoing projects and new government priorities funding streams were sound and should continue to be funded. We also recommend some improvements to the funding stream assessment processes. However, the Commission considers that the unsolicited funding stream was not well promoted or well designed to maximise public value and should be redesigned or ceased. The Commission recommends replacing the unsolicited stream with an open innovation stream if innovation is established as a core priority in the Program strategy. Alternatively, this stream could be simply ceased and innovation encouraged in the strategic projects stream.

Program oversight is conducted according to good governance principles and the Trust's approach to engagement with participants and sub-committee members was highly valued. However, there is evidence to indicate there are insufficient resources to manage the Program, with Trust staff experiencing high workloads due to the increase in projects to manage. Currently, the staff costs allocated to the Program's administration represent just 3.6 percent of its total costs, which is lower than accepted good practice. For example, the Victorian Department of Treasury and Finance recommends 5 percent allocation as a minimum for program administration. Given the substantial levels of investment being made through the Program, these concerns require close attention.

1.2 Recommendations

The Commission's recommendations to improve program governance in order to support Trust objectives are summarised below.

Recommendations

1   Improve program design by:

  a) developing a formal program strategy and logic to clarify:

   i)   program and funding objectives

   ii) priority issue identification processes

   iii) selection and assessment processes

   iv) review and evaluation processes every three to five years.

  b) developing a program communication strategy and publishing information (where possible) about the Program to guide stakeholders and potential grantees and increase the Program's transparency.

2   Maintain the strategic projects stream and improve its processes by:

  a) clarifying the stream's funding priorities including:

   i.   funding objectives
   ii.   decision making processes
   iii. issue and project assessment criteria
   iv.   project lead selection criteria

  b) if investing in the most significant environmental issues remains the core priority, continue to develop these projects in the short term

  c) reviewing business case templates to ensure they are simple to use and clearly expressed for grantees and sub-committee members whilst maintaining their current high standard

  d) considering a more formal analysis of project's costs and benefits to assess project value for money

  e) continuing to consult with key stakeholders and experts in the development of priority issues and projects for funding in the Prospectus process

  f) undertaking a stakeholder mapping process to broaden stakeholder participation in stage 1 workshops by including representatives from regional agencies and communities, Aboriginal groups, industry and philanthropic organisations

  g) considering complementary approaches to workshops (e.g. online consultation surveys) to reach groups with limited capacity to attend workshops

  h) communicating more openly with stakeholders and participants key information about the funding stream priorities and Prospectus process

  i) postpone the 2020 Prospectus process until the Trust has had the opportunity to develop a program strategy and clarify funding stream priorities.

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3 Maintain the ongoing project stream and improve its processes by:

a) documenting how the Trust selects projects for funding consideration

b) developing criteria to assess the eligibility and merit of projects

c) providing all strategic project grantees the opportunity to consider their eligibility for ongoing funding.

4 Maintain the new government priorities stream and improve its processes by:

a) developing a clear set of processes and decision making criteria for the funding stream in line with the Program strategy

b) proactively engaging the Minister for Energy and Environment in identifying priority issues.

5 Cease the unsolicited funding stream and replace it with a stream in line with the Trust's priorities and risk appetite:

a) in developing the Program strategy consider the merit of designing a transparent and agile stream to allocate funds to innovative 'game-changing' projects

b) if innovation is a core priority, set and accept a higher risk appetite and administrative approach for the innovative stream

c) the Trust should consider establishing a dedicated budget up front for this stream

d) if innovation is not a core priority but a desirable preference, encourage innovation within the strategic projects stream

e) if the Trust considers developing an emerging issues funding stream is a priority, design a transparent process that aligns with good practice, including milestone based payments.

6 **Improve Program oversight processes by**:

a) maintaining the current high standard of governance to ensure the Program objectives are achieved and risks are appropriately managed

b) identifying project risks and match review and oversight processes to risks with the aim of streamlining the administrative burden

c) examining the workload of sub-committees and consider ways to simplify documentation and examine if reimbursements for non-government committee members are adequate given the substantial time required to review projects

d) clarifying and documenting the criteria used to review business cases and plans, to support sub-committee members

e) initiating mid-term evaluations for higher risk, higher cost and longer term projects

f) examining ways to allocate additional resources to enable staff to adequately oversee the Program and manage risks.

2   Context

This chapter provides an overview of the Commission's review and relevant background information in relation to the Program. The following chapters of the report outline the Commission's key findings and recommendations on:

- the overall Program design

- each Program funding stream (strategic projects, ongoing projects, new government priorities, unsolicited projects

- the Program oversight processes.

The Trust awards grants for environmental projects and grant implementation in order to meet a broad range of objects, which are listed in **Box 1**. The Trust engaged the Commission to review the current program design, processes and governance to assess how well they align with best practice and recommend improvements where appropriate.

Box 1: Objects of the Trust[5]

The objects of the Trust are to:

- encourage and support restoration and rehabilitation of projects in public and private sectors that are likely to prevent or reduce pollution, waste stream or environmental degradation in NSW

- promote public and private sector research into environmental problems in NSW, particularly local solutions and the discovery of new methods to increase public awareness

- promote environmental education to encourage development of programs in public and private sectors

- fund acquisition of land for national parks and other categories of dedicated and reserved land for the national parks estate

- fund the declaration of areas for marine parks and for related purposes

- to promote waste avoidance, resource recovery and waste management (including funding enforcement and regulation of local government programs)

- fund environmental community groups

- fund purchase of water entitlements to increase environmental flows for the State's rivers and restoring and rehabilitating major wetlands.

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[5]   Environmental Trust Act (1998) Part 2, Section 9. Available at:
https://legislation.nsw.gov.au/#/view/act/1998/82/part2/sec9.

2.1 Review scope

The Commission's review focused on the Program's current design and governance processes, rather the individual projects funded and the outcomes achieved. The review scope includes the processes the Trust has used to:

- select priority issues
- recommend projects for funding
- monitor and evaluate projects
- communicate with stakeholders
- provide project oversight.

The scope also includes the Program's four funding streams (see **Section 2.4**), with the primary focus being on the largest funding stream – strategic projects (formerly sunset projects) – and the processes for selecting the priority issues and projects for funding under this stream, known as the Prospectus.

The Trust overall program governance and broader stakeholder consultation processes are not included in the scope of this review.

The Commission formally acknowledges that The Trust has allocated the Commission funding for coastal rivers and wetlands research from the 2018 Prospectus and may have a perceived conflict of interest. This was discussed with the Trust and not considered a barrier to undertake this review.

2.2 Review approach

The Commission's approach was based on an evaluation framework and methodology developed in consultation with the Trust. The framework comprised four lines of inquiry:

1 How appropriate are the Program's processes for selecting priority issues to fund projects?

2 How appropriate are the Program's processes for selecting projects for each funding stream?

3 How effective are the Trust's processes for program and project oversight?

4 In what ways can the Program be improved in the future?

Further detail on the evaluation framework is provided in **Attachment 1**.

In addition, the Commission assessed the Program's governance processes against good practice. This assessment drew on relevant guidelines put forward by the Australian Government, Australian Institute of Grants Management, Australian National Audit Office, the NSW Ombudsman and the Commission's standards for quality natural resource management.

To collect data to address the questions in the framework, the Commission conducted workshops, semi-structured interviews and online interviews (using the survey provided in **Attachment 2**). The Commission also analysed over 50 Trust documents. **Attachment 3** provides a summary of data collection methods.

2.3   Program funding principles

The Trust identifies issues and projects to fund through consultation with key stakeholders. The Program's funding principles (outlined in **Box 2**) guide the types of projects that are eligible for funding.

Box 2: Major Projects Program funding principles

Projects funded under the Major Projects funding:

- must target actions that actually fix a problem or significantly change the way those that do business around the problem (i.e. be a 'game-changer')

- most suitable for proof of concept, niche filling (where no other funding is available), early intervention of emerging issues (where early injection of resources will allow innovation and address a persistent problem), actions that provide a platform for further action, additionality or complementary actions, especially where we can foster co-contributions, strategic collaborations and longevity of outcomes

- must meet the objects of the *Environmental Trust Act* and priorities of government

- must demonstrate additionality (i.e. outcomes over and above what would ordinarily happen)

- cannot be core business/cost shifting/replacement funding/ongoing maintenance or to fix policy program failings[6].

2.4   Program funding streams

The Program is comprised of four funding streams – strategic projects (formerly sunset projects), ongoing projects, new government priorities, and unsolicited projects – each of which has separate funding guidelines. The funding streams and guidelines were established in 2013 to ensure an informed and defensible approach to grants management and funding decisions and provide greater clarity for grantees.[7] The following sections provide more detail on these streams.

Strategic projects

Strategic projects is the Trust's 'proactive' funding stream.[8] The Trust undertakes a comprehensive biennial consultation and workshop planning process for this funding stream known as the Prospectus. The two yearly timeframe allows adequate time for the Trust to set strategic direction with stakeholders and undertake comprehensive analysis of issues. Through this process, the staff work with stakeholders to identify priority environmental issues for the Trust to consider for funding and co-designs projects with potential grantees. These issues and projects are presented to the Trust and the Minister for Energy and Environment as Chair of the Trust for approval.

Once approved, grants to deliver the projects are awarded, which are typically valued at $2-5 million over multiple years. Grants may be awarded through a contestable process or a direct

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[6]   NSW Environmental Trust (2013*) Major projects funding principles*, Environmental Trust internal document, unpublished.

[7]   NSW Environmental Trust (2013) *Funding strategy for major programs/projects Environmental Trust meeting agenda item 5*, Environmental Trust internal document, unpublished.

[8]   *Ibid.*

negotiation process where Trust administration can identify an obvious project lead for the project.

Ongoing projects

The ongoing projects stream includes long term projects that are funded for multiple years.[9] In general, these projects address priority environmental issues identified by the Trust as eligible for continuous funding, as they remain generally unfunded priority environmental issues or relate directly to the Trust's objects as an issue of concern or priority. The Trust usually reviews funding for ongoing projects every three years.

New Government priorities

New government priorities projects can be brought by the NSW Minister for Energy and Environment to the Trust for consideration and approval. They typically address environmental issues that are a high priority or complement a new policy or legislative framework but which fall outside the strategic projects stream due to timing constraints.[10] The Trust has the option to undertake a biennial consultation and planning process with the Minister for Energy and Environment to identify priority issues to fund. There is no allocated budget for this stream, and funds are not guaranteed to be available from the Trust however if approved, the funds are to be expended within the same financial year.

Unsolicited projects

The unsolicited projects funding stream provides an opportunity for organisations to approach the Trust for project funding outside of any formal call for submissions. Applications are accepted in November and must demonstrate how the project aligns with the Trust's objects and NSW Government priorities and that the project does not meet the funding criteria for other grant programs. There is no allocated budget for this stream, and funds are not guaranteed to be available from the Trust however if approved, the funds are to be expended within the same financial year.

2.5   Program governance arrangements

The Program's governance is provided by the Trust administration, the Trust technical sub-committees, the Trust Secretary, the Trust and the NSW Minister for Energy and Environment, each of which are responsible for overseeing different aspects of its management.

2.5.1   Trust administration

The Trust administration is responsible for the day-to-day administration of the Program and communication with grantees and stakeholders. As part of this role, it:

- prepares governance documents (for example, project business cases, funding guidelines, reporting templates)

- coordinates the assessment processes, including the Prospectus stakeholder consultation process

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[9]   NSW Environmental Trust (2013) *Governance Procedure for Environmental Trust Funding of Ongoing Major Projects*, Environmental Trust internal document, unpublished.

[10]   NSW Environmental Trust (2013) *Governance Procedure for Environmental Trust Funding of New Government Priorities Projects,* Environmental Trust internal document, unpublished.

- co-designs detailed business cases with potential grantees and prepares submissions for Trust approval

- supports the sub-committees in fulfilling their project oversight role

- prepare advice for the sub-committee on the administrative and governance aspects of business cases and progress reports

- coordinates project reporting and evaluation.

The Trust staff advised the Commission that the ongoing staff resources allocated to the Program are one team leader, two senior project officers and two project officers, which represents 3.6 percent of the overall Program budget[11]. The Trust also engages independent facilitators to support the Prospectus workshop process.

2.5.2   Trust technical sub-committees

The Trust established nine sub-committees (**Table 1**) to fulfil the legislative requirements of the *Environmental Trust Act 1998*[12] to include community and industry representatives in the assessment and oversight of projects. The role of the sub-committees is to review project business cases and plans, provide advice to the Trust and review and monitor project implementation.[13] Where required, individual experts are invited to provide reports and/or attend sub-committee meetings to provide advice on technical issues or projects.

Table 1: List of sub-committees established to oversee projects [14]

Committee	Total members
Aquatic	7
Biodiversity and green corridors	10
Communities and sustainability	8
Environmental hazards	8
Nature based tourism	5
Offsets	7
South coast forests	6
Waste and recycling	7
Flying foxes	6

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[11]   The Trust staff advised the Commission that the ongoing staff resources allocated to the Program are one team leader, two senior project officers and two project officers, which represents around 3.6 percent of the average annual budget. The Trust also engages independent facilitators to support the Prospectus workshop process.

[12]   *Environmental Trust Act (1998) Part 2, Section 9.* Available at: https://legislation.nsw.gov.au/#/view/act/1998/82/part2/sec9.

[13]   NSW Environmental Trust (n.d.) *Guidelines for sub-committee members,* NSW Environmental Trust internal document, unpublished.

[14]   Trust staff advised:
- the waste and recycling committee finished in March 2019
- the environmental hazards committee will cease and become the contaminated land management subcommittee in 2019

2.5.3 Trust and Minister for Energy and Environment

The Trust[15] reviews and approves funding priorities and projects for funding. The Minister for Energy and Environment chairs the Trust which is comprised of four other members. In the Prospectus process, the Trust approves projects or project concepts to be developed into full business cases with stakeholders and recommends funding allocations to specific projects in the strategic projects, ongoing projects and unsolicited streams. The Trust has the option to recommend the Trust Secretary approves fully developed business cases where appropriate. The Minister for Energy and Environment can recommend the Trust consider funding priority issues under the new government priorities stream. The Minister for Environment and Energy has the option to announce successful projects.

2.6 Program statistics

Currently, the Program has allocated $255.1 million in grants to 48 active environmental projects across all funding streams **Table 2**.[16] The total funding allocated to this program since commencement is over $300 million.[17]

Of the currently active projects, 85 percent of total funding is allocated to projects overseen by the Office of Environment and Heritage.

Around 6 percent has been allocated to non-government organisations, such as research organisations (**Figure 1**). Almost 50 percent ($128.6 million) of total program funding has been allocated to land acquisition programs or biodiversity offsets[18] (**Figure 2**).

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Table 2: Active projects and grant allocations under the Program as at [2019][19]

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Funding stream	Number of projects	Total funding	Average grant per project
New government priorities	10	$18.9 million	$2.2 million
Ongoing projects	3	$72.2 million	$24 million
Strategic projects	30	$99.6 million	$33 million
Unsolicited projects	4	$2.05 million	$513,166 million
Other[20]	1	$62.4 million	$62.4 million
Total	**48**	**$255.1 million**	

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15   The membership of the Trust as per s 6 (2) of the Act includes the Minister (Chair), Secretary of Treasury, Chief Executive of the Office of Environment and Heritage, a person appointed by the Minister from a panel of 3 persons nominated by the Nature Conservation Council, and a person appointed by the Minister from a panel of 3 persons nominated by the Local Government and Shires Association of New South Wales.

16   Data provided to the Commission by the Trust.

17   Data provided to the Commission by the Trust.

18   The Trust is required to fund land acquisition for national parks to meet the Trust's statutory object in section 7 (d) of the *Environmental Trust Act.*

19   Data provided to the Commission by the Trust. Note that the number of projects in the strategic projects stream includes four projects from the current Prospectus process that do not have any allocated budget.

20   'Other' category – The Trust was asked to administer the Growth Centres Project on behalf of Government. It does not use the Trust's statutory allocation, but is a transfer of funds from Treasury to undertake the program. As it does not come under one of the four funding streams, it is listed under 'other'.

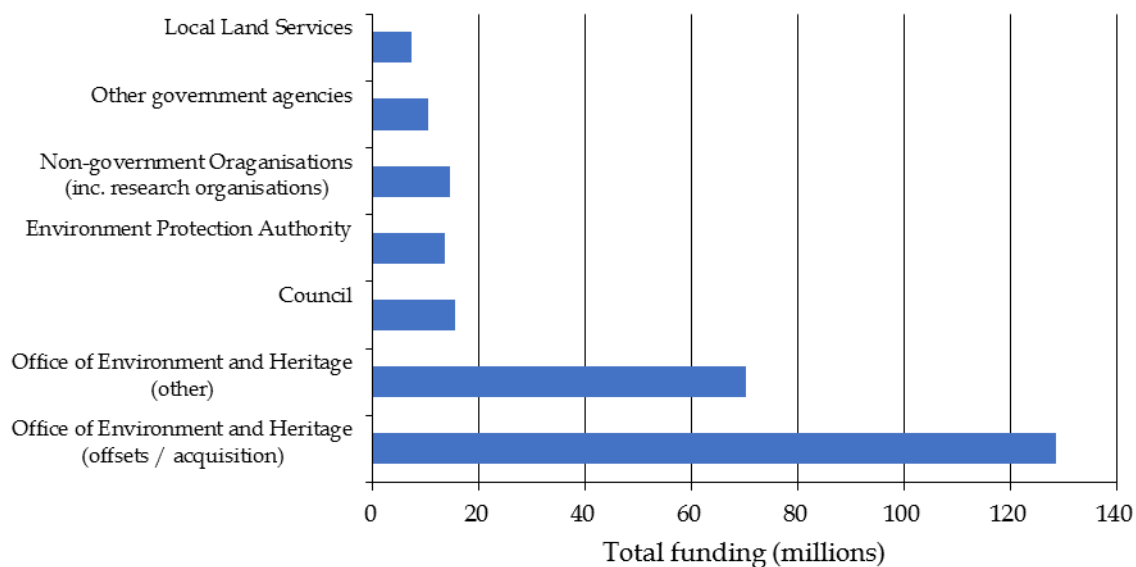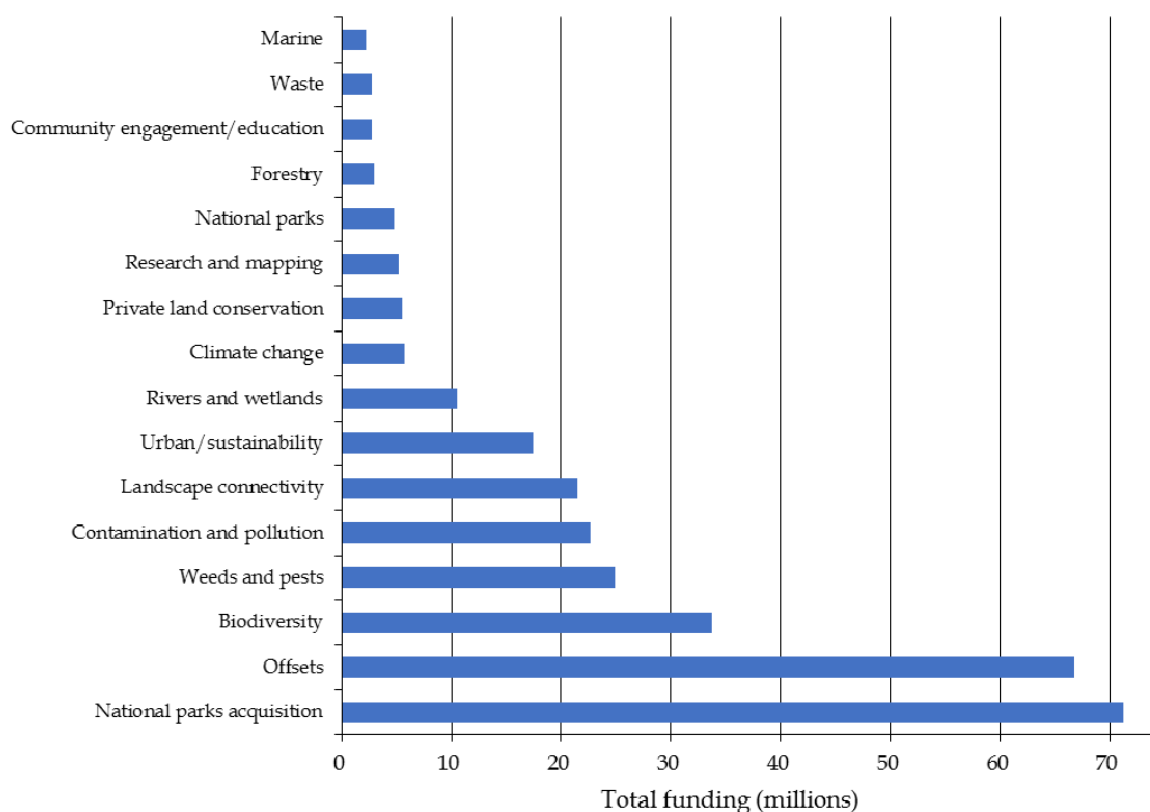**Figure 1: Total Program funding by recipient from 2005-2018[21]**

Figure 2: Total funding to different project areas/types from 2005-2018[22]

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21   Data provided to the Commission by the Trust.
22   Data provided to the Commission by the Trust.

3   Strengthen overall program design

This chapter outlines the Commission's findings and recommendations for the overall Major Projects program design. The Commission reviewed the key Program documentation with respect to their robustness and how well they support the achievement of Trust objectives.

In applying the evaluation framework, the Commission considered the overall processes established for the Program as well as the individual funding streams. The Commission identified a range of strengths in the processes, including:

- an established set of governance steps to guide investment processes

- comprehensive processes to identify priority issues and select projects for funding (particularly under the strategic projects stream)

- well-established governance and accountability measures

- the involvement of expert external reviewers and stakeholders.

However, the Commission also identified two opportunities to improve the overall program processes to better support the Program to achieve the Trust's objectives. These include:

- developing a formal program strategy and logic to clarify the program objectives and better guide the investment decisions and project selection processes across all funding streams

- publicising the Program's objectives, funding principles, funding streams and eligibility or merit criteria to improve transparency and attract a wider range of non-government stakeholders and potential project proponents.

The sections below discuss the findings that underpin each of these opportunities.

3.1   Develop formal program strategy and logic

Program funding decisions are currently guided at the highest level by the Trust's objects (**Box 1**) and by a set of program funding principles at a practical level (**Box 2**). The Trust's Prospectus process for strategic projects fosters a 'bottom up' approach by engaging stakeholders in the identification of priority issues to fund. However, as the Trust acknowledges, the Program itself does not have clearly documented objectives or a program logic to guide investment towards specific types of projects or to where they might be most valuable and strategic.

It is possible to infer the Program's objectives from statements in key documents and the funding principles and interviewee responses. However, there were many objectives identified which creates a lack of clarity. For example:

- the Program's aim is described in key documents as 'to strategically invest in addressing large-scale, highly complex issues'[23] and to address 'well-defined problems where lasting change is possible'[24]

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[23]   NSW Environmental Trust (2016) NSW Environmental Trust Annual Report 2015-16, Office of Environment and Heritage. Available at: https://www.environment.nsw.gov.au/research-and-publications/publications-search/nsw-environmental-trust-annual-report-2015-to-2016.

[24]   NSW Environmental Trust (2018) *Invasive species eradication for biodiversity workshop: context setting,* NSW Environmental Trust internal document, unpublished.

- the funding principles suggest program funding is most suitable for innovative projects that provide "proof of concept, niche filling, early intervention of emerging issues" and that it must target actions that are "game-changer(s)."

Without clarification, the different aims represented by these objectives make it difficult for the Trust to identify critical issues and projects within the four funding streams. For example, "large-scale, highly complex issues" suggests the Program's main aim is to tackle the most material and difficult issues, whereas "well-defined problems where lasting change is possible" suggests it is to address the most clear-cut and manageable ones.

Our analysis of funding allocations (**Figure 2**) showed that significant funds were allocated to biodiversity offsets and conservation. Historically the Trust managed these funds for the NSW Government, however once the Biodiversity Conservation Trust was established in 2017, it was agreed the Biodiversity Conservation Trust would take responsibility for biodiversity offsets and associated funding (commencing June 30 2019).[25]

The range of Program objectives are also evident in Trust staff and committee members' responses when asked to describe the Program's investment objectives (see **Box 3**). For example responses ranged from funding projects that have an impact and are 'outcomes-focused' to 'trialling new and innovative approaches' and funding 'higher risk' and 'game-changing' projects."

Box 3: Evidence of program objectives from interviews

Trust staff and sub-committee members' responses when asked to describe the Program's investment objectives included:

- "[The Program is] designed to have an impact and solve difficult problems….a vehicle to tackle significant change."

- "Strategically investing in an area to kick start or trial something different."

- "Higher risk and 'game-changing' projects."

- "Longer term projects that are outcomes focused."

- "[The Program should] bring stakeholders together to collaborate on key issues."

Some of the staff and stakeholders interviewed identified that a lack of clear objectives and program logic is a key area to improve in order to support the Program in meeting the Trust's objects and aligning with best practice. For example, Australian Government grants management guidelines highlight that successful grants programs require clearly stated aims, objectives and performance measures. In particular[26]:

- the rationale for providing the grants and the outcomes expected from them should be clearly articulated

- the operational objectives should be clearly linked to government outcomes and the grant provider's strategic goals and directions.

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[25]   NSW Environmental Trust (n.d.) *Annual update major projects attachment a Trust paper,* NSW Environmental Trust internal document, unpublished.

[26]   Department of Finance (2017) *Commonwealth Grants Rules and Guidelines 2017,* Commonwealth of Australia. Available at: https://www.finance.gov.au/resource-management/grants/

In addition, the Australian National Audit Office considers that "a clear link between the objectives of [a] grants program and the selection criteria" is important to ensure that the selection process will focus on funding applications that will contribute to the desired outcomes in a cost-effective manner.

The Commission considers that the Trust could significantly improve the Program's overall design by developing a formal strategic program logic that clarifies core objectives and links these to its expected outcomes and performance indicators. This logic will improve prioritisation of issues and project selection processes across all funding streams and facilitate assessment of the Program's contribution to achieving the Trust's objects.

The Commission recommends once the Program strategy is developed, the Trust reviews the Strategy every three to five years to ensure the Program continues to align with Trust and Government priorities.

3.2 Publicise Program's objectives, funding principles, and eligibility criteria

Apart from the high-level information on the Trust's website and information provided to Prospectus workshop participants, the Commission found that only limited information about the Program was publicly available. For example, the Commission could not find publicly available documents relating to the Program's objectives, investment priorities, funding principles and project selection criteria. The main limitations identified were that:

- the publication and promotion of the Program's funding decisions appears to be driven by agency-level media decisions, rather than the Trust's decisions

- the Trust does not appear to have a Program communication strategy to guide decisions about what information is published and promoted and the information provided on its website is limited

- as indicated in **Section 8.3**, the Trust does not have a clearly documented process for publishing project investigative research reports and evaluation reports and, where these reports are made available, it is not made clear that they were funded under the Program.

A lack of publicly available material limits the Program's transparency and the defensibility of its funding decisions. This also limits the scope of the Program's engagement with stakeholders and potential grantees. For example, by not publicly communicating its interest in funding 'game-changing' projects under the Program, the Trust may be limited in identifying innovative projects that fit this profile or stakeholders to collaborate with.

The Australian Government emphasises the importance of publishing straightforward eligibility and merit criteria for grants programs and providing a single reference point for guidance documents including policy guidance, administrative procedures, assessment criteria and evaluation strategies.[27] Some Trust programs meet these requirements, however overall it is not consistent practice.

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[27]   Department of Finance (2017) *Commonwealth Grants Rules and Guidelines 2017,* Commonwealth of Australia. Available at: https://www.finance.gov.au/resource-management/grants/.

The Commission considers that, once the formal program strategy and logic have been developed, the Trust develop a communications strategy and increase the amount of information publically available on the Program. At a minimum, this would include website publication of:

- program objectives

- application processes and criteria for business cases

- program context and history

- high-level program investment (for example, the number and size of projects)

- links to case studies and/or evaluations of projects funded by the Program.

3.3   Recommendations

1   Improve program design by:

  a) developing a formal program strategy and logic to clarify:

      i)   program and funding objectives

      ii) priority issue identification processes

      iii) selection and assessment processes

      iv) review and evaluation processes every three to five years

  b) developing a Program communication strategy and publishing information (where possible) about the Program to guide stakeholders and potential grantees and increase the Program's transparency.

4   Further improve the strategic projects funding stream

This chapter outlines the Commission's findings and recommendations for the strategic projects funding stream. The Commission reviewed the process for identifying priority issues and projects with respect to their robustness and how well they support the achievement of Trust objectives.

Strategic projects is a significant funding stream in the Program. Together, the grants allocated under this stream are worth $100 million, or 39 percent of the total value of grants allocated under the Program. The Trust administration has established a biennial, consultative approach known as the Prospectus to select priority issues suitable for funding under the strategic projects stream, as well as to select and fund projects to address these issues.

The Commission reviewed the 2018 Prospectus (outlined in **Box 4**) to assess the appropriateness of the process and to identify opportunities for improvement. In particular, the review focused on how well the Prospectus supports the Trust in achieving its objects and aligns with accepted good practice for grants programs.

Overall, the Commission found that the 2018 Prospectus was robust and identified the following key strengths:

- feedback from interviewees consistently indicated the 2018 Prospectus was the most rigorous and well-structured to date

- the selection process is well designed to identify the 'most significant' environmental issues facing NSW and fostered cooperation between stakeholders

- funding recommendations were presented to the Trust Board with an assessment that reflected the Trust's objectives[28]

- multiple expert reviewers were involved in assessing priority issues and projects, which increased the objectivity of the assessment.

While sound, the Commission identified opportunities to further strengthen the Prospectus and better align the strategic projects funding stream with good practice. Opportunities include:

- clarifying the stream's funding priorities within the context of the formal Program design and logic recommended in **Chapter 3**

- clarifying and document the criteria for assessing and selecting the issues and projects for funding (**Table 3**)

- broadening stakeholder participation in stage 1 workshops and improving stakeholder communication

- improving the processes in stage 2 (develop, select and fund projects) by increasing transparency, openness and efficiency.

The sections below discuss the findings that support each of these opportunities.

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[28]   To support Ministerial decisions the NSW Government's *Good practice guide to grants administration* emphasises assessment of how well an application aligns with program goals, value for money, availability of program funds and a full justification which is documented.

Box 4: Key stages in 2018 Prospectus

1   Select priority issues

    a)   Identify significant environmental issues via consultation with stakeholders

- three workshops were held in Sydney, attended by 41 stakeholders from government, industry, academia and the community

- an independent facilitator assisted participants in each workshop to identify and vote on the most important issues affecting the environment in NSW

- the results from three workshops were synthesised into 66 issues for further review.

    b)   Assess significant issues to identify priority issues for Trust consideration and approval

- Trust staff assessed the importance of 66 issues, drawing on information from a desktop analysis, and assigned each issue a priority classification[29]

- the 18 issues classified as 'high or very high' were presented to the Board as an issues matrix[30] to consider

- the Trust approved six priority issues to be further scoped for the Prospectus in January 2018

- the Trust approved an additional issue identified in the unsolicited stream to be included in priority issues to be scoped in March 2018.[31]

2   Select and fund projects

    a)   Develop the priority issues into prospective projects via targeted consultation with stakeholders

- Trust staff identified key experts and stakeholders to be consulted and invited to workshops to identify priority issues for funding

- Trust staff prepared a paper on each of the seven priority issues and provided to participants pre-workshop to support the process

- an independent facilitator was engaged to run workshops to develop a prospective projects to address each of these issues, attended by more than 100 technical experts

- Trust staff determined the best delivery model for each prospective project and identified project leads where necessary.

    b)   Co-design each prospective project in collaboration with project leads

- Trust staff engaged with project leads to co-design projects based on the Trust's business case template

- each business case was required to justify the significance of the issue the project will address and set out the project's contribution to Trust.

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[29]   NSW Environmental Trust (2017) *Background paper – issues analysis for Trust Prospectus,* Environmental Trust internal document, unpublished.

[30]   Recommendations for scoping were based on an analysis of how the issue linked to other issues, Trust investment (past and present), availability of other funding sources, whose core responsibility the issue was, strategies that informed the issue and potential for duplication/saturation of the issue, evidence of gaps and opportunities.

[31]   Trust interviewees noted that an unsolicited issue was transferred to the strategic projects Prospectus scoping process.

objectives, program logic, risk assessment, milestones and dissemination plan

- Trust staff also conducted detailed analysis of each project's business case and assessed its benefits and dis-benefits, risks and expected outcomes

- a business case and analysis for all projects was presented to Trust Board in a prospectus document.

c) **Approve and announce projects[32]**

- the Trust reviewed the Prospectus document and approved projects for funding

- where the Trust chose to delegate, the Trust Secretary approved detailed business plans

- the Minister for Energy and Environment can announce successful projects

- project leads are notified.

4.1 Clarify the stream's funding priorities in the context of Program design and logic

Overall, the Commission found that the prospectus was a sound process that effectively enabled the Trust's high-level objects to be translated into viable on-ground projects. In this respect, it clearly supported the selection of issues and funding of projects that align with these objects.

However, the Commission could not assess whether the process led to the identification and selection of issues that best supported the achievement of these objects without an overall Program strategy. The Commission considers that:

- if the Trust's priority for the stream is primarily to fund projects that tackle 'the most significant' and 'large-scale' issues, then the 2018 Prospectus process was largely well-designed and remains fit for this purpose in the 2020 Prospectus, with some refinements **(See 4.1.1)**

- if the Trust's priority is also to fund 'game-changing' and innovative projects, then the process has some limitations and the 2020 Prospectus will need to be refined to better support the identification, development and funding of projects that meet these other priorities **(See 4.1.2)**.

In either case, clear documentation of the strategic projects stream's funding priorities would guide the investment and decision making processes to identify or select projects that align with Trust objectives.

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[32]   Note that the process as described for the current Prospectus process (i.e. business case development and approval by the Trust Board, followed by sub-committee review) differs from that documented in Trust governance procedures. These indicate that the process happens in reverse, with sub-committees' role being to 'assess the technical merits of a project and make recommendations to the Trust.' This requires clarification

4.1.1   2018 Prospectus largely well-designed if priority is to fund projects that tackle most significant issues

Despite the lack of documented funding priorities, there is evidence that the 2018 Prospectus was designed primarily to develop and fund projects to tackle 'the most significant' environmental issues facing NSW. For example:

- In stage 1, stakeholders participating in the workshops were asked to identify significant issues and rank them based on their priority.[33] Trust staff also conducted a desktop analysis to verify the importance of the identified issues and used this information to assign each issue a priority classification.[34]

- In stage 2, the business case template required justification of the significance of the problem the project addressed.

If, after clarifying the overall program logic, the Trust decides the main priority of the strategic projects stream is to fund projects that address the most significant and large-scale issues, then the 2018 Prospectus process remains appropriate and fit for purpose. Given this, the Trust should continue to scope priority issues identified through the Prospectus 2018.

The Commission recommends the Trust postpones undertaking an extensive consultation process for the 2020 Prospectus process until the program strategy is developed and the funding stream priorities are clarified.

However, the Commission notes that framing the priority as funding the 'most important' or 'most significant' issues, without considering whether these issues are also 'tractable', could potentially reduce the impact of this funding stream. The current assumption appears to be that tackling the largest problems has the largest potential for impact but this might not be the case. The Commission considers that the Trust should consider the feasibility or potential for impact when prioritising these issues.

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[33]   NSW Environmental Trust (2017) *Issues analysis for Trust Prospectus,* Environmental Trust internal document, unpublished.

[34]   NSW Environmental Trust (n.d.) *Issues analysis for Trust Prospectus,* NSW Environmental Trust internal document, unpublished.

Table 3: Evidence of criteria used to assess issues and projects for funding in the prospectus document

Stage and step	Description	Criteria
1a) Identification of significant issues	Workshop participants asked to rank issues by priority	▪ Very high, high, moderate, low.
1b) Assessment of significant issues	Trust staff assess issues to assign priority classification	▪ linked sub-issues/contributing factors ▪ history of Trust investment (completed projects) ▪ current Trust investment ▪ investment from other funding sources for the issue ▪ analysis of who has core responsibility for the issue ▪ gaps and opportunities, including scope and evidence of opportunities.
2a) Develop priority issues into prospective projects	Standards for scoping projects[35]	▪ Governance standards (excellence in accountability, transparency, probity) ▪ use of best available knowledge to inform decisions ▪ determination of scale (spatial, temporal, institutional) ▪ opportunities for collaboration ▪ community engagement, including volunteering ▪ risk management (criteria for determining risk for Trust projects) ▪ monitoring and evaluation, demonstrating progress towards goals and targets ▪ accountable information management.
2b) Co-design projects	Trust staff analysis of business cases	▪ benefits: project integrates an approach, reduce costs, testing new approaches, practical tool development, and address critical knowledge gaps ▪ dis-benefits: issues may be contentious, solution may receive negative feedback, differing opinions on solutions ▪ risks: effectiveness of solution, lack of adoption of solution, end users not engaged in the results ▪ expected outcomes: program logic assessment.
2 c) Justification of projects for funding	Requirement for inclusion in business case	▪ significance of the problem (the NSW environment, industries, potential impact, policies) ▪ contribution to the Trust objectives ▪ outcomes hierarchy (outcomes, evidence, assumptions, evaluation questions, performance indicators, targets, performance information).

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[35] These standards reflect the Commission's *Standard for quality natural resource management*.

Stage and step	Description	Criteria
		▪ projects must have a dissemination plan to communicate findings
		▪ Milestone schedule
		▪ risk assessment.

4.1.2 2018 Prospectus has potential limitations if priority is to also to fund 'game-changing' and innovative projects

As **Chapter 3** discussed, the funding principles and other key documents suggest that the Program has multiple objectives. Several staff in interviews commented that an aim of the major projects program is to fund 'game changing' or innovative projects. This aim does not necessarily fit with the strategic projects stream's objective to tackle the most significant issues. On many occasions there will be strong alignment between innovation and tackling the most significant issues. On other occasions, the most effective means to tackle the most significant issue may be applying known good practice, for instance via a whole of government and community approach. As mentioned earlier, the Commission recommends the Trust clarify its objectives in a program strategy.

The Commission found evidence of Program investments supporting some innovative projects. For example the Trust invests in innovative projects that are 'early stage' small pilots to test ideas and prove their validity prior to making a large investment. This is good grant management practice. Also the Trust has invested in critical environmental issues that other agencies were not able to fund. The Trust 'consortia' model for project delivery while not innovative, is good practice as it brokered partnerships between stakeholders to address critical environmental issues.

If, after formalising the Program strategy, the Trust decides that one of its core objectives is to invest in 'game-changing' projects, then the 2018 Prospectus process is likely to have some limitations. For example:

▪ although the issues identified were assessed against potential gaps and opportunities in stage 1 of this process, no explicit criteria related to innovation were evident (**Table 5**)

▪ most stakeholders involved in the Prospectus process were NSW Government representatives, with very few from universities or industry or community (see **Section 4.3.1**)

▪ as some interviewees noted, the infrequency of the Prospectus process (currently biennially) may mean opportunities to fund innovative projects are missed.

To address these limitations, the Trust could build relationships with universities and key innovation stakeholders to promote ideas, information exchange and partnerships. It could establish new processes in addition to the Prospectus to identify and select 'game-changing' projects. An approach used by the NSW Roads and Maritime Services that may be adapted by the Trust is outlined in **Box 5**. This approach established an 'innovation network' and invites innovators and developers to pitch innovative solutions in road maintenance.

Another option the Trust could consider is creating a separate funding stream that focuses on innovative or 'game-changing' issues. This stream could be more open than the strategic

projects stream (for example, expressions of interest could be sought). Its funding rounds could be more frequent, to enable the Trust to be more agile and responsive to opportunities.

However, any additional funding stream will need to be adequately resourced, including any additional support needed to scope 'non-traditional' projects. The Commission recommends that if the Trust determines that innovation is a core priority the existing unsolicited projects stream could be replaced with an open innovation stream with regular funding rounds (see **Chapter 7**).

<p align="center">**Box 5: Summary of the NSW Roads and Maritime Services innovation network[36]**</p>

Program name and organisation	Description
Innovation network: innovating regional road maintenance – NSW Roads and Maritime	Calls on industry partners, innovators and developers to pitch innovative solutions in road maintenance.
	The 'Top 10' submissions selected by NSW Roads and Maritime Services are invited to present their innovations to an expert panel comprising industry thought-leaders, a leading academic and inventor and Roads and Maritime executives.

4.2 Clarify and document criteria for selecting issues and projects

Various assessment criteria were applied throughout the Prospectus process (see **Table 3**), which were outlined in internal documents. The Commission found that these criteria generally reflected good practice. For example, they considered how issues and projects met Trust objectives, fostered additionality and focused on outcomes.[37] They also reflected the Commission's standards for quality natural resource management.[38] However, the criteria were not clearly documented or publicly available. In addition, criteria used to rank significant issues (step 1a) and assess the mix of projects included in the Prospectus document (step 2b) were challenging to apply.

4.2.1 Criteria not clearly documented or publicly available

Both Australian and NSW Government standards for grants programs emphasise the importance of[39]:

- establishing criteria for assessing project eligibility and merit criteria

- making these criteria available to potential grantees and other stakeholders

- providing clear and detailed guidance to potential grantees on the assessment and selection process before applications (in this Program business cases) are received.[40]

Whilst the Prospectus uses a co-design process to develop business cases with potential grantees rather than an application process, the Trust could still provide criteria and guidance at the outset of the co-design process to assist potential grantees to prepare their business cases.

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[36]   NSW Roads and Maritime Services (2018) *rewarding industry innovators to improve regional roads*. Available at: https://www.rms.nsw.gov.au/business-industry/innovation-network-initiative.html.

[37]   *Implementing better practices grants administration: Better Practice Guide*

[38]   Natural Resources Commission (2012) *Standard for quality natural resource management*. Available at: https://www.nrc.nsw.gov.au/nrm-standard-and-targets.

[39]   Department of Finance (2017) *Commonwealth Grants Rules and Guidelines 2017*, Commonwealth of Australia.

[40]   Commonwealth of Australia (2013) *Implementing better practices grants administration: Better Practice Guide*

As part of the Program design process, the Trust should clarify and explicitly state the criteria used to assess the eligibility and merit of projects. This would improve the funding stream's alignment with best practice and defensibility of funding decisions.

Although the Trust's decision-making processes were outside the scope of this review, the Commission notes that assessment criteria were also used to support the Trust's consideration of issues and business cases. However, no documentation was found on how the membership of the Trust uses these criteria to prioritise issues and select projects. The Commission considers that all decisions regarding funding should be documented to ensure the defensibility of funding decisions.[41]

4.2.2   Increase focus on assessing value for money

In interviews, both Trust staff and participants in stage 1 of the process noted that the criteria used to prioritise identified issues were challenging to apply and may be overly simplistic. Nearly 30 percent of participants noted that the objective of this process was only partially met or not met at all.[42] The Trust noted that there was a limited time to adequately research the identified issues.

Trust staff involved in stage 2 of the process also identified challenges in assessing whether the Prospectus projects that were submitted for Trust consideration were the 'right portfolio mix' and whether the mix of projects reflected value for money.

Value for money is an implied (but not guaranteed) outcome from developing effective projects. There is a strong focus on this through the co-design process. For example:

- funding principles emphasise solving problems, additionality of outcomes and 'game-changing' impacts

- there is a checklist for project development that draws on the Commission's standards for quality natural resource management and that encourages consideration of:

    - existing knowledge to inform project design (achieved through workshops, sub-committee review and document review)

    - the scale of the problem and solution (considered explicitly through workshops and review of existing knowledge)

    - opportunities for collaboration (considered in workshops and by encouraging a group (consortia) model for project delivery).

Analysis of documented processes and feedback from key stakeholders suggest that value for money is explicitly considered but that the process for doing this relies on expert knowledge and experience, instead of a clearly outlined method or analysis. The Prospectus assesses projects value for money (step 2b) and creates an implicit level of competition between projects with respect to the relative value they offer. The sub-committees also review the approved projects for value for money.

In cases where value-for-money projects cannot be clearly scoped because of uncertainties, the Program has funded initial rounds of investigative and research work to better define problems and their potential solutions.

Given the complexity and significant funding amount allocated to projects under the strategic projects stream, a more formal analysis of project costs and benefits would be good practice. This analysis would help the Trust evaluate the relative merit of a mix of projects.

The Commission recommends that, once the Program and funding stream priorities are clarified, the Trust should revise the assessment criteria to reflect these priorities.

4.3   Broaden stakeholder participation in stage 1

As noted in **Box 4**, consultation to identify issues in stage 1 of the 2018 Prospectus was primarily through a series of three workshops. These workshops involved 41 participants from a range of government and non-government organisations, including six members of the Trust's sub-committees. The workshops were the primary mechanism for selecting priority issues, supported by desktop analysis and assessment by Trust staff. The workshops enabled the Trust to canvas the most important issues and guide the Trust's selection of priority issues to scope for funding.

Feedback from Trust staff and sub-committee members suggests that the 2018 Prospectus process was more transparent and consultative than previous Prospectus processes, with the ranking step strengthening prioritisation. Positive participant feedback on the workshops included that:

"a lot was captured in a short space of time"

"structure led to lots of opportunity to input into issues. Scoping provided high level but also 'bottom up' information."

However, the Commission identified two key limitations, which were the:

- limited diversity among workshop participants, with most being NSW Government representatives at the state level

- lack of communication (due to confidentiality requirements) with workshop participants about the outcomes of the process.

In our interviews, both Trust staff and workshops participants raised concerns about limited diversity among the participants and limited geographic representation. As **Figure 3** shows, government agencies and not-for-profit organisations had the highest representation at workshops. In addition, our analysis indicates that:

- most of the government agency representatives worked in state-level roles and regional representation appeared to be low

- industry representation was very low

- no Aboriginal groups appear to have been represented.

One interviewee noted that the issues raised reflected the work areas of the invited participants. For example, people working in climate change identified climate change as a significant issue. The key implication is that the limited diversity of the participants may have limited the range of issues raised and influenced the priorities assigned to them. Whether this had a material

impact on the priority issues that were ultimately selected is unclear. However, increased diversity in this process would increase the likelihood that all significant issues are identified and further increase the defensibility of the process.
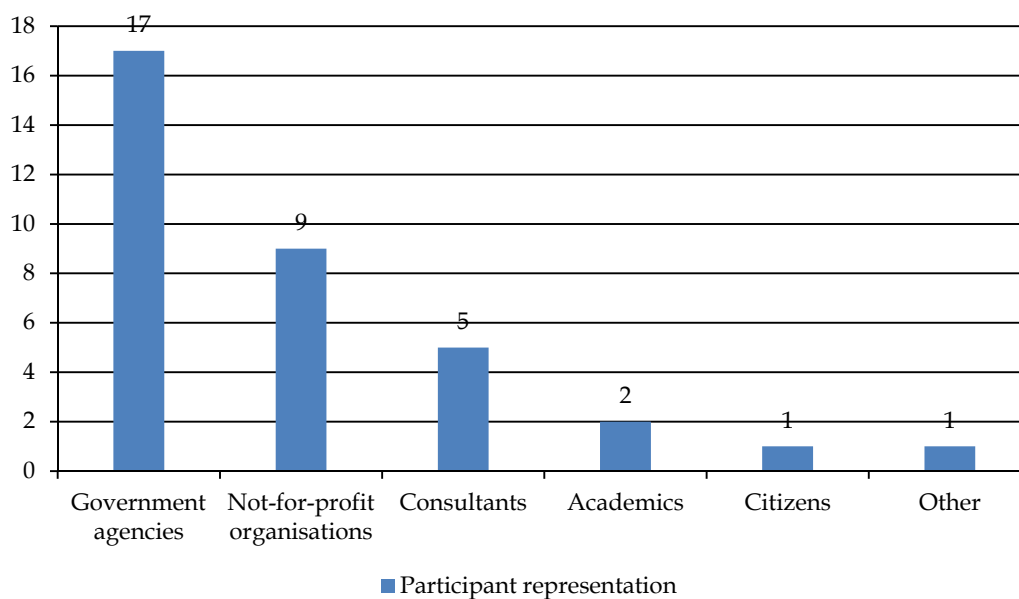

Figure 3: Participation representation at stage 1 workshops[43]

To further improve stakeholder consultation in stage 1, the Commission considers that the Trust should map the stakeholders relevant to inform the Prospectus process, once the Program's objectives and the strategic projects stream's funding priorities are clarified. **Box 7** suggests some additional stakeholders that may be relevant. If the Trust decides to make innovative and 'game-changing' projects a funding priority, additional stakeholders are likely to be relevant.

The Trust could also consider using complementary approaches to broaden stakeholder involvement in stage 1 by using a feedback process (such as online consultation surveys) to help prioritise issues with the broader stakeholder group. This would assist regional participants to provide feedback if resources are limited. Approaches used by other programs are provided in **Attachment 5**.

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[43]   NSW Environmental Trust (2017) *NSW Environmental Trust priority issues workshop 2017- Evaluation report workshop 1-3,* NSW Environmental Trust internal document, unpublished.

Aboriginal groups: NSW Aboriginal Land Council, Local Aboriginal Land Councils, Aboriginal Affairs NSW

Industry/landholder groups: such as NSW Farmers or Farmers for Climate Action

Regional/community: Local land services, Landcare representatives, members of existing regional and community panels (for example, National Parks and Wildlife Service Regional Advisory Boards)

Philanthropic organisations: Bush Heritage Australia, Colong Foundation for Wilderness, Purves Environmental Fund

4.4 Improve communication, transparency and efficiency in stage 2

We focused our review on the processes for two of the key steps in stage 2 – developing the priority issues into prospective projects and co-designing the projects in collaboration with project leads. Overall, we found that these processes were well-designed, effective and fit for purpose.

One of the key steps in stage 2 of the 2018 Prospectus was a series of workshops with invited participants to develop each of the priority issues selected in stage 1 into a prospective project. The Commission's analysis indicates that these workshops were well run and effective in refining most of the priority issues into a well-defined project concept.[44] One of their key strengths was that they encouraged collaboration between agencies and other stakeholders, which is an important factor in effective natural resource management.[45]

In addition, the following examples of participant feedback and the survey responses in showed that overall participant satisfaction with the workshops was high:

> *"The combination of open minds, a mixture of participants including officers from government who brought their own knowledge to the table, and a brilliant facilitator created a productive outcome"*

> *"I was impressed with the format and facilitation of the workshop, one of the best ones I have attended"*

Participant survey responses indicate that most participants considered the involvement of relevant experts in the workshops was very good or good but only 30 percent thought that the involvement of relevant stakeholders was very good or good. Some participants also suggested the workshop process and outcomes could have been improved by including agency decision makers where relevant and relevant researchers and scientists, including behavioural and environmental experts.

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[44] Trust staff noted that, although the intent was to develop a more well-defined project concept for all priority issues, this was not achieved for some issues as the issues were not sufficiently clear or a project lead was not obvious. In this instance, the Trust recommended preliminary research to occur to inform decisions about more significant investments.

[45] Natural Resources Commission (2012) *Standard for quality natural resource management*. Available at: https://www.nrc.nsw.gov.au/nrm-standard-and-targets.

Invited participants were identified based on Trust staff knowledge, preliminary research of 'key players' involved in the priority issues and the recommendations of other participants. The large majority were state and local government agency representatives (**Table 4**).

Table 4: Participation in stage 2 workshops to develop prospective projects

Organisation type	Number of attendees
Office of Environment and Heritage	24
Non-government organisations (including consultants, not-for-profits, peak bodies)	21
Department of Primary Industries	16
Local councils (including council peak bodies)	11
University and other research organisations	10
Other NSW Government agencies (including Local Land Services, the Commission, Environment Protection Authority)	9
National Parks and Wildlife Service	7
Trust Sub-committees	3

4.4.1 Communication with participants about decision making process can be improved

Whilst the Trust documented the workshop and prioritisation process well, the confidentiality considerations around the Prospectus process meant that outcomes from the stage 1 and 2 workshops were not communicated to the participants. This lack of communication created challenges for both staff and participants throughout the process. For example, workshop participants and potential grantees had to wait over a year to hear which projects and organisations were funded and Trust staff had to manage their expectations over this period. Also, as one participant noted, confidentiality requirements made it difficult to scope projects with stakeholders.

There was also a lack of transparency about the process that Trust staff used to decide whether a project would be awarded on a competitive or a direct negotiation basis and to identify project leads, where necessary. In the 2018 Prospectus, all funded projects were directly negotiated with an identified project lead with the exception of one project which has a contestable grants component.

Interviews with Trust staff suggest that project leads were identified based on an options analysis that considered potential delivery organisations and their expertise and project management skills.

In addition, the Commission considers that the following information should be shared with participants (where possible):

- a description of the Trust, the strategic projects funding stream in the context of the Trust's core business and any relevant legislation

- indicative approval timeframes

- a high level indication of the amount and type of funding likely to be available in the Prospectus process

- eligibility and assessment criteria that are consistent with the funding stream's objectives

- a description of the applicant capabilities that will be taken into account, such as the experience of the applicant organisation, management expertise, specialist skills, community support, and capacity for innovation.

4.5   Improvements to the project development process

As **Box 4** indicates, one of the key steps in the co-design process involved Trust staff collaborating with project leads to develop the project concepts into detailed project designs and business cases. The Commission found that this process:

- underpinned the Trust's ability to develop high-quality projects

- enabled staff to present the Trust with well-justified business cases for these projects

- provided for participation of project leads in the design iteration

- was underpinned by a documented best practice approach

- used a business case template that fostered an outcomes focus.

Most of the stakeholders interviewed – including staff, sub-committee members and grantees – also considered this process to be a key strength of the Prospectus. One interviewee noted that it has been cited by Department of Planning Infrastructure and Environment (formerly Office of Environment and Heritage) executives as an example of best practice in consultation and co-design of projects. Analysis showed that the co-design processes is warranted, given that projects have significant funding allocations, are often complex and involved a wide range of stakeholders.

However, the co-design process was also (as to be expected) time and resource intensive. It appeared to take around six months to complete an extensive 'back and forth' between Trust staff and project leads. Trust staff indicated that the reason for their high level of involvement was to help ensure that the projects developed would deliver meaningful outcomes and be scoped with realistic timelines and budgets.

Despite the generally strong support for the co-design process, some staff and grantees considered that it was overly reliant on Trust staff which is a concern as the team is under resourced. We observed staff provided strong support as often grantees lacked the project management skills to develop projects in line with Trust standards. In this respect Trust staff have a critical role in ensuring projects are developed effectively (e.g. supporting the development of program logic for projects to ensure projects address desired outcomes).

Some grantees interviewed noted that they would have struggled with the business case template without Trust staff involvement and that staff involvement was critical to ensure the project was framed to be appropriate for Trust funding. Both interviewees and survey respondents (including Trust sub-committee members) suggested the process could be improved by reducing the length of the business case template. The Commission has used and reviewed the template and notes that while it is lengthy, it is not complex and addresses standard project management requirements.

The Commission recommends the Trust should:

- share clear funding guidelines and assessment criteria with potential grantees at the beginning of their business case development

- consider providing a mock example of a completed business case to new grantees for their guidance.

The Commission believes this will improve the overall efficiency of the process.

4.6　Recommendations

2 Maintain the strategic projects stream and improve its processes by:

a) clarifying the stream's funding priorities including:

- i.   funding objectives
- ii. decision making processes
- iii. issue and project assessment criteria
- iv. project lead selection criteria

b) if investing in the most significant environmental issues remains the core priority, continue to develop these projects in the short term

c) reviewing business case templates to ensure they are simple to use and clearly expressed for grantees and sub-committee members whilst maintaining their current high standard

d) considering a more formal analysis of project's costs and benefits to assess project value for money

e) continuing to consult with key stakeholders and experts in the development of priority issues and projects for funding in the Prospectus process

f) undertaking a stakeholder mapping process to broaden stakeholder participation in stage 1 workshops including representatives from regional agencies and communities, Aboriginal groups, industry, corporate and philanthropic organisations

g) considering complementary approaches to workshops (e.g. online consultation surveys) to reach groups with limited capacity to attend workshops

h) communicating more openly with stakeholders and participants key information about the funding stream priorities and Prospectus process

i) Postpone the 2020 Prospectus process until the Trust has had the opportunity to develop a program strategy and clarified funding stream priorities.

5 Improve transparency of the ongoing funding stream

This chapter outlines the Commission's findings and recommendations for the ongoing funding stream. The Commission reviewed the process for identifying priority issues and projects with respect to their robustness and how well they support the achievement of Trust objectives.

The ongoing projects stream was established to fund priority environmental issues identified by the Trust as eligible for continuous funding, because they remain unfunded elsewhere and relate directly to the Trust's objects. Currently, there are two projects funded under the stream; the land acquisition project[46] and the contaminated land management program, which are worth $ 72 million, or 28 percent of the total value of grants allocated under the Program.

The Commission reviewed the key processes used to identify and select ongoing projects for funding (see **Box 8**) to assess their appropriateness and identify opportunities for improvement. In particular, the review focused on how well the current governance processes supports the Trust in achieving its objectives and aligns with accepted good practice.

Box 8: Key steps for identifying and selecting ongoing projects for funding[47]

1 Select potential projects

- staff identify projects eligible for ongoing funding

- staff take a proposal for ongoing funding to the Trust

- the Trust decides whether to progress the proposal.

2 Develop projects in collaboration with potential grantee

- staff work with grantee to develop a business plan for funding consideration.

3 Review and approve projects for funding

- in accordance with Trust legislative requirements, the relevant technical committee or sub-committee assesses the business plan and makes a recommendation to the Trust

- the Trust considers the recommendation and decides whether to approve the funding

- if approved, the grantee is notified

- the Trust reviews ongoing programs continued funding every 3-5 years.

Overall, the Commission considers that the ongoing funding stream is an important mechanism for the Trust to support priority unfunded environmental issues for NSW. Interviewees also noted that the land acquisition project which is currently funded under the stream is highly successful and fulfils a core Trust priority as outlined in its *Act*.[48] However, the Commission found that the funding priorities and processes for selecting projects for funding under the stream are unclear. These findings are discussed in more detail in the following sections.

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[46]   Please note in Table 3, three projects are listed as the land acquisition project is broken into two projects in the Trust budget spreadsheet.

[47]   NSW Environmental Trust (2013) *Governance procedure for Environmental Trust funding of ongoing major projects,* NSW Environmental Trust internal document, unpublished.

[48]   Section 7 Object (d) of the *Environmental Trust Act (1988)* states that the Trust will "fund the acquisition of land for national parks and other categories of dedicated and reserved land for the national parks estate"

5.1 Funding priorities for ongoing projects are unclear

The rationale for establishing the ongoing funding stream is to fund projects that address priority issues that remain unfunded and relate directly to the Trust's objects. In addition, the Commission found that the projects considered appropriate for funding under this stream appear to involve a continual and relatively unchanging stream of work 'packages' through time, such as:

- acquiring land for conservation purposes (a current ongoing project)
- addressing contaminated sites (a current ongoing project)
- developing biocontrol agents for weeds (being considered as an ongoing project).

However, there was no evidence that the funding priorities for this stream have been clearly articulated and documented. Documenting these priorities would improve transparency and better align the ongoing projects funding stream with good practice.

5.2 Processes for selecting projects for funding are unclear

As **Box 8** outlines, project identification appears to rely on Trust staff identifying suitable projects and proposing them to the Trust for ongoing funding in future years. If the Trust considers them suitable, a business plan is developed and included in the Prospectus process where timing allows and are then approved through the relevant sub-committee and Trust.

The Trust's *Governance Procedure for Ongoing Major Projects* document indicates that proposed projects are assessed to determine whether:

- they are eligible for continuous funding (supported by an independent evaluation, see **Section 8.3)**
- they address a generally unfunded priority environmental issues and relate directly to the Trust's objects as an issue of concern or priority.[49]

Beyond this, the Commission found no evidence of criteria used to assess the eligibility or merit of projects for ongoing funding. Whilst ongoing projects were included in the Prospectus process where timing allows, it was unclear if the ongoing projects were assessed with the same rigour as strategic projects.

The Commission considers that the current assessment of proposed projects by the relevant technical committee or sub-committee increases the robustness of recommendations to the Trust. However, to align the funding stream with good practice and improve the defensibility of funding decisions, the Trust should clearly articulate and publish the assessment criteria for projects under this stream and provide better guidance for potential grantees. Assessment criteria the Trust may like to consider for potential ongoing projects:

- if projects have demonstrated good project management
- prospective projects are low risk projects

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[49]   NSW Environmental Trust (2013) *Governance procedure for Environmental Trust funding of ongoing major projects,* NSW Environmental Trust internal document, unpublished.

- address a key Trust and Program priority

- are discrete 'work packages' that can be delivered on an ongoing basis.

It was unclear if the process for selecting ongoing projects was available to all strategic project grantees. To improve the funding stream's equity and transparency, the option to apply for ongoing funding should be clearly communicated to all strategic project grantees.

5.3   Recommendations

3   **Maintain the ongoing project stream and improve its processes by:**

a)   documenting how the Trust selects projects for funding consideration

b)   developing criteria to assess the eligibility and merit of projects

c)   providing all strategic project grantees the opportunity to consider their eligibility for ongoing funding.

6   Streamline new government priorities funding stream

This chapter outlines the Commission's findings and recommendations for the new government priorities funding stream. The Commission reviewed the process for identifying priority issues and projects with respect to their robustness and how well they support the achievement of Trust objectives.

Overall, the new government priorities funding stream is sound. Some efficiencies can be gained through tightening processes and having better engagement with the Minister.

The new government priorities stream was established to support priorities, issues or projects recommended by the NSW Minister Energy and Environment. Currently, nine active projects are funded under the stream, with a total value of just over $18.9 million or 7.4 percent of the total value of grants allocated under the Program.

Typically, the projects funded address environmental issues that:

- are a high priority for the NSW Government or complement a new policy or legislative framework
- fall outside of the strategic projects stream due to timing constraints.

Projects can be brought to the Trust in three stages of development;

- high level ideas
- partially scoped proposals (both which require further scoping with the Trust); and
- fully developed proposals.

There is no allocated budget for this stream as funds are identified from year to date savings from other streams. In effect this stream uses unspent funds in the final quarter of the financial year to meet net cost of services requirements.

Since 2011, the focus of projects funded has covered a range of issues, including threatened species, contamination and nature-based tourism (**Table 6**).

Table 6: Current projects funded under the new government priorities funding stream

Start	Project name	Grantee	Amount
2011	Threatened Species Program - Flying Foxes Netting	Rural Assistance Authority	$7,100,000
2013	Grow Sustainable Nature Based Tourism - Brand Campaign*[50]	Office of Environment and Heritage	$3,435,000
2014	Treated Timber Initiative	Environmental Protection Authority	$330,000
2014	Grow Sustainable Nature Based Tourism - WilderQuest Learning*	National Parks and Wildlife Service	$390,000
2014	Grow Sustainable Nature Based Tourism - Commercial Tour Operator Small Grants Program*	National Parks and Wildlife Service	$512,537
2015	Protection of Koalas in Murrah Flora Reserve	Forestry Corporation of NSW	$2,500,000
2015	Bell Miner Associated Dieback	Office of Environment and Heritage	$300,000
2016	Land Acquisition Program - Koalas	Office of Environment and Heritage	$3,940,000
2017	Grow Sustainable Nature Based Tourism - Immersive learning through national parks in Western Sydney*	National Parks and Wildlife Service	$437,005

As part of the review, the Commission examined the current governance processes for the new government priorities stream (see **Box 9**). In particular, the review focused on how well these processes support the Trust in achieving its objectives and align with accepted good practice.

The Commission found that the new government priorities stream is an important mechanism for the NSW Minister for Energy and Environment to nominate issues and priorities that they have identified as important for the Trust to consider funding. Doing this through a dedicated funding stream ensures that emerging environmental challenges can be addressed and priorities identified and funded outside of the Prospectus process.

The Commission also found that, overall, the governance processes established for the new government priorities stream are sound. In particular, the stream has a clearly articulated process for project assessment and approval. We observed:

▪ although nominated by the Minister, the Trust still considers and decides what priorities, issues and proposals are pursued

▪ because projects are developed collaboratively by staff of the Trust and potential grantees, projects are considered in light of the Trust's objects and the Program's funding principles (see **Box 1** and **Box 2**)

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[50] * In February 2013, the NSW Government approved funding of $4.8 million to NPWS to support a new approach to encourage higher levels of visitation by investing in promoting quality nature based experiences. The Trust was asked to administer the resulting projects, which were funded by the Waste and Environment Levy Envelope. While they did not go through process outlined in Box 9, it was a priority of Government and therefore included in this section.

- clear criteria for assessing projects have been established and documented to support decision making (see **Box 10**)

- the overall assessment and approvals process is robust and in keeping with the *Environmental Trust Act 1998*.

However, as with other streams, the criteria and assessment process were available in only internal documents. In line with good practice, this information should be publicly available.

Box 9: Key steps for identifying and selecting new government priority projects[51]

Project selection process

- the Minister for Energy and Environment raises priority, issues or proposal with the Trust for consideration

- the Trust considers the priority, issue or proposal and decides on whether and how to progress through the project scoping (where required) and business planning process.

Project development process

- If the Trust decides to progress the priority, issue or proposal, Trust staff works with relevant stakeholders to scope the project (if required) and prepare a business plan.

Project review and approvals process

- the proposal is assessed by the relevant sub-committee against the Heads of Consideration criteria[52] and technical reviewers (if required), then a recommendation (including funding options) is made to the Trust

- the Trust considers the recommendation and level of funding to be allocated, based on available funds and effect on out-year funding availability

- the Trust approves the project for funding

- the grantee is notified of the outcome.

In addition, the Commission found that the processes for developing projects that address the Minister's priorities under this stream can be difficult, protracted and resource-intensive. There are opportunities to improve efficiency by:

- clearly defining processes for developing identified issues into well-defined projects

- proactively engaging with the Minister for Energy and Environment to identify issues related to new government priorities.

Each of these opportunities is discussed in more detail below.

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[51] NSW Environmental Trust (2013) *Governance procedure for Environmental Trust funding of new government priorities*, NSW Environmental Trust internal document, unpublished.

[52] The Governance Procedure for the new government priorities funding stream states proposals are assessed against heads of consideration which are a set of criteria outlined in **Box 10**

Box 10: Heads of Consideration used to assess projects[53]

The proposal is assessed against Heads of Consideration:

- Does the proposal address a significant environmental issue?

- Does the proposal align with NSW Government priorities and Trust objects?

- Is the proposal directing funds towards the appropriate areas and organisations?

- Is the proposal the most appropriate intervention to address the environmental issue and is it technically viable?

- Is the proposal of an appropriate scale?

- Is the project value for money?

- Are there adequate and appropriate collaborations and partnerships?

- Does the proposal engage appropriately with communities of concern?

- Does the proposal allow for cost shifting or avoidance of legislative requirements or responsibilities?

- Will the outcomes extend beyond the life of the project?

- Are there any specific conditions which should be made on the project?

6.1   Clearly define processes for developing issues into well-defined projects

A key challenge for both the Trust and grantees is that, in some cases, the project development and negotiation process – that is, aligning projects to the Minister's priorities –can be a challenging and drawn out process. Several reasons for the administrative burden were raised in interviews.

First, if the nominated priority relates to a conceptual solution or method, rather than the underlying problem, the project must be retrofitted to an environmental issue to align with the Program's funding principles and the *Environmental Trust Act*. In some instances, fully developed proposals have been challenging as they do not go through the same scoping and co-design process as early stage projects or Prospectus projects. This can generate risks for the Trust to manage, like ineffective stakeholder engagement in the project and feasibility issues with the proposed solution.

Second, if the identified priority originates from someone other than the project proponent, the proponent chosen to develop the project with the Trust can be less clear about the objectives, compared to if they are involved from the start. This can result in both parties having to work through repeated iterations of the business plan, which involves significant resources and time.

The Commission considers that the Trust should develop a clearer set of processes and decision making criteria for project development. The process would be improved by:

- including a clear-cut decision point about the merit of the emerging project and whether it should continue to be developed, rather than letting the process draw out

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[53]   NSW Environmental Trust (2013) *Governance procedure for Environmental Trust funding of new government priorities,* NSW Environmental Trust internal document‡, unpublished

- where possible, scoping all projects similar to the co-design process applied to the strategic projects funding stream to ensure the Trust is not exposed to unnecessary risks

- communicate openly with grantees about funding guidelines and merit criteria for projects.

These steps would lessen the administrative burden of the negotiation process, and improve the overall efficiency and effectiveness of project development.

6.2   Proactively engage with the Minister for Energy and Environment to identify issues

The Commission notes that the Trust interviewees raised at times that staff have a c undertaken a consultation process with the Minister for Energy and Environment to identify priority issues to fund under the new government priorities stream. The Commission considers this an effective mechanism for working with the Minister for Energy and Environment to proactively identify issues and scope projects that align with Trust objectives (similar to the Prospectus process). Once the project development processes are clear, the Trust staff should engage the Minister for Energy and Environment to identify priority issues.

6.3   Recommendations

4	**Maintain the new government priorities stream and improve its processes by:**
	a) developing a clear set of processes and decision making criteria for the funding stream in line with the Program strategy
	b) proactively engaging the Minister for Energy and Environment in identifying priority issues.

7   Replace the unsolicited project stream

This chapter outlines the Commission's findings and recommendations for the unsolicited funding stream. The Commission reviewed the process for identifying projects with respect to their robustness and how well they support the achievement of Trust objectives.

The unsolicited project stream should be ceased as it does not provide confidence value for money is being achieved. Following development of an overall Program Strategy, the Trust could develop an innovation stream or emerging issues stream.

The unsolicited projects funding stream provides an opportunity for organisations to approach the Trust for funding for projects outside any formal call for submissions (see **Box 11)**. Applications must demonstrate how the project meets the Trust's objects and aligns with NSW Government priorities, as well as demonstrating that the project does not meet the funding criteria for other grant programs.

There is no allocated budget for this stream as funds are identified from year to date savings from other streams. In effect this stream uses unspent funds in the final quarter of the financial year to meet net cost of services requirements. Currently, there are five projects funded to the value of $2 million or 0.8 percent of the total value of grants allocated under the Program. These projects cover a broad range of project types (see **Table 7**).

Box 11: Key steps for identifying and selecting unsolicited projects[54]

Project selection process

- applicants contact the Trust to apply for funding (before August)
- Trust staff assess whether the project aligns with the Program's funding principles
- the applicant is provided a proposal template if the project aligns with Trust objects (to be submitted before November).

Stage 1 project review and preliminary approval

- Trust staff assess proposals against the program funding principles (**Box 2**) and technical reviewers assess the merit of proposals (if required) (before December)
- the proposal is considered and approved by the Trust Secretary)
- if approved by the Trust Secretary, a relevant sub-committee reviews the proposal and will make a recommendation to the Trust (before end of February)
- the Trust considered the list of recommended unsolicited proposals and make a decision on the projects to be funded.

Stage 2 project development and approval

- if approved by the Trust, the Trust staff work with applicant to develop a detailed business plan (May/June)
- the Business Plan may be reviewed by the relevant sub-committee based on the level of complexity, funding amount and risk
- the Trust Secretary approves business plan
- the grantee is notified and first instalments are paid before the end of the financial year.

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[54]   NSW Environmental Trust (2013) *Governance Procedure for Environmental Trust Funding of unsolicited projects*, NSW Environmental Trust internal document, unpublished.

Table 7: Current projects funded under the unsolicited projects stream of the Program

Started	Project Name	Organisation Name	Amount
2012	Jenolan Caves - Removal of Ferrous Materials for Biota and Cave Formation Protection	Jenolan Caves Reserve Trust	$743,718
2013	Building Resilience to Climate Change Grants	Office of Environment and Heritage	$500,000
2014	Weed eradication from World Heritage Lord Howe Island	Lord Howe Island Board	$508,946
2014	Building a sustainable connectivity approach for the Great Eastern Ranges	National Parks Association	$300,000

The governance process for the unsolicited funding stream did include elements of good governance, such as assessment criteria that reflect Trust objects and a robust review and approvals processes in keeping with the *Environmental Trust Act 1998*.

The Commission considers the intent of a funding stream that offers an avenue for project ideas to be raised outside of the biennial Prospectus funding cycle has merit. However the current design of the unsolicited stream has a range of shortcomings that detract from its value. Key limitations include:

- funding priorities for the stream are not clearly articulated or documented

- funding priorities are not supported by the level of rigour applied to strategic projects

- funding availability is not well promoted which creates potential equity, accountability and transparency issues

- the application and approvals process requires substantial time and resources for Trust staff and applicants and success rate for applications is low

- it is unclear as to whether the selected unsolicited proposals best represent value for public money due to the limited comparability of unsolicited proposals.

Given this, the Commission recommends that the Trust firstly cease the unsolicited projects stream and secondly as part of its overall program strategy set out its funding priorities and risk appetite.

The Commission encourages the Trust to adopt a specific innovation stream in line with the Trust administration's stated intent of investing in "game changers" and an emerging issues stream.

Each of these findings is discussed in more detail in the following sections.

7.1 Lack of clarity and transparency about the stream and its priorities

Whilst the program funding guidelines provide some guidance for assessing the merit of projects, the Commission could not identify the specific funding objectives and priorities for the stream or how they relate to the Trust's high-level objects. This made it difficult to determine if projects in this stream represented best value for public money. As with other streams, documenting the stream's objectives would improve the transparency and defensibility of funding decisions. This would increase stakeholder and public confidence in the decision making process.

Aside from being mentioned on the Trust website, the unsolicited stream is not promoted which can create inequities among potential applicants and may open the Trust to the perception that the stream favours organisations that have prior experience [or more awareness] of the Trust's activities. Without promotion, the Trust receives a low volume of applications leaving little opportunity to compare proposals against each other and assess their value for money. Where possible, good practice encourages the appraisal of applications in batches, so that comparisons of costs and benefits against publicly available criteria can be made between applications.

7.2   Difficulties in developing and managing projects

In interviews, several Trust staff indicated that unsolicited projects are generally difficult to manage effectively under the current processes. First, Trust staff and applicants must undertake an intensive process to develop, assess and approve project business plans from March until June (see **Box 11**). This creates a substantial administrative burden for all involved and provides no opportunity for Trust staff to clarify or adjust proposals with the applicant. We observed these shorter timeframes are caused by the need to confirm that net cost services are available which occurs towards the end of the financial year. This creates a risk that projects that do not represent best value of public money are funded to meet the immediate financial pressure of 'using or losing' the funds.

Staff also indicated that all project funds must be allocated and distributed in the financial year in which the project starts, meaning that funding is typically awarded upfront. Up front payments limit the Trust's leverage when a project experiences difficulty in delivering the agreed outputs and can be a further administrative burden for staff to manage. Upfront payments create significant governance and accountability risks. Funds should be allocated based on progress against set milestones and deliverables. Effective monitoring and oversight that public money is used for the intended purpose is essential for good governance of grant programs. The rigour of acquittal procedures should be proportional to the scale, nature, and risks involved in the grant program, taking into consideration the cost of compliance.

Given these limitations, the Commission recommends once the Program strategy is established, the Trust remove the unsolicited funding stream and consider replacing it with an open funding stream with more regular funding rounds that is designed in line with good practice. For example with open calls for projects that are well publicised and promoted.

7.3   Consider replacing the unsolicited stream with an innovation and emerging issues stream

It is clear that many environmental problems are intractable and would benefit from more innovative and transformative approaches. A key Program priority established in interviews was the desire for to invest in innovative and 'game changing' projects **(See 4.1.2).**

The Commission believes that rather than have a reactive unsolicited funding stream, the unsolicited stream is well placed to be redesigned as a proactive open innovative funding stream as a catalyst for wider environmental change.
This would in part address the limitation raised by Trust staff in Chapter 3 that the infrequency of the Prospectus process (biennial) means opportunities to fund innovative projects are missed. The innovation stream could call for projects and ideas at more regular time intervals to capture emerging opportunities and enable the Trust investments to be more agile.

Another priority raised by some interviewees was the ability for the Program to invest in emerging critical environmental issues where the timeliness of funding is critical (e.g. the Bellinger turtle emergency). Currently the biennial Prospectus process does not offer the agility to respond to emerging issues, and the unsolicited stream funds would provide a more regular opportunity to address these issues.

To align with good practice, the Commission recommends the Trust use a more open process calling for projects and ideas (for example and expression of interest or funding rounds). This would increase the volume of applications so their relative merit can be more readily and equitably compared. To safeguard the Trust from receiving a large volume of ineligible applications, the Trust should make funding guidelines that include eligibility and merit criteria available to potential applicants. With clear guidelines applicants would rely less on Trust staff and the administrative burden would be alleviated somewhat. Such eligibility criteria need to be designed to reflect the intent of the stream to focus on 'game changing' proposals.

In developing the Program strategy the Trust could consider the merit of an emerging issues funding stream. However in line with good practice the funds would need clear processes to underpin the identification and selection of projects with the Trust.

Establishing an innovation stream is an acceptance of higher risk for higher rewards. The Trust should firstly set their risk appetite for investing in 'game changers' and recognise that some projects by their innovative nature will 'fail'. Accordingly, the design, assessment and oversight of this stream needs to be aligned to the overall program intent. Creating an internal climate of innovation and a focus on looking outside of government is integral to the success of such a program. Consider the approaches of others in funding innovation such as NSW Roads and Maritime Services approach to innovation (see 4.1.2 Box 5).

The Trust should set a dedicated budget up front for this stream. That is, such a funding stream should be established separate to any net cost of service issues. This would allow the Trust to fund priority projects at more regular intervals and allow time for project development and review processes to occur. The Trust could still use any unspent funds for unfunded priority projects across each stream if funds are available at the end of the financial year, rather than manage a separate stream.

To allow adequate time for Trust staff to manage the project development and review process, the Trust should at least annually - if not 6 monthly - call for projects and stage 1 preliminary approvals process (see **Box 11**). This should occur earlier in the financial year.

To assist the Trust in managing projects in the financial year deadlines, we suggest the Trust examine the use of milestone based payments and carry forward requests instead of providing the full allocation to successful grantees in advance. The public sector provides for funding carry forwards under the provisions in The Treasury Circular 1503[55], to allow flexibility for agencies and promote good fiscal management.

We note that if an innovation stream is created, it will need to be adequately resourced, including any additional support needed for the Trust to scope 'non-traditional' innovation projects.

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[55] The Treasury (2015) *Treasury circular – agency carry forwards NSW TC 15/08*

7.4 Requirements to bring the unsolicited stream into line with good practice

We recommend if the Trust decides to continue with the unsolicited funds stream it will require the following changes to be in line with good practice:

- clear funding priorities that reflect Program objectives

- a more open process that promotes the funding stream to all potential applicants

- a process that invites applications in 'batches' to enable comparisons for value for money

- publicly available funding guidelines, eligibility and merit criteria and application forms

- establish milestone based payments for projects and examine the option to carry over project funds.

7.5 Recommendations

5	**Cease the unsolicited funding stream and replace it with a stream in line with the Trust's priorities and risk appetite**
	a) in developing the Program strategy consider the merit of designing a transparent and agile stream to allocate funds to innovative 'game-changing' projects
	b) if innovation is a core priority, set and accept a higher risk appetite and administrative approach for the innovative stream
	c) the Trust should consider establishing a dedicated budget up front for this stream
	d) if innovation is not a core priority but a desirable preference, encourage innovation within the strategic projects stream
	e) if the Trust considers developing an emerging issues funding stream is a priority, design a transparent process that aligns with good practice, including milestone based payments.

8   Program oversight is sound

This chapter outlines the Commission's findings and recommendations for governance processes used to manage the Program. The Commission reviewed the key processes with respect to their robustness and how well they support the achievement of Trust objectives. The review covered:

- the delivery and oversight systems and processes used for successful projects

- the monitoring and evaluation processes

- program communications to stakeholder groups

- program administration resourcing.

The program is overseen in line with good governance, including sound grant agreements and mechanisms to review project progress and implementation. The Trust has a core set of policies and procedures that all grants programs are managed under (**Table 8**). However, the Commission identified opportunities to improve processes. These included documenting processes, mid-term evaluations for longer term projects, a clear need for a program communication strategy and adequate resourcing of the Program to maintain quality programs.

The sections below discuss the findings that support each of these opportunities.

Table 8: Key process documents for Program oversight

Process	Document
Project development and management procedures	▪ step-by-step work instructions for project development and management for staff ▪ reporting procedures and approval delegations ▪ documented sub-committee and Trust oversight responsibilities and terms of reference ▪ documented procedures for signing off documents and making payments.
Grantee agreements	▪ business plan templates for grantees ▪ grant agreements ▪ financial templates ▪ variation request processes.
Reporting requirements	▪ six-weekly informal check-ins with projects ▪ six-monthly progress reports ▪ annual reports ▪ annual implementation plans ▪ project presentations ▪ final reports and acquittals.
Monitoring and evaluation	▪ six monthly and annual progress reports track milestones progress, budget expenditure and risk identification ▪ independent evaluation at project completion.

More specifically, the Commission found that:

▪ Trust administration project oversight processes are well-designed and valued by grantees but reporting and approvals processes should be streamlined to improve efficiency

▪ sub-committees perform an important oversight role and are well run, although process refinements are needed to reduce their challenging workload

▪ monitoring and evaluation processes are sound with some relatively minor opportunities for improvement

▪ program administration resources are low which presents risks to maintaining the ongoing quality of the Program and risks for staff burnout.

Each of these findings is discussed in more detail below.

8.1   Oversight is well designed with some streamlining needed

Interviews with Trust staff and grantees indicated that both parties believed the Trust's project management and oversight processes are well-designed and effective. Both parties also consider that relationships between them are generally very good. Most grantees identified individual staff members by name and highlighted the strength of their support, their proactive attitude and their willingness to help. For example, one commented:

> *"If I'd been trying to work with someone else, I don't know if I'd have that relationship. If she asks for something I will drop everything and attend to it because I know she's trying to make my life easy as well, and that's precious … otherwise you end up with a relationship that's authoritarian. Here I really felt that we were a partnership."*

However, grantees indicated that the level of documentation and reporting required by the Trust is reasonably high. Although most considered that this was appropriate given the level of public funds involved, they suggested there may be opportunities to streamline reports to remove repetition and non-essential information that is duplicated elsewhere. Some sub-committee members made a similar observation, noting that the length of some of the documents adds to their workload without commensurate benefit (e.g. detailed business plans).

We also observed that the Trust experiences high workloads due to the very different levels of oversight and support required for different projects. While this is likely to be due to a range of factors, the Commission considers the most critical driver is the initial scoping of projects and their relative feasibility. The Commission also considers that projects developed and funded outside the Prospectus process were often more difficult to manage.

To reduce the administrative burden, the Trust could consider using a project risk rating and for low risk projects adopt a less exhaustive oversight process. This may involve less frequent progress reporting, or abridged progress reports or less involvement of subcommittees. For example the Trust could develop a rapid appraisal process for project applications that are assessed against agreed eligibility and merit criteria. The Trust may also like to consider delegating approval of detailed business plans to the Trust Secretary to improve the timeliness approvals. This would reduce the administrative burden on both Trust staff and potential grantees. This is in keeping with the Australian Government's 'proportionality principle' that encourages grants managers to "strike a balance between complexity, risks, outcomes and transparency when administering grants."[56]

In addition, many grantees request project timeline extensions, which add to Trust staff workloads. It could not be determined whether this is the result of previous project-design processes or whether more recent projects will also result in similar time overruns. However, one interviewee suggested that the process for varying project timelines involves an overly complicated hierarchy of approvals that can take as long as two months. They suggested that this process, and those for other low-risk variations and reviews, could be streamlined in line with risk. In considering this recommendation, the Trust will need to consider the instruments of delegation outlined in the *Act*.

Further, interviewees noted that a backlog of project concepts approved by the Trust through past processes (as long as five years ago) is still included within the Program. These potentially

outdated priorities could be critically assessed and removed from the Program where appropriate. This would help to clarify funding commitments and ensure the Program appropriately adapts its decisions based on project feasibility. There may be merit in establishing a deadline for project scoping to prevent a backlog building up again (for example, a 6 month deadline for submitting the business plan).

8.2   Subcommittees are well run with some refinements

The Commission found that the subcommittee processes were effective and provided sound governance and accountability measures. They influence how projects are developed at the business plan stage and ensure they meet the Trust's standards.

In interviews, Trust staff indicated that they value the subcommittees' oversight role throughout the life of projects and considered this role brings 'weight' to the oversight process. They also noted that this role provides valuable leverage, helping to encourage grantees to put sufficient effort into reporting processes.

Throughout the review, the Commission noted the dedication of committee members to ensuring projects meet with Trust objectives and provide value for money. They expressed the view that the subcommittees are well run and identified three key factors that drive its effectiveness:

- the appointment of an effective chair who fostered a strategic focus

- a mix of members that had diverse backgrounds and relevant expertise

- the substantial work the Trust administration puts into preparing materials for sub-committee meetings, which help the process to work smoothly.

Both the interviews and document analysis indicated that the sub-committee processes create some challenges for members which reduce their efficiency. Most significantly, it was found that some sub-committees are overloaded with work. The Biodiversity and Green Corridors sub-committee, in particular, is currently responsible for 18 projects (see **Figure 5)**. Some of its members indicated they must spend 1 to 2 days preparing for committee meetings and reviewing documentation, often without compensation. The Trust could also examine the merit of splitting the Biodiversity and Green Corridors subcommittee into two committees to reduce the workload for members.

Given this heavy workload, the Commission considers that the Trust should examine if non-government members are fittingly remunerated for their roles. Also that government members receive adequate support to undertake their role alongside their own agency responsibilities. In addition, to reduce the paperwork for subcommittee members, the Trust administration should review the business case and business plan templates and other documents to remove any unnecessary duplication. We recommend the Trust work with both grantees and subcommittee members to refine the business plan templates.

Some other refinements that would improve the effectiveness of subcommittees include:

- clarifying and documenting the criteria used to review business cases and plans, which are currently implicit

- providing a more formal induction process for new members to on-board them and facilitate their effective participation

- establishing a clear period of tenure for sub-committee members and a process for reiterating the roles of committee members at the start of each meeting

- avoid using teleconferencing in sub-committee meetings, which committee members told us impacted negatively on the quality of discussions at meetings.
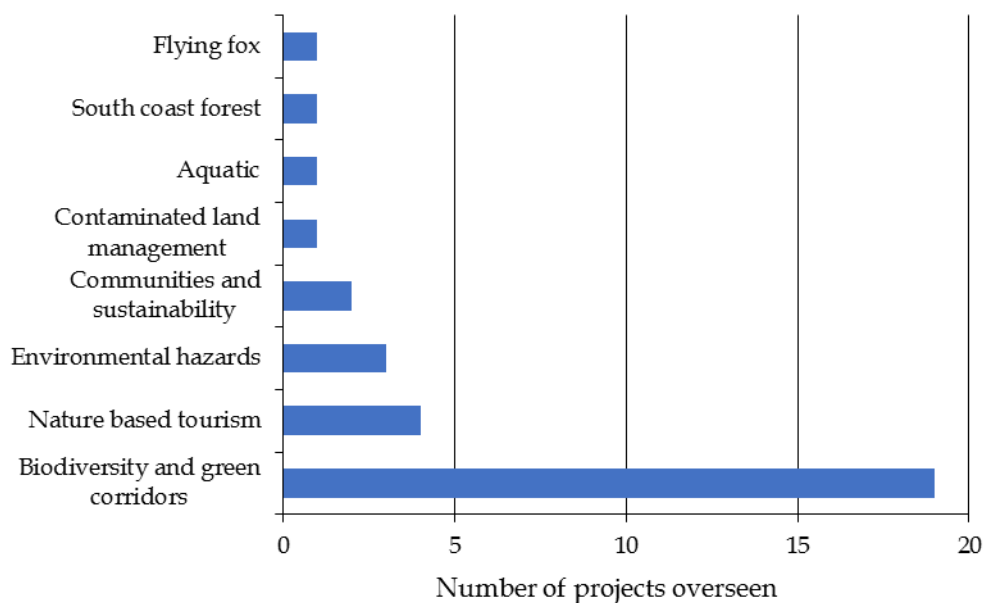

Figure 5: Number of projects allocated to technical subcommittees[57]

8.3 Monitoring and evaluation processes sound, with some scope for improvement[58]

The Trust has established sound monitoring processes for funded projects (**Table 9**), which enable it to check in on projects regularly and identify issues early. A key strength of the processes is the involvement of sub-committees in the reporting processes. As discussed in **Section 8.2** above, Trust staff and sub-committee members consider that this brings weight to the process and leads to better quality outcomes. Sub-committee members also noted that the 'traffic light' reports prepared for project progress reviews are useful.

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[57] The subcommittees listed in Figure 5 are only committees that are currently active or soon to be active and thus differ from those listed in Table 1

[58] The Commission notes that they may have a perceived conflict of interest as we have undertaken five evaluations for the Trust previously. This was discussed with the Trust and not considered a barrier to undertake this review.

Table 9: Reporting processes for Major Projects[59]

Process	Approval/oversight
Development of a **business plan** following approval of the business case by the Trust Board	approval by Trust
Six-weekly informal 'check ins' with projects by Trust administration	Trust staff/administration
Six-monthly progress reports – short reports to ensure the project is tracking well	Trust staff/administration with the option to raise issues with sub-committees
Annual reports – more detailed report on progress against outcomes	reviewed and endorsed by the appropriate sub-committee Trust informed of significant issues
Project presentations – "Grantees present their annual implementation reports and annual reports to subcommittees"	Trust and/or sub-committees.
Final reports – "The subcommittee will provide the independent technical review of the project outcomes"	reviewed and endorsed by subcommittee presented to the Trust for noting
Final evaluations – independent and commissioned by Trust administration	Sent to sub-committees and Trust for noting, except in cases where Trust is making a decision on ongoing funding[60]

The Trust has also established sound evaluation processes. Analysis indicates that, overall, these processes align well with most of the principles of good practice (see **Table 10** below). For example, projects are required to be independently evaluated as part of the final stages of project completion. In line with general guidance in the evaluation field, 5 percent of project budgets up to a total of $150,000 is available for this purpose.

However, this analysis and interviews with stakeholders suggest there may be scope for improvement. In particular, we consider the Trust administration/should consider:

- engaging more with Trust monitoring and evaluation expertise at the outset of large, long-term projects, to help ensure that appropriate data collection is planned and there are appropriate tools and systems to support this (as modelled in the development of the inland rivers program)

- complementing the final evaluation with a relatively small mid-way or interim evaluation (particularly for long-term and higher risk projects, such as those with timelines of more than five years), to ensure that important data is being collected and the project is on track and to identify opportunities for improved delivery

- Trust staff could undertake site visits to observe projects progress

- where possible work with the Trust monitoring and evaluation expertise to establish project measures and outputs that are consistent with the Trust-wide monitoring

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[59] NSW Environmental Trust (2014) *Projects Reporting procedure* NSW Environmental Trust internal document, unpublished

[60] NSW Environmental Trust (n.d.) *Standard Procedures and Work Instructions: Major Funded Projects.* NSW Environmental Trust internal document, unpublished.

approaches (one interviewee noted that some projects are using an outdated form of this guidance)

- developing a policy around the publication of evaluation reports to promote transparency and to help demonstrate the impacts of the program.

Table 11: Program alignment with the NSW Government Program Evaluation Guidelines[61]

Principle	Evidence from and consideration for the Program
Build evaluation into your program design. Plan your evaluation before you implement a program to ensure the program has clearly defined and measurable outcomes.	**Good alignment** - outcomes table and basic evaluation plan developed as part of business plan template - support provided by Trust staff in developing these components - as external evaluation is commissioned only at the end of the project, there is no expert support at the early stages of the project to help ensure that appropriate data for all the evaluation components is being collected throughout the project. This is particularly important given the long timeframes for most projects.
Base your evaluation on sound methodology. Use best practice methodologies to suit the program's size, significance and risk.	**Likely alignment (no direct evidence)** - evaluations contracted to external experts with the assumption that methodologies will be sound. This has not been reviewed here.
Include resources and time to evaluate. Consider the required evaluation resources and timeframe when planning the project. Ensure evaluation findings will be available when needed to support decision making.	**Good alignment** - 5 percent of project budget up to $150,000 allocated to evaluation - commissioning process occurs three months prior to delivery of final report,[62] although interviewees noted that this is often not a priority process and is often delayed. While three months is feasible for smaller evaluations, larger and more complex projects should be provided with more time where possible. - there may be value in a mid-way or interim evaluation for larger, long-term projects to ensure projects are 'on track'.
Use the right mix of expertise and independence. Choose evaluators who are experienced and independent from program managers, but always include program managers in evaluation planning.	**Likely alignment (no direct evidence)** - evaluations contracted to external experts

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[61]   NSW Government (2016) *Program Evaluation Guidelines* Department of Premier and Cabinet

[62]   NSW Environmental Trust (n.d.) *Standard Procedures and Work Instructions: Major Funded Projects,* NSW Environmental Trust internal document, unpublished.

Ensure proper governance and oversight. Use governance processes to ensure oversight of evaluation design, implementation and reporting.	**Good alignment** ▪ governance processes outlined in Program management documentation[63].
Be ethical in design and conduct. Carefully consider the ethical implications of any evaluation activity, particularly collecting and using personal data, and any potential impacts on vulnerable groups.	**Likely alignment (no direct evidence)** ▪ assumed to be considered as part of contracting of external provider. No clear documentation to this effect. ▪ ethical design and conduct could be included in project quality plans and grantee contract requirements.
Be informed and guided by relevant stakeholders. Listen to stakeholders, including program participants, government or nongovernment staff involved in managing and delivering the program, and senior decision makers.	**Good alignment** ▪ noted to require interviews with (as a minimum) Trust staff, grantee and a subset of sub-committee members. ▪ additional consultation to be guided by independent evaluator.
Consider and use evaluation data meaningfully. Include clear statements of findings for consideration in evaluation reports. Use reports to inform any decisions about changes to programs.	**Good alignment** ▪ evidence of consideration of findings to inform decisions about programs ▪ assumed to be integral to external provider's approach ▪ process for providing reports to Trust and sub-committees.
Be transparent and open to scrutiny. Publicly release key information about all aspects of the evaluation unless there is an overriding public interest against disclosure.	**Improvement possible** ▪ there is no clear process for publishing evaluation (or final reports from projects). This appears to have been done incidentally in cases where the Commission has been the external evaluator.

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[63]   NSW Environmental Trust (no date) *Standard Procedures and Work Instructions: Major Funded Projects,* NSW Environmental Trust internal document, unpublished.

8.4 Program administration resources are low

It is important to correctly identify and allocate the required administrative costs to support a grants program. Without sufficient administrative resources, risks to effective and efficient program delivery increase and alternatively too much administration diverts expenditure away from achieving the set objectives.

Currently, the staff costs allocated to the Program's administration represent just 3.6 percent[64] of its total costs, which is lower than accepted good practice. For example, the Victorian Department of Treasury and Finance recommends 5 percent allocation as a minimum for program administration.[65]

In addition, during the review the Commission heard consistent feedback from key stakeholders that the Program team has a high workload and there is a risk that the quality of the Program will suffer because of insufficient resources. For example, stakeholders noted that:

- the number of projects funded through the Program has increased significantly over time, without any concomitant increase in administrative resources. One interviewee said the Program team started by managing 10 projects and now manages 50 with the same number of staff.

- the 2018 Prospectus process involved substantial work on top of normal project management, including the intensive co-design of seven projects. As a result, the consultation process had to be limited and the depth of research on identified issues curtailed.

- there are proposals 'on hold' from the 2018-20 Prospectus and other processes, because there are insufficient staff resources to scope these projects

- there is a work health and safety risk of staff burnout.

Given the substantial investments being made through the Program, these concerns about resourcing and well-being require close attention. Either additional resources need to be allocated or the role of the Program team (and therefore the Program) must be substantially reframed to ensure its ongoing effectiveness and quality.

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[64]   The Trust staff advised the Commission that the ongoing staff resources allocated to the Program are one team leader, two senior project officers and two project officers, which represents around 3.6 percent of the average annual budget. The Trust also engages independent facilitators to support the Prospectus workshop process.

[65]   Victorian Government (2016) *Investment Principles for Discretionary Grants*, Victorian Department of Treasury and Finance.

8.5   Recommendations

6   Improve Program oversight processes by:

a)   maintaining the current high standard of governance to ensure the Program objectives are achieved and risks are appropriately managed

b)   identifying project risks and match review and oversight processes to risks with the aim of streamlining the administrative burden

c)   examining the workload of sub-committees and consider ways to simplify documentation and examine if reimbursements for non-government committee members are adequate given the substantial time required to review projects

d)   clarifying and documenting the criteria used to review business cases and plans, to support sub-committee members

e)   initiating mid-term evaluations for higher risk, higher cost and longer term projects

f)   examining ways to allocate additional resources to enable staff to adequately oversee the Program and manage risks.

Attachment 1 Evaluation framework

Table A1: Key evaluation questions, indicators/issues to consider in addressing these questions and potential data sources and methods[66]

Key questions	Indicator/issues considered	Data sources and methods
1. How appropriate are the Environmental Trust's processes for selecting priority issues?		
a. How are issues identified and selected?	▪ description of streams ▪ description of identification processes for each stream ▪ description of how the scale of issues is identified to maximize the contribution to goals and outcomes ▪ description of how collaboration with other parties is used to maximise gains, minimise costs, deliver multiple benefits etc. ▪ description of strategies to meaningfully engage participation of the community in planning etc. ▪ description of knowledge used to inform decisions in a structured and transparent manner.	interviews with Trust staff review of Trust documents
b. How well do these processes account for and support the achievement of Trust and NSW Government priorities?	▪ alignment between stream objectives and Trust and NSW Government priorities. ▪ perspectives of key individuals of strengths and weaknesses of prioritisation process.	review of Trust documents interviews with Trust staff.
c. How independent and transparent are these processes?	▪ clear documentation of processes in place ▪ documentation of how processes were implemented and of decisions and choices ▪ processes in place for dealing with conflicts of interest ▪ potential for conflicts of interest based on roles of participants ▪ perspectives of key individuals of strengths and weaknesses of prioritisation process	review of Trust documents interviews with Trust staff.

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[66] Gilmour, P (2019) *Review of the Environmental Trust's Major Projects Grants Program: Review framework,* first Person Consulting, document prepared for the Natural Resources Commission.

Key questions	Indicator/issues considered	Data sources and methods
	▪ communication and publication of Program design features and priority-setting processes.	
d. To what extent have priorities been appropriately informed by consultation and engagement with experts and the community?	▪ description of the consultation and engagement process for each stream ▪ description of process of issue refinement ▪ perspectives of key individuals of strengths and weaknesses of consultation and refinement process ▪ level of consultation matches with scope and intent of program streams (including diversity of stakeholders).	review of Trust documents interviews with Trust staff interviews with relevant external stakeholders (as appropriate).
2. How appropriate are the Environmental Trust's processes for selecting and funding major projects?		
a. How are projects identified and selected across the four streams?	▪ descriptions of processes across streams ▪ description of oversight processes and mechanisms, including for projects and programs of different levels of risk.	interviews with Trust staff review of Trust documents.
b. How well do these processes account for the priorities identified by the Trust?	▪ application and selection objectives align with stream- and Trust-level priorities and objectives ▪ observed issues of misalignment ▪ perspectives of key individuals of strengths and weaknesses of selection process.	interviews with Trust staff review of Trust documents.
c. How transparent and independent are these processes?	▪ clear documentation of processes in place ▪ documentation of how processes were implemented and of decisions and choices ▪ processes in place for dealing with conflicts of interest ▪ perspectives of key individuals of strengths and weaknesses of selection process ▪ communication and publication of project selection process and outcomes.	interviews with Trust staff review of Trust documents.
d. To what extent do these processes consider and are likely to lead to projects that deliver	▪ projects demonstrate good alignment with Program objectives/priorities ▪ selection demonstrate consideration of sustainability, impact, cost-effectiveness or are otherwise	interviews with Trust staff review of Trust documents.

Key questions	Indicator/issues considered	Data sources and methods
value for money from the Trust's investment?	consistent with delivery of value-for-money investments	
	▪ perspectives of key individuals of strengths and weaknesses of prioritisation process	
	▪ alignment with relevant principles outlined in the Commission's Performance Standard for Quality Natural Resource management (i.e. appropriateness of scale)	
	▪ alternative mechanisms to using grants and whether those mechanisms might lead to improved value.	
e. How well do the processes for selecting projects align with accepted good practice in grant programs?		review of documents Interviews/survey of grant recipients and unsuccessful applicants.
3. **How appropriate are the Environmental Trust's processes for overseeing the projects and program?**		
a. What delivery and oversight systems and processes are in place once projects have been funded?	▪ descriptions of processes across streams (including whether there are different requirements in place).	interviews with Trust staff review of Trust documents.
b. How well do the processes for monitoring and evaluating projects and the Program align with accepted good practice in grant programs?	▪ monitoring and evaluation framework for the program. ▪ guidance and support for projects ▪ monitoring and evaluation plans for funded projects and evidence of implementation ▪ evaluation reporting at project and program level in line with level of expenditure.	review of Trust documents.
c. To what extent are governance arrangements robust and defensible?	▪ description of Program governance arrangements ▪ appropriate risk management framework in place ▪ Description of committee roles in project selection.	interviews with Trust staff review of Trust documents
d. To what extent are these processes likely to support the achievement of outcomes in line with	▪ alignment with best practice approaches.	interviews with Trust staff review of Trust documents.

Key questions	Indicator/issues considered	Data sources and methods
Trust and NSW Government priorities?	▪ perspectives of key individuals of strengths and weaknesses of delivery process.	
e. To what extent are program outcomes effectively communicated to different stakeholder groups?	▪ description of communication methods ▪ perspectives of key individuals of strengths and weaknesses of communications ▪ feedback from target audience stakeholder groups (for example, grant recipients) ▪ mechanisms in place for addressing complaints.	interviews with Trust staff review of Trust documents interviews/survey of target stakeholders.
f. What are the resourcing requirements for administering the Major Projects Grants Program and how do these compare with best practice?	▪ documented program costs, including expenditure on different components ▪ documented or estimated staff time (if not included above).	review of Trust documents.
4. **In what ways can the Environmental Trust's Major Projects Grants Program be improved into the future?**		
a. Are there any aspects of good practice in grants management that the Trust is not already practicing or other improvements based on issues identified in the review?	▪ synthesis of findings above	see above
b. What are the hindrances and risks to the funding of Major Projects and how can these be addressed?	▪ synthesis of findings above ▪ feedback from key stakeholders.	interviews with Trust staff review of Trust documents.
c. What gaps or opportunities are there in communication and engagement processes, either in setting funding priorities, selecting projects or communicating outcomes?	▪ synthesis of findings above.	see above.
d. In what ways should the Trust select, monitor and evaluate projects into the future and how can this	▪ synthesis of findings above.	see above

Key questions	Indicator/issues considered	Data sources and methods
be articulated in a structured framework?		

Attachment 2 Prospectus participant online survey questions

1   What Major Projects Prospectus workshop(s) did you participate in:

- Pest animal control for biodiversity outcomes

- Invasive species eradication

- Responding to new environmental threats

- Declining health of coastal rivers and wetlands

- Domestic cats impacting on biodiversity

- Declining ecosystem health due to dieback

- Genetic considerations for resilient ecological restoration

2   Reflecting on the Major Projects Prospectus workshop(s) you attended, were you satisfied that in the workshop you were able to identify priority issues and develop projects?

- Very satisfied

- Satisfied

- Neither satisfied or unsatisfied

- Unsatisfied

- Very unsatisfied

3   Do you have any suggestions for how Major Projects Prospectus workshops could be improved to identify priority issues and develop projects?

4   Considering the issues that were identified and developed at the workshop(s), was there adequate representation of relevant technical experts?

- very good involvement of relevant experts

- good involvement of relevant experts

- average involvement of relevant experts

- poor involvement of relevant experts

- don't know/not sure

5   Was there adequate representation of other relevant stakeholders?

- very good involvement of relevant stakeholders

- good involvement of relevant stakeholders

- average involvement of relevant stakeholders

- poor involvement of relevant stakeholders

- don't know/not sure

6   Are there other technical experts or stakeholders (key individuals or groups) that you believe should attend Major Projects Prospectus workshops? Please list:

7   The Environmental Trust aims to identify priority issues and projects that are innovative and important to the New South Wales environment. In your opinion, how well did the Major Project Prospectus workshop(s) support the achievement of this aim?

- very well

- well

- average

- poorly

- don't know/not sure

8   How could the process have been improved to support this aim?

9   Overall, to what extent were you satisfied with your involvement in the process?

- Very satisfied

- Satisfied

- Dissatisfied

- Very dissatisfied

- Don't know/not sure

10   Do you have any last comments about the Environmental Trust's Major Projects
       Prospectus process or how it could be improved in the future?

11   Following on from the workshop(s), were you involved in developing a business case for
       funding consideration?

- Yes

- No

12   Overall, how satisfied were you with the process of working with the Environmental
       Trust to co-design the project as part of the Major Projects Prospectus process?

- Very satisfied

- Satisfied

- Dissatisfied

- Very dissatisfied

- Don't know/not sure

13   From your perspective, how satisfied are you with the level of effort required to prepare
       the business case documentation for Major Projects funding?

- Very satisfied

- Satisfied

- Neither Satisfied or Unsatisfied

- Unsatisfied

- Very unsatisfied

14   How valuable were Environmental Trust Major Projects staff in working with you to
       develop the business case?

- Extremely valuable

- Very valuable

- Somewhat valuable

- Not so valuable

- Not at all valuable

15 Considering the business case development, was there adequate involvement of relevant technical experts and or stakeholders?

- very good involvement

- good involvement

- average involvement

- poor involvement

- don't know/not sure

16 Looking forward, how could the business case development process and/or documentation be improved?

Attachment 3 Summary of data collection methods

Table A2: Summary of data collection methods

Method	Group/examples	Quantity
Documentation	- Trust objects and funding guidelines - internal program governance documents - prospectus documents - project databases - consultation documentation - samples of project oversight templates, applications, committee terms of reference.	54
Face to face interviews	- Trust administration (staff) - Trust stakeholders and leadership - Technical/sub-committee members.	8 4 6
Telephone interviews	- successful grantees - unsuccessful grantees.	6 2
Online survey	- Prospectus workshop participants - successful participants.	26 10

Attachment 4 Criteria used to assess 2018 Prospectus issues and projects

Criteria used to assess issues and projects in the Prospectus process

Table A3: Ranking priority issues in workshop 1[67]

Overall score assigned	Score given by workshop participants	Number of workshops that identified issue	Number of other sources from desktop review that rate the issue as important
very high	very high or high	>=3	no other sources needed
very high	very high or high	>=3	at least 1 other source
very high	very high or high	>=2	at least 2 other sources
very high	moderate	>=3	all 3 other sources
high	very high or high	>=2	at least 1 other source
high	very high or high	>=3	no other sources needed
high	moderate	>=3	at least 1 other source
high	moderate	>=2	at least 2 other sources
moderate	moderate	>=2	at least 1 other source
moderate	moderate	>=1	at least 2 other sources
moderate	low	>=2	at least 1 other source
low	all remaining issues		

Using the categories above, five issues were identified as a 'very high' priority and twelve were identified as a 'high' priority. Word clouds were also used to analyse how many times issues were mentioned at workshops.

Assessment criteria for priority issues[68]

The seventeen issues were presented in an issues matrix with recommendations for further scoping based on an assessment of:

- linked sub-issues/contributing factors
- history of Trust investment (completed projects)
- current Trust investment
- investment from other funding sources for the issue
- analysis of who has core responsibility for the issue (includes review of lead agencies (if any)
- strategies that inform the issue (where relevant)
- assessment of duplication/saturation of the issue)

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[67]   NSW Environmental Trust (2017) *Issues analysis for Trust Prospectus*, NSW Environmental Trust internal document, unpublished.

[68]   NSW Environmental Trust (2017) *Issues Matrix Table*, NSW Environmental Trust internal document, unpublished.

    ▪   gaps and opportunities, including scope and evidence of opportunities.

'Merit' criteria used to scope identified projects

Scoped projects are reviewed against:[69]

- governance standards (excellence in accountability, transparency, probity)
- use of best available knowledge to inform decisions
- determination of scale (spatial, temporal, institutional
- opportunities for collaboration
- community engagement including volunteering
- risk management (criteria for determining risk for Trust projects)
- monitoring and evaluation to demonstrate progress towards goals and targets
- accountable information management.

Analysis of Projects within Prospectus Business Cases[70]

Project recommendations and options analysis included the following analysis:

- **benefits:** for example, project integrates an approach, reduce costs, testing new approaches, hasten eradication of pests, practical tool development, and address critical knowledge gaps
- **dis-benefits:** issues may be contentious, solution may receive negative feedback, differing opinions on solutions
- **risks:** effectiveness of solution, lack of adoption of solution, end users not engaged in results
- **expected outcomes:** Program logic assessment.

Justification within project business cases includes:

- the significance of the problem (for example, the NSW environment, industries, potential impact, policies)
- contribution to the Trust objects
- an outcomes hierarchy (outcomes, evidence and assumptions, evaluation questions, performance indicators, targets and performance information)
- a dissemination plan to communicate findings
- a milestone schedule
- a risk assessment.

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[69]   NSW Environmental Trust (n.d.) *Major Funded Project's internal procedure for scoping major projects,* NSW Environmental Trust internal document, unpublished.

[70]   NSW Environmental Trust (2018) *Major Projects Prospectus 2018-20,* NSW Environmental Trust internal document, unpublished.

Projects types eligible for funding under strategic projects funding stream

When considering what the project is for and to identify the type of issues which are best suited to grant funding, Major Project grants are appropriate for:[71]

- creation of knowledge

- trialling or demonstrating a new way of doing things/innovative approaches

- creating the capacity and momentum that will lead to long term solutions and survive the funding period

- synergistic funding

- critical funding, significant investment in a major problem

- emerging issues, trying to stop a problem before it gets too big.

In scoping projects, geographical and agency spread of existing major projects and the capacity of an organisation to manage its project load must also be considered.

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[71]   NSW Environmental Trust (n.d.) *Major funded projects internal procedure for scoping major projects* Environmental Trust internal document

Attachment 5 Comparison of programs priority identification processes

Name	Organisation	Description	Process for identifying key issues/priorities	Comments
Biodiversity Conservation Trust	NSW Government – Office of Environment and Heritage	Government investment in private land conservation – $240 million over 5 years in addition to ongoing funding of $70 million per year, subject to performance reviews	**Biodiversity Conservation Investment Strategy 2018** - sets the NSW Government's state-wide priorities for investing in private land conservation, and includes: ■ State-wide priorities based on state-wide data and mapping ■ Investment principles ■ Types of conservation assets to be targeted (for example, threatened ecological communities, threatened species habitat) also expects investment decisions to be informed by subregional and local issues such as: ■ Regional scale mapping of conservation assets ■ Priorities in Local Land Services Strategic Plans, Department of Planning and Environment Regional Plans, Local Government Areas etc. **Stakeholder feedback** – the draft Biodiversity Conservation Investment Strategy 2018 was released for public comment and stakeholder feedback informed the final report.	Use of state-wide data and mapping to inform priorities Stakeholder feedback process on draft priorities to help broaden stakeholder input beyond people who are available to comment at the workshop
National Landcare Program Phase 2	Australian Government - Department of the Environment and Energy and the Department of Agriculture	Australian Government invested more than $1 billion in the National Landcare Program Phase 2	**Outcomes/Program Logic** – a program logic and sub logics have been developed for Regional Land Partnerships **Stakeholder feedback** - Public consultation occurred in 2017, including community information sessions and an online consultation survey, to seek views on the design and implementation of Regional Land Partnerships. The Regional Land Partnerships Consultation Survey received 124 responses, including feedback on the program outcomes – for example, stakeholders asked for broader outcomes around threatened species.	Potential for a stakeholder feedback process on draft priorities to help broaden stakeholder input.

Name	Organisation	Description	Process for identifying key issues/priorities	Comments
	and Water Resources			
State Natural Resource Management Program	Western Australia – Department of Primary Industries and Regional Development	$94 million program since 2009, with over 850 projects and over $87 million of grants	**NRM framework priorities** – Grants in this program are allocated via assessment process which has six overarching priorities. These priorities come directly from the Western Australian Natural Resource Management Framework 2018, a strategic document developed by the Department that is intended to provide a focus for partnerships and allow for greater coordination and transparency of priority setting and investment by community, industry and government.	
Bush Heritage	Bush Heritage	Private not-for-profit landscape conservation organisation	**Priority landscapes** – areas Bush Heritage have identified as in need of increased protection to safeguard nationally significant ecosystems, based on conservation value, capacity to help protect them and the degree to which they're already protected through Australia's National Reserve System.	
Freshwater Improvement Fund	New Zealand Ministry for the Environment	$100 million over 10 years to improve the management of New Zealand's waterways	**Vulnerable ecosystem mapping** – funding evaluation criteria are supported by mapping indicating priority vulnerable ecosystems.	