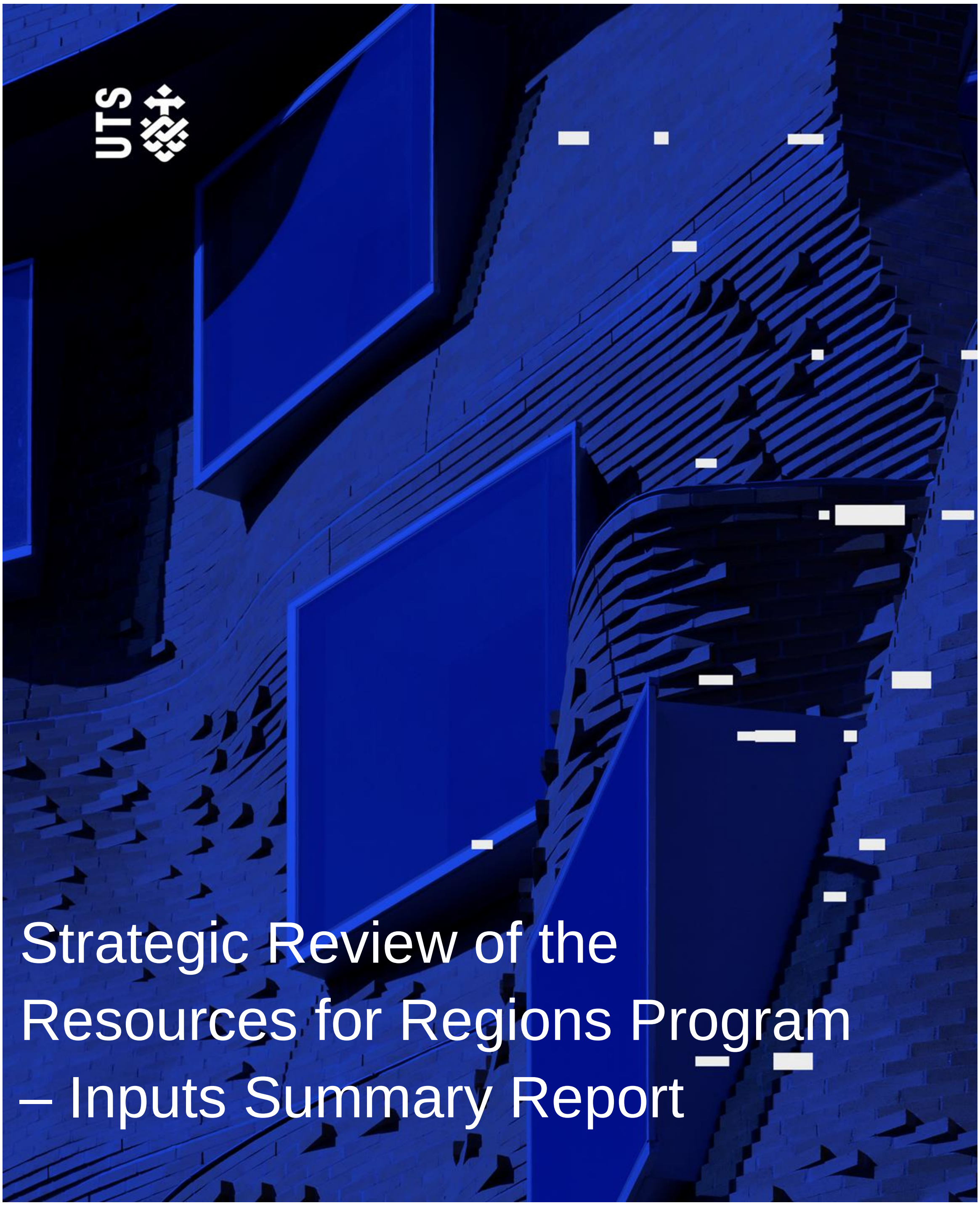

Strategic Review of the Resources for Regions Program – Inputs Summary Report

PREPARED FOR:

Department of Planning, Industry and Environment

Institute for Public Policy and Governance

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About the authors

The Institute for Public Policy and Governance (IPPG) is an interdisciplinary research and consulting organisation at the University of Technology Sydney (UTS). We are a leading group of researchers and practitioners in the areas of public administration and policy, applied research, stakeholder engagement, and evaluation. We utilise a unique combination of skills and perspectives to offer long term sustainable solutions to governments, organisations, businesses and communities.

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Contents

1 Introduction

1.1 Background

The NSW Government introduced the Resources for Regions program in 2012 with the original objective of delivering improved local infrastructure and enhancing economic growth and productivity in mining-related communities in NSW. The program has always been funded from the Restart NSW Fund, which was established to improve economic growth and productivity across NSW.

A strategic review of Resources for Regions was announced by the NSW Government in April 2019 to ensure the program is best supporting the needs of mining-related communities in the state.

The Department of Planning, Industry and Environment (DPIE) is conducting the overall review, focused on identifying how the program can be optimised to ensure it best supports mining-related communities in regional NSW. The Institute for Public Policy and Governance at UTS (IPPG) was engaged to conduct desktop research and related analysis to help ensure the review was founded on a sound evidence base.

Mining has a long history in regional NSW, with the first coal mining activity in the Hunter Valley dating back to 1791. Mining has influenced settlement patterns across many of the state's regions and continues to be a very significant contributor to the NSW and national economies.

There are mining operations of varying scales across most NSW regions. Coal continues to be extensively mined in the Upper and Lower Hunter regions as well as in the Illawarra, New England and the Central West regions. Gold and copper are also mined in the Central West and the Far West. Silver, Zinc, Lead, Zircon and Titanium mines are also located in the Far West.

In addition to mining operations, there is currently a range of mining exploration activities across many areas of the state. This, combined with extensive other known mineral deposits across the regions, is likely to contribute to the development of new mines of varying types well into the future.

The communities impacted by mining vary greatly in their demographic, locational, historical and economic circumstances. There is no single type of mining-impacted community in regional NSW. Mining communities span regional centres, large and small towns and isolated or more remote communities. Some mining communities have relatively diverse economies, while others are predominantly reliant on mining. The scale of mining operations varies greatly. Some mining communities are in close proximity to several mines, operated by a single or multiple companies, while others have only a single mine.

Some mining communities have a primarily resident mining workforce, while others rely upon a fly-in, fly-out (FIFO) or drive-in, drive-out (DIDO) workforce that travels considerable distances to work in the mines. A 2011 NSW Government Submission to the House of Representatives Standing Committee on Regional Australia inquiry into the use of fly-in, fly-out workforce practices in regional Australia, identified FIFO workforces in mines in western and north western areas of the state. The submission noted that the size of these workforces varied and that workers were primarily sourced from metropolitan Sydney, the Illawarra, the Central West and the Hunter. The submission also noted the sizeable DIDO workforce in the Upper Hunter with workers generally driving from homes in the Lower Hunter and the Central Coast.

1.2 Focus of the strategic desktop research

IPPG was engaged to undertake strategic desktop research and analysis in relation to the:

- Lessons learned from other Australian funding programs designed to achieve similar outcomes to Resources for Regions.
- Social and economic impacts of mining in NSW regional communities and the subsequent infrastructure and other needs of those communities.

- Concept of mining-relatedness, to inform improvements to the current definition utilised in the Resources for Regions program.

Further information about the approach to each element of the desktop research, including scope and limitations is included at Appendix A.

A summary of the issues identified in each element of the research and analysis is provided in the following sections of this report. The issues included in this summary are those that were found to have the greatest relevance in helping inform the future directions of the Resources for Regions program.

2 The social and economic impacts of mining

Mining impacts a variety of different ways across NSW regional communities. The presence of mining can stimulate the delivery of infrastructure and additional investment in communities. It can directly increase employment opportunities and bolster demand for goods and services in a community. However, particularly where the mining workforce does not reside locally, or lives there only part-time, or where the community has limited existing social and physical infrastructure, the economic and social benefits can be diluted or even compromised.

2.1 Economic and employment related impacts

Economic and employment benefits of mining

Mining is widely recognised as a very significant direct contributor to the NSW economy through employment, investment and export revenues. Mining activity also contributes substantial royalties for the state, which the government uses to support the delivery of government services and related expenditure across NSW.

At a more local level, mining projects directly contribute financially to local communities in several ways. Mining companies often negotiate voluntary planning agreements with local councils under the *Environmental Planning and Assessment Act 1979*, which provide funding for local infrastructure and other services delivered by councils. Additionally, mining companies often provide voluntary financial contributions to local initiatives that can range from sponsorship of community and sporting organisations and events, through to dedicated grant funds directly administered by the company to support local projects.

The increased direct and indirect employment opportunities that flow from mining activity have been identified as one of the main positive impacts of mining for regional communities, though they do not always flow equally between communities.[1]

Local employment and labour market impacts can vary

For local regional communities, mining activities bring an increase in jobs but this does not always translate to a direct increase in jobs for local residents.[2] Access to mining jobs for local residents relies on the required skill levels being available in the local labour market.

Conversely, when local residents are extensively employed in mines, labour shortages can be experienced by other businesses, and there can be an increase in the cost of labour within the community when local businesses need to compete with higher paying mining wages.[3]

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[1] See review of international studies, inclusive of Australian specific studies, by Mancini, L. & Sala S. (2018) Social impact assessment in the mining sector: Review and comparison of indicator frameworks, *Resources Policy*, 57, 2018, 98-111.

[2] See review of international studies, inclusive of Australian specific studies, by Mancini, L. & Sala S. (2018) Social impact assessment in the mining sector: Review and comparison of indicator frameworks, *Resources Policy*, 57, 2018, 98-111; and synthesis of contemporary Australian research by Sincovich, A., Gregory, T., Wilson, A. & Brinkman, S. (2018) The social impacts of mining on local communities in Australia, *Rural Society*, 27:1, 18-34.

[3] Basu, P.K., Hicks, J., Krivokapic-Skoko, B. & Sherley C. (2015) Mining operations and corporate social responsibility: A case study of a large gold mine in regional Australia, *The Extractive Industries and Society*, 2, 2015, 531-539.

Research has noted that there had been some improvement in employment of Aboriginal people in mining across Australia in the most recent boom but improvement has not been consistent across the range of jobs.[4]

Local economies can experience positive and negative impacts

Mining operations provide varying degrees of local economic stimulus. Increased or improved infrastructure associated with mining developments has been viewed as generally having a positive impact.[5] A NSW focused study noted that some communities view spending on infrastructure by government or mining companies as inspiring confidence in other firms to invest in the region.[6] This can be a way to stimulate additional and more diverse economic growth which can in turn contribute to greater sustainability of communities.

Local businesses can benefit and business opportunities can increase when mining companies procure services from within surrounding communities. For local businesses, however, the impact can be highly variable.[7] Those providing accommodation or selling consumable goods and services, such as food and beverages, can do well. While others that have little interaction with the mine or the mining workforce may not see any, or only limited, economic benefits.

The additional income to the mining workforce does not always translate to additional expenditure in the local community.[8] This is particularly the case for communities with a DIDO or FIFO mining workforce. This has often been referred to as the 'two speed economy' where those with a direct interaction with mining operations or the mining workforce do well, while other locals do not receive flow-on benefits. In such cases mining operations can even contribute to an increased gap in income inequality in the local community.

For example, a number of studies have noted the negative impacts of inflation, rising costs of living and reduced housing affordability in some mining impacted communities.[9] In some circumstances, where the mining workforce occupies temporary accommodation such as motels, guest houses and caravan parks, low income renters and tourism can be negatively impacted by a lack of accommodation.

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[4] See synthesis of contemporary Australian research by Sincovich, A., Gregory, T., Wilson, A. & Brinkman, S. (2018) The social impacts of mining on local communities in Australia, *Rural Society*, 27:1, 18-34.

[5] See review of international studies, inclusive of Australian specific studies, by Mancini, L. & Sala S. (2018) Social impact assessment in the mining sector: Review and comparison of indicator frameworks, *Resources Policy*, 57, 2018, 98-111.

[6] Basu, P.K., Hicks, J., Krivokapic-Skoko, B. & Sherley C. (2015) Mining operations and corporate social responsibility: A case study of a large gold mine in regional Australia, *The Extractive Industries and Society*, 2, 2015, 531-539.

[7] See synthesis of contemporary Australian research by Sincovich, A., Gregory, T., Wilson, A. & Brinkman, S. (2018) The social impacts of mining on local communities in Australia, *Rural Society*, 27:1, 18-34.

[8] See synthesis of contemporary Australian research by Sincovich, A., Gregory, T., Wilson, A. & Brinkman, S. (2018) The social impacts of mining on local communities in Australia, *Rural Society*, 27:1, 18-34.; and review of international studies, inclusive of Australian specific studies, by Mancini, L. & Sala S. (2018) Social impact assessment in the mining sector: Review and comparison of indicator frameworks, *Resources Policy*, 57, 2018, 98-111.; also Barclay, M.A., Everingham, J., Cheshire, L., Brereton, D., Pattenden, C. & Lawrence, G. (2012) *Local government, mining companies and resource development in regional Australia; Meeting the governance challenge* Final Report. Centre for Social Responsibility in Mining, Brisbane.

[9] See synthesis of contemporary Australian research by Sincovich, A., Gregory, T., Wilson, A. & Brinkman, S. (2018) The social impacts of mining on local communities in Australia, *Rural Society*, 27:1, 18-34.; and Barclay, M.A., Everingham, J., Cheshire, L., Brereton, D., Pattenden, C. & Lawrence, G. (2012) Local government, mining companies and resource development in regional Australia; Meeting the governance challenge Final Report. Centre for Social Responsibility in Mining, Brisbane.; and Cottle, D. (2013) Land, life and labour in the sacrifice zone: The socio-economic dynamics of open-cut coal mining in the Upper Hunter Valley, New South Wales, *Rural Society*, 22:3, 208-216.

Economic diversification and sustainability

There is evidence that economically diverse communities appear to be able to better absorb some of the impacts associated with mining in their region.[10]

Larger communities with more diversified economies have been considered more able to handle increased demands on infrastructure and services. They also tend to be in a better position to attract funding for infrastructure from a broader range of sources.

Such communities are also more likely to be sustainable as mining activity levels change and as mines come to the end of their life.

2.2 Demographic changes and impacts

Population increases

Mining operations often result in an increase in the resident population and/or the non-resident workforce of FIFO or DIDO workers.

Population growth can be positive for regional communities but it can also create challenges. Rapid changes in the resident or non-resident population of local communities can increase demand on a range of essential infrastructure and services such as transport, telecommunications, roads and traffic control, power supply, water supply and sewerage.

Increased demand and pressures on social infrastructure have also been identified for local regional communities across built community facilities, support services, networks of support/community organisations, the availability of suitable housing and accommodation, and education and health facilities and services.

A 2011 NSW Government submission on FIFO and DIDO workforces in NSW mining identified the following challenges for host and source communities for mining workers[11]:

- Impacts on local housing markets leading to reduced availability and affordability.
- Limited local employment generation, and therefore reduced longer-term employment legacies for host communities.
- Negative social impacts arising from large temporary resident populations with a strong gender imbalance and relatively high incomes.
- Impacts on the FIFO or DIDO workers and their families associated with shift work and working long hours.
- The ability for pre-existing sectors, such as trades, transport, retail and hospitality, to compete with the high wages offered by the mining industry, which can cause skills shortages affecting local communities and businesses.
- Increased pressures on physical and social infrastructure, especially in the development phase of projects when FIFO or DIDO workforces increase substantially.
- Increased demand for services in locations which can affect the capacity of service providers to meet demand.

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[10] Basu, P.K., Hicks, J., Krivokapic-Skoko, B. & Sherley C. (2015) Mining operations and corporate social responsibility: A case study of a large gold mine in regional Australia, *The Extractive Industries and Society*, 2, 2015, 531-539.

[11] NSW Government (2011) *Fly-in, Fly-out and Drive-in, Drive-out Workforces in NSW Mining*, NSW Government Submission to the House of Representatives Standing Committee on Regional Australia Inquiry into the use of fly-in, fly-out workforce practices in regional Australia, Submission Number 145.

The submission noted that the impacts of FIFO and DIDO workforces on mining communities can depend on factors such as the:

- Size of the FIFO or DIDO workforce.
- Extent to which FIFO or DIDO workforces crowd out other economic activity.
- Nature and location of accommodation for these workforces.
- Extent to which FIFO and DIDO workers interact with local communities.

2.3 Impacts can be interconnected and are relative to the local community context

Across the literature reviewed, the economic and infrastructure impacts of mining in regional communities were often identified as one of the social impacts created by mining. This likely reflects the interconnectedness of many of the impacts for local communities. For example, economic impacts have social consequences, and infrastructure needs can have both economic and social elements.

The social and economic context of local communities, in terms of location, population size, demographics, the local labour market and the local economy, are important influences on both positive and negative impacts.[12]

One NSW study indicated that it is larger regional towns that are more likely to benefit from the majority of the economic impacts, the improved employment opportunities and new infrastructure associated with increased mining in a region.[13] It was noted that this was sometimes viewed as being at the expense of smaller towns. It has also been noted that in practical terms some impacts can be more readily absorbed by communities with a more diversified economy.

In addition to the social and economic context within which they operate, the type, scale and history of mining operations are important factors in understanding the impact of mining and subsequent needs of the local community.[14] Fortunately, lessons can be learned and needs understood from communities with similar contexts.

Contextual factors identified in a national study examining the impacts of mining[15] included:

- Locational issues such as the degree of remoteness.
- The level of population density.
- The type of mine and type of resource being mined and the region's history of mining.
- The expected duration of mining activities.
- The level of community familiarity with the mining industry.

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[12] Barclay, M.A., Everingham, J., Cheshire, L., Brereton, D., Pattenden, C. & Lawrence, G. (2012) *Local government, mining companies and resource development in regional Australia; Meeting the governance challenge* Final Report. Centre for Social Responsibility in Mining, Brisbane.

[13] Basu, P.K., Hicks, J., Krivokapic-Skoko, B. & Sherley C. (2015) Mining operations and corporate social responsibility: A case study of a large gold mine in regional Australia, *The Extractive Industries and Society*, 2, 2015, 531-539.

[14] Barclay, M.A., Everingham, J., Cheshire, L., Brereton, D., Pattenden, C. & Lawrence, G. (2012) *Local government, mining companies and resource development in regional Australia; Meeting the governance challenge* Final Report. Centre for Social Responsibility in Mining, Brisbane.

[15] Barclay, M.A., Everingham, J., Cheshire, L., Brereton, D., Pattenden, C. & Lawrence, G. (2012) *Local government, mining companies and resource development in regional Australia; Meeting the governance challenge* Final Report. Centre for Social Responsibility in Mining, Brisbane.

These factors were found to influence the way in which regional communities will respond to mining and to the community needs associated with mining impacts. It was also found that given the diversity of factors, it was easier to identify comparable mining-related regions across the country than it was within NSW.

2.4 Transitional and sustainability impacts

Mining operations, from first exploration, to development, ongoing operations and through to mine closures, have varying impacts on local communities. Rapid population growth or decline can place significant pressures on local infrastructure, businesses and services.

While there can be significant business development opportunities for some industries and sectors during the development and life of a mine, local residents and businesses need to be able to recognise and take advantage of these.

In some areas this can be challenging. Housing markets can see significant price rises in the mine construction phase and even throughout the life of a mine. Limited housing supply in the context of workers with a high capacity to pay can create affordability pressures that impact negatively on residents' capacity to remain in their communities. A lack of availability of temporary accommodation or high relative costs for traditional tourist accommodation can also have negative impacts on local tourism.

At the other end of the cycle, as mines close down communities can experience a loss of the financial benefits that were associated with the incomes of mining workers who are leaving. Rapid population decline and reduced economic capacity can undermine the sustainability of some mining communities, particularly as shown, where there is limited industry diversification in that community.

2.5 Disadvantaged communities do not always benefit

Research has highlighted that mining activity does not in itself turn around community disadvantage.[16] Mining activity can actually contribute to greater inequity within a community, particularly when local residents and businesses are not in a position to take advantage of the benefits that mining can bring to communities.[17] Inflation and cost of living pressures can impact on the ability of local residents to remain living in their community.

A particular paradox has been noted between high mining related incomes but high unemployment, under-employment and poverty in disadvantaged local communities.[18] Employment opportunities, both direct and indirect, in mining-related communities are one of the key potential benefits of mining for residents. However, the economic activity and job opportunities associated with mining do not necessarily contribute to improved employment outcomes or reduced disadvantage for all members of the local communities. Not all residents are in a position to take up opportunities and in some communities skills development may be required to maximise job take up by local residents.

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[16] See review of international studies, inclusive of Australian specific studies, by Mancini, L. & Sala S. (2018) Social impact assessment in the mining sector: Review and comparison of indicator frameworks, *Resources Policy*, 57, 2018, 98-111.; and synthesis of contemporary Australian research by Sincovich, A., Gregory, T., Wilson, A. & Brinkman, S. (2018) The social impacts of mining on local communities in Australia, *Rural Society*, 27:1, 18-34.

[17] Cottle, D. (2013) Land, life and labour in the sacrifice zone: The socio-economic dynamics of open-cut coal mining in the Upper Hunter Valley, New South Wales, *Rural Society*, 22:3, 208-216.; Barclay, M.A., Everingham, J., Cheshire, L., Brereton, D., Pattenden, C. & Lawrence, G. (2012) *Local government, mining companies and resource development in regional Australia; Meeting the governance challenge* Final Report. Centre for Social Responsibility in Mining, Brisbane.; Also see synthesis of contemporary Australian research by Sincovich, A., Gregory, T., Wilson, A. & Brinkman, S. (2018) The social impacts of mining on local communities in Australia, *Rural Society*, 27:1, 18-34.; and review of international studies, inclusive of Australian specific studies, by Mancini, L. & Sala S. (2018) Social impact assessment in the mining sector: Review and comparison of indicator frameworks, *Resources Policy*, 57, 2018, 98-111.

[18] Cottle, D. (2013) Land, life and labour in the sacrifice zone: The socio-economic dynamics of open-cut coal mining in the Upper Hunter Valley, New South Wales, *Rural Society*, 22:3, 208-216.

As previously noted, the scale of mining is also an important contextual factor. The cumulative impact of multiple mines in a region has been identified as a concern and is required to be addressed in mining social impact assessments, including in NSW.[19]

Finally, there are also a range of specific impacts of mining for Aboriginal communities who can experience limited economic benefits or disproportionate negative impacts of mining.[20]

2.6 Recommendations

Support for mining impacted communities via infrastructure and programs

1. Consideration should be given to allowing Resources for Regions program funding to be allocated to both infrastructure and programs that address the range of social and economic impacts associated with mining on regional communities. In addition to economic and social infrastructure this could include:
    a) Programs that help communities to maximise the job and business development opportunities associated with mining.
    b) Programs that support skills development or address labour market shortages.
    c) Initiatives to support families, children and young people living in mining-related communities.
    d) Initiatives to support positive or improved social capital and community functioning.

Linking proposals to Community Strategic Plans

2. As each council is required to engage their community in the development of a Community Strategic Plan to identify community priorities and aspirations for the future, it is recommended that the Resources for Regions program places an expectation on applicants to identify how their proposal aligns with their local government Community Strategic Plan.

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[19] Barclay, M.A., Everingham, J., Cheshire, L., Brereton, D., Pattenden, C. & Lawrence, G. (2012) *Local government, mining companies and resource development in regional Australia; Meeting the governance challenge* Final Report. Centre for Social Responsibility in Mining, Brisbane.

[20] See synthesis of contemporary Australian research by Sincovich, A., Gregory, T., Wilson, A. & Brinkman, S. (2018) The social impacts of mining on local communities in Australia, *Rural Society*, 27:1, 18-34.

3 Considerations from similar programs

The concept of programs such as Resources for Regions which are designed to maximise benefits and alleviate pressures on communities arising from mining activity exists in many jurisdictions. An overview of the selected programs analysed in preparing this summary report, including lessons learned, is included at Appendix B. As this was a desktop analysis, it relied upon readily available public information. Fortunately these were sufficient to provide insight into the strengths and weaknesses of various approaches.

One challenge was, however, that of the programs seeking to achieve similar outcomes to Resources for Regions available for this analysis, very few had been formally reviewed or evaluated. Nonetheless, some programs had undergone performance audits and one was subject to a Special Government Inquiry. Where lessons were identified in these reviews they primarily related to program administration rather than program design. This limited the extent to which the outcomes and benefits of different program design approaches could be compared and assessed.

Following is a range of key issues that were identified in the analysis of programs seeking to achieve similar outcomes. These can help inform options development for the review of Resources for Regions.

3.1 Similar programs with an explicit relationship to mining

Targeting investment to mining-impacted communities

Currently, NSW is the only Australian jurisdiction that targets an entire regional infrastructure program to a defined cohort of mining-impacted communities.

Further, the Resources for Regions program is unique in that it is designed to both help in addressing the impact of mining in local regional communities and in supporting the sustainability of mining in regional communities.

The analysis also found that, unlike Resources for Regions, programs in other jurisdictions that focused on regional infrastructure, growth or development were generally open to applications from all regional areas within their state or territory.

The only other jurisdiction with a program element specifically focused on areas impacted by mining-related activities is Queensland. A previous Queensland program – Royalties for the Regions – specifically targeted local government areas impacted by resources growth in its pilot phase but expanded eligibility to all regional local governments in subsequent years. The replacement program, Building our Regions, allocates local governments in regional areas to one of three categories, one of which is focused on resources sector activities.

Programs tied to mining royalties

In terms of funding sources, mining royalties have been explicitly tied to funding allocations that support regional development in three Australian states – Western Australia, Queensland and South Australia. Western Australia has a legislated fund (the Royalties for Regions Fund), Queensland previously had a grants program (Royalties for the Regions since replaced by Building our Regions), and the South Australian fund (Regional Roads and Infrastructure Fund) is exclusively allocating mining royalties to regional infrastructure through the budget process.

The Western Australian Royalties for Regions program is the only one of these initiatives with a fund and governance structures established through legislation. In addition to having its own legislative framework, it is a very different program to Resources for Regions across most aspects of its purpose, design, governance and administration. Royalties for Regions has a statewide regional focus and does not distinguish between mining and non-mining communities. It supports a broad range of strategic projects and programs, all of which must be approved by Cabinet.

Of particular note is that the *Royalties for Regions Act 2009* provides for the equivalent of 25 percent of the State's forecasted annual mining and onshore petroleum royalties to be hypothecated into a fund that is separate from the Government's Consolidated Account. The fund balance also cannot exceed $1 billion at the end of a financial year, with any surplus funds being returned to the Consolidated Account.

Royalties for Regions was subject to a Special Government Inquiry and found to have significantly destabilised the Government's financial management processes. The Inquiry also found that the legislative framework, governance arrangements and management of the program had a range of serious risks that had significant financial, political and reputational impacts on Government and saw significant amounts of money allocated without robust processes. The structure of the fund was criticised for driving a focus on expenditure rather than outcomes. There are many documented lessons from the Special Government Inquiry to inform assessment of the risks associated with in any future changes to program design, governance and program management arrangements in Resources for Regions. The key findings from the Special Government Inquiry are summarised in Appendix B.

3.2 Key issues identified in the analysis of similar programs

Program purpose

Most programs identified for the review had a broader focus than Resources for Regions. This was often some type of focus on regional economic development and growth, or economic diversification as a way to strengthen local or regional communities and support their sustainability. Where the economic development of regions was part of the objective there was generally a focus on regional employment and jobs growth.

A number of programs with objectives related to economic development were designed to promote or support greater economic diversification or greater economic sustainability of regional communities. This type of approach can support and maximise resident and business opportunities, community sustainability and reduce the potential for a two speed economy and other inequitable outcomes that can occur in mining reliant economies.

While most of the programs reviewed had a focus on growth and development, some included a focus on the futures of communities in a post-resources or mining context. This can contribute to a more rounded approach to responding to the transitions experienced by mining-related communities.

Linking funding applications to regional plans or formal engagement with regional offices has also been embedded in some programs. This can also be beneficial in supporting a strategic response to the needs of mining-related communities.

Program design

Some programs were designed or structured around a tiered model, or with a small number of categories or streams. The categories varied but tended to be around organising factors such as location, population size, sector, project types etc.

Some of the programs reviewed categorised different types of communities or program objectives into tiers or funding streams so that assessments were focused on comparing similar communities or projects designed to achieve similar outcomes. These types of approaches can assist with targeting program objectives and ensuring an equitable spread of projects.

Most infrastructure related programs were focused on supporting the delivery of public infrastructure. A small number included private infrastructure but with a requirement to demonstrate a public benefit.

Assessing costs and benefits

From the publicly available program guidelines and information reviewed, unlike Resources for Regions, none of the similar programs appear to require a defined Benefit Cost Ratio to be submitted as part of the application.

A number of programs required business cases to be developed, but not all required Benefit Cost Analyses (BCAs). Some programs set a threshold for the requirement of a BCA (eg. $500,000), representing the level of risk associated with high expenditure projects.

For some programs, BCAs were prepared by the assessing department as part of their value for money assessment.

Funding allocations

A number of the programs reviewed divided and pre-allocated funding to streams within the program. The amounts allocated varied depending on the purpose of the stream. As would be expected the streams that focused on the delivery of infrastructure tended to have higher funding allocations than those focused on non-infrastructure projects or programs.

Tiered approaches were also used in many programs, with categories that had set minimum and/or maximum funding amounts for applicants.

One Australian Government program has allocated a specific funding amount to each regional location. This program is currently in a pilot phase with ten regional locations across the country. There are examples of other NSW Government programs that also take this approach.

Co-contributions

Encouraging or requiring collaboration and cash contributions is often considered as a way of demonstrating commitment to a project and evidence of support within the community.

Some programs required a co-contribution, while some encouraged it, and others had no such requirement. Some programs include an exemption from co-contributions in exceptional circumstances. Co-contributions are generally expected to be cash but some programs accept in-kind contributions.

There are also examples of tiered approaches to co-contributions depending on factors such as project size, project type or remoteness of the location.

The exemption provisions in some programs recognise that when compulsory co-contributions are included in program guidelines it can be difficult for more disadvantaged locations to deliver and could prevent applications coming forward from some local governments. However, requiring an exemption creates an additional evidence requirement in the application and these can themselves place additional pressure on already resource poor or disadvantaged areas.

Eligibility

Some programs have very broad eligibility for types of applicants, which tend to be directly related to what the program is seeking to achieve. For example, those with a broad economic growth focus tended to have broad eligibility criteria, with a range of entities being eligible to submit applications. Those targeting local infrastructure generally have eligibility criteria focused on local government. Where social infrastructure or programs are included in the focus, the not-for-profit sector is often also eligible.

Assessment process

In relation to assessment processes, some programs had a two stage application and shortlisting process similar to that used in Resources for Regions. Other programs had a single stage application followed by a single staged assessment process. Some programs involved a two stage process that first focused on eligibility assessment followed by merit assessment for those deemed eligible.

The principle of proportionality underpins most application and assessment processes across the programs reviewed.

Some programs used a loading in assessment and decision making processes to allow for disadvantage factors to be considered.

Some assessment processes included a formal approach for applicants to engage regional offices to receive feedback on alignment with program objectives, guidelines or regional plans.

3.3 Recommendations

Program purpose and eligibility

3. Consider amending the Resources for Regions program guidelines to include a focus on helping communities to address the impacts associated with lifecycle changes in mining related activities, such as those related to the establishment of an approved mine or a planned mining closure.
4. Consider amending the Resources for Regions program guidelines to include a focus on supporting greater economic diversification and more sustainable communities.

Funding allocations and assessment

5. Consider adjusting elements of the Resources for Regions program structure and assessment arrangements to ensure that local government areas with mining-related communities experiencing disadvantage have an equitable opportunity to access program funds to help them to address the impact of mining and support the sustainability of mining in their communities. This should include consideration of:
   a) Allocating a base amount of funding per mining-related local government area.
   b) Including an additional loading for local-government areas with disadvantaged communities.
   c) Changing the program guidelines to *encourage* rather than require co-contributions.
6. Review the extent to which the requirement for every submitted proposal to have a Benefit Cost Ratio greater than one may be impacting the type, quantity and scope of proposals being submitted.
7. Consider setting a project value threshold at which a Benefit Cost Analysis is required to be submitted with an application.

Program design

8. Consider introducing funding tiers or categories to ensure that a range of project types is supported through the program so that employment and business opportunities are maximised in mining-related communities.

4 The concept of mining-relatedness

4.1 Current definition of mining-relatedness

The most recent Resources for Regions program Frequently Asked Questions defines the concept of mining-related as:

> '… the degree of connection of a community or project to the mining industry. The Resources for Regions program specifically targets mining-related communities, and infrastructure that has been impacted by mining activity in those communities. Applications need to articulate the impact the mining industry has or will have on the infrastructure proposed to be built or enhanced in that location.'

The Resources for Regions program also currently utilises a Mining Employment Location Quotient (LQ) to help identify mining-related communities in NSW. The Mining Employment LQ provides a comparative score of the proportion of mining industry employment within a region relative to the state-wide proportion. The Mining Employment LQ is based on Local Government Areas (LGAs).

Project proposals in LGAs with a Mining Employment LQ of 1.00 or greater are automatically considered mining-related. Applications may also be considered from LGAs with a score of less than 1.00 where there are mining-related communities within the LGA. Evidence must be provided to support an application, which can include:

- The distance and size of an existing or planned mine from the project location (if a mine is planned, the status of the planning or construction and the likely commencement date).
- The impact of existing or planned mines on the proposed project location including impact on transport routes.
- How the project can improve any impacts from mining activity.

Potential issues with the current approach to defining mining-related

The desktop review of the social and economic impacts of mining identified that mining-related impacts can be both direct and indirect. Impacts can also vary during the transitions associated with mining, from exploration through establishment, operations and to closure.

The Resources for Regions definition of a mining-related community implies that a direct and current relationship needs to be identified between mining activity and the infrastructure that would be funded through the program. This could be a barrier to the development of proposals in areas with planned rather than operational mining activity.

LGA level measures can be problematic as they do not always provide enough granularity to represent community level experience of mining. This is provided for in the Resources for Regions program whereby applicants can provide other evidence of mining activity where their Mining Employment LQ is less than 1.00.

However, it could be argued that the Mining Employment LQ inherently disadvantages local government areas with communities with relatively greater diversification in their local economies. This could be considered a perverse outcome given that diversified local economies can provide positive foundations for community sustainability into the future.

Another consideration in utilising the mining employment LQ is the impact of greater automation in the mining industry which could see less demographic impacts from mining, but a broad range of indirect impacts for local communities.

4.2 Mining-related communities

The desktop review focused on identifying reports and publications with content referencing the concept of mining-relatedness. To maximise the programs identified, the review utilised a range of variations of the term “mining-related community”, including mining-impacted community, mining-affected community and mining community. Despite this, the search did not identify a body of information to clearly define the concept.

Much of the information on mining-impacted or -affected communities refers to communities in proximity to a mine or to the environmental, social and economic impacts of mining on communities.

In Australia, Queensland is the only other jurisdiction with some form of funding program overtly targeted to mining-impacted communities. Its program guidelines include a short definition relevant to the concept of mining-related community. This is briefly summarised below.

The social and economic factors considered in the approval process for mining exploration and mining development and operation are also outlined in this section. These factors can assist in defining the concept of mining-related communities.

Review of similar programs – the Queensland Government approach

The Queensland Government’s Building our Regions program includes a funding category that is open to local governments of resource producing communities. Eligible local governments are those defined as:

- Experiencing significant direct impacts from resource sector activity.
- Having well-established and/or significant mining activities.
- Have smaller, but nevertheless, active mining activities.
- Have significant exploration activity being undertaken.

In the context of this funding program, the Queensland Government determines which local governments fall within the resources producing community category.

No additional publicly available information was identified in relation to the process used for allocating local governments to the resource producing community category.

Queensland Strong and Sustainable Resource Communities Act 2017

The Queensland *Strong and Sustainable Resource Communities Act 2017* includes the concept of a resource community. The objects of the Act are focused on ensuring that residents of communities in the vicinity of large resources projects benefit from the construction and operations of those projects. The Act specifically defines a *nearby regional* community for a large resource project as a town:

- Any part of which is within:
  - A 125km radius of the main access to the project; or
  - A greater or lesser radius decided by the Coordinator-General and notified in writing by the Coordinator-General to the owner of the project; and
- That has a population of no more than –
  - 200 people; or
  - A smaller population decided by the Coordinator-General and notified in writing by the Coordinator-General to the owner of the project.

A village’s or town’s proximity to the project, with a minimum population, are the key factors in this example.

The types of social and economic impacts considered in mining approvals

Before they commence, most mining exploration and all mining projects in NSW require environmental assessment under the *Environmental Planning and Assessment Act 1979* (EP&A Act). This assessment is inclusive of social and economic impacts on local communities. A Review of Environmental Factors is required for most exploration activities and an Environmental Impact Statement is required for most large mining projects as part of the application for development consent. The NSW Government publishes Guidelines for Preparing a Review of Environmental Factors (REF). The guidelines include information and guidance on the types of environmental, social and economic factors that need to be considered in an impact assessment of mining activities.

Applicants are required to identify whether and the extent to which the mining activity is likely to degrade or significantly increase demand for services and infrastructure, including roads, power, water, drainage, waste management, educational, medical or social services.

Social impacts that need to be considered in the REF include:

- Any changes to the demographic structure of the community, including changes to workforce or industry structure of the area/region, as a result of the mining activity.
- Any environmental impact that may cause substantial change or disruption to the community, including loss of facilities, reduced links to other communities or loss of community identity.
- Whether the mining activity is likely to result in some individuals or communities being significantly disadvantaged.
- Any impacts on the health, safety, privacy or welfare of individuals or communities.
- Whether the activity is likely to result in a change in the level of demand for community resources.

Economic impacts that need to be considered include:

- Any impacts which may affect economic activity (positive or negative), particularly impacts which result in a decrease to net economic welfare.
- Any impacts which may result in a decrease in the economic stability of the community.
- Any impacts which may result in a change to the public sector revenue or expenditure base.

Land use impacts that need to be considered can also have economic and social consequences:

- Whether the activity is likely to result in major changes to land use, including any curtailment of other beneficial land uses.
- Whether the activity is likely to result in any significant property value impacts with land use implications.

Transportation impacts have both economic and social implications:

- Any substantial impacts on existing transportation systems (such as road, rail, and pedestrian) which alter present patterns of circulation or movement.
- Any impacts associated with direct or indirect additional traffic.

In assessing each of these (and other) impacts, a range of contextual factors are required to be considered, including:

- Size – scale or size of the impact.
- Scope – localised or extensive impact.
- Duration of impact – short to long term.
- Intensity of impact over period of time.
- Level of confidence in predicting impacts.

- Resilience of environment to cope with impacts.
- Ability to manage or mitigate impacts.

These contextual factors could be considered if a tiered approach to categorising communities was implemented in the future structure of the Resources for Regions program.

Review of social and economic impacts of mining

As noted, the desktop review highlighted that mining-related social and economic impacts are linked to the local community context.

Factors such as location, population size, demographics, the local labour market and the local economy, are all found to be important influences on both the positive and negative impacts of mining.

In addition, the type, scale and history of mining operations is also important in understanding the impact of mining and subsequent needs of local communities.

There is no one common type of NSW experience of mining for regional communities. Not all communities or community members benefit equally from mining and the nature of the impacts vary. However, many of the social and economic impacts that must be considered in mining approval processes are aligned to the impacts identified in the desktop review.

Additional influencing factors were also found, including:

- The lifecycle of a mine – mining operations, from first exploration, through development, ongoing operations and finally to mine closures, have varying impacts on local communities.
- Business development - there can be significant business development opportunities for some industries and sectors during the development and life of a mine. This can support greater sustainability of communities.
- Economic diversification – communities with diverse local economies will be more sustainable as mining activity levels change and as mines come to the end of their life.
- Disadvantaged communities – mining activity does not in itself turn around community disadvantage and can even contribute to greater inequity, particularly when local residents and businesses are not in a position to take advantage of the benefits of mining.

4.3 Options for consideration in defining mining-relatedness

Aligning the concept to program purpose

Given there is no single definition of mining-relatedness, it is important that the concept is expressed in a way that clearly aligns with the purpose of the program.

This includes whether the program is seeking to:

- Address existing direct or indirect impacts of mining on the community.
- Address expected or forecasted direct or indirect impacts of mining on the community.
- Support greater social and economic sustainability of the community, through for example economic diversification.

Factors that could be considered

Based on the desktop review there a several factors that could be considered in the concept of mining-relatedness that could assist the future directions of the Resources for Regions program:

- Proximity of the community to the mining activity or the scope of the impact – this could be localised or cover a number of communities.

- Demographic changes associated with mining development, operations and closure.
- Types of mining activity and the scale of the impact on local communities.
- Impacts related to the different stages in the lifecycle of mining in a community:
  - Intensity of the impact over time – small or large impact over a long period of time.
  - Duration of the impact – short term, in a specific stage of the mine life cycle, long term.
  - Likelihood of change of the impact over time.

These types of factors could be particularly useful if a tiered or categorised approach was built into the Resources for Regions program structure.

Qualitative approaches

One future option is to adopt a more qualitative approach, where mine-affected communities self-allocate to a particular category such as:

- Mining under development.
- Mining impacted.
- Mining reliant.
- Mining decline.

These categories could take account of the variable impacts on communities as well as any related to the life-cycle stage of the mine.

Alternatively communities could self-allocate to categories related to different types of impacts, such as:

- Impacts associated with demographic changes.
- Reducing mining reliance through economic diversification.
- Skill and business development opportunities for local residents.

Quantitative approaches

A quantitative approach could continue to be utilised to take account of community disadvantage. SEIFA is a good measure of relative disadvantage. Given it is a more effective measure at geographic levels below LGA, it could therefore assist in targeting specific locations and communities.

If a tiered or categorised approach were to be built into the Resources for Regions program structure a range of indicators and statistics could be utilised to group communities within like categories. This could apply at both the LGA and sub-LGA level. The following types of indicators could be considered:

- Population demographics.
- Population growth trends.
- Migration patterns.
- Economic diversity or sustainability.
- Remoteness index.

Any weighting used in categorising communities would need to align to the program purpose and objectives.

Appendix A – Approach to the desktop reviews

Desktop strategic review and analysis of similar programs

This element of the desktop research was focused on identifying the lessons learned from other funding programs with similar objectives to the Resources for Regions program.

A desktop scan of relevant government funding programs across Australian jurisdictions and a small number of international jurisdictions was undertaken to identify the purpose and scale of those funds, similarities or differences in program structure, design, eligibility and assessment and any lessons identified in publicly available information.

Information gathered from the desktop review was compiled into case studies and analysed to inform the broader strategic review which is considering options for improving achievement of the objectives of the Resources for Regions program.

Similar programs were selected on the basis that they are intended to support greater sustainability of regional communities through infrastructure and/or economic development funding. Government programs with a specific connection to mining and/or mining royalties were also selected. The scan attempted to also identify programs that were introduced to address a specific industry issue or regional development concern. While some of the programs included in our case studies have an element that focuses on industry growth, programs targeted in this way tend to be focused on providing direct assistance to private sector industries rather than regional communities. Programs specifically focused on providing assistance to the private sector were not included.

The following programs included in the review:

Jurisdiction	Program
Western Australia	Royalties for Regions
Queensland	Royalties for the Regions Building our Regions
South Australia	Regional Growth Fund Regional Roads and Infrastructure Fund
Victoria	Regional Infrastructure Fund
National	Building Better Regions Fund Regional Growth Fund Regional Jobs and Investment Packages
New Zealand	Provincial Growth Fund
Canada	Rural and Northern Communities Infrastructure, British Columbia

Desktop strategic review of social and economic impacts of mining

A desktop review was undertaken focused on identifying the social and economic impacts of mining in NSW regional communities and the subsequent infrastructure and other needs of those communities. This included consideration of how these needs may change or differ over time, such as the economic and social impacts and corresponding needs that result from the decline and or growth of mining in regional communities, and the unique issues that arise from economies transitioning in and out of mining operations.

The desktop exploration focused on:

- Social and economic impacts of mining in regional locations.
- Specific impacts on NSW regional communities, especially where mining is the predominant industry.
- Any gaps in the available information, including where researchers have identified additional work is required.

Desktop strategic review of the concept of mining-relatedness

Desktop research was conducted to help identify options for improving the current definition of mining relatedness in the program.

The desktop review involved a scan of available information, publications and reports that consider the concept of mining relatedness to identify factors utilised in defining and /or assessing mining relatedness. Exploration of the concept of mining relatedness was also informed by the previous desktop review of the social and economic impacts of mining in regional communities.

Scope and limitations

IPPG was engaged to conduct a strategic desktop review rather than a full literature review of the social and economic impacts of mining. Therefore a scan of research studies and publicly available reports was undertaken to identify the documented social and economic impacts of mining in regional communities, with a focus on those impacts that could be mitigated through an infrastructure funding program. The desktop review drew upon contemporary academic publications and publicly and readily available information. It did not include reports prepared by or on behalf of mining companies, industry bodies or advocates. Papers that were more than ten years old were also not included. However, some of the synthesised papers that were included referenced studies that were more than ten years old.

The desktop review of the social and economic impacts of mining on communities primarily focused on synthesised literature or reports that collated the findings of contemporary studies, inclusive of NSW and Australian studies. Also included in the strategic desktop review was relatively recent research specifically focused on mining sites in NSW.

Unfortunately the desktop review was not able to identify any recent comprehensive or state-wide study on the social and economic impacts of mining specific to NSW regions. Most studies identified have a regional Australia focus rather than a NSW specific focus. The identified studies related to NSW specific mines generally tend to relate to a single mining area.

To identify the lessons learned from similar programs a list of programs for inclusion in the desktop strategic review was developed in collaboration with the Department of Planning, Industry and Environment. The programs included represent a snapshot of recent and current programs with some similarities to the Resources for Regions program. In addition to Australian jurisdictions, examples of programs from New Zealand and Canada were included.

Appendix B – Case studies of similar programs

A summary of program case studies, including lessons learned (where available) is included in the following.

Western Australia

Royalties for Regions

Royalties for Regions is focused on supporting economic, business and social development in regional Western Australia (WA). It is a very different program from Resources for Regions across most aspects of program design, governance and administration.

The *Royalties for Regions Act 2009* provides the legislative framework for the Fund and the establishment of the WA Regional Development Trust. The Act provides for the equivalent of 25 percent of the State's forecasted annual mining and onshore petroleum royalties to be hypothecated into a fund that is separate from the Government's Consolidated Account. The Fund balance cannot exceed $1 billion at the end of a financial year, any surplus funds are returned to the Consolidated Account.

The Act provides that funds can be used for three purposes, to:

- Provide infrastructure and services in regional WA.
- Develop and broaden the economic base of regional WA.
- Maximise job creation and improve career opportunities in regional WA.

Since December 2008, Royalties for Regions has invested over $6 billion of the WA's mining and onshore petroleum royalties to more than 3,600 projects and programs, including transfers to the Future Fund and other Special Purpose Accounts. All projects and programs established under the fund must be approved by Cabinet.

In relation to projects, Government agencies, local governments or entities within the Regional Development Portfolio can generate and formalise the concept of a project and take this to the Department of Primary Industries and Regional Development (not Treasury) which manages all aspects of the program.

Programs established under Royalties for Regions include Regional Economic Grants which are administered by the nine Regional Development Commissions. These grants are provided for community driven projects to create jobs and boost economic growth across regional WA. A range of other regional focused programs and schemes have also been established under Royalties for Regions:

- Country Local Government Fund – to address infrastructure needs across the country local government sector.
- Regional Airports Development Scheme – to improve regional air services and air safety.
- Recreational Boating Facilities Scheme – to assist the development of public recreational boating facilities in WA.
- Boarding Away From Home Allowance – to assist geographically isolated families with the cost of boarding/education charges for primary or secondary school age children.
- Industry Facilitation and Support Program – to assist small-to-medium manufacturing and service companies based and headquartered in regional WA to pre-qualify, or increase their competitiveness, as suppliers of products, services and works to State Government agencies and resource projects in Australia and overseas.

- Regional Events Program – to attract and develop major events that will generate significant benefits for regional communities.
- Royal Agricultural Society Concessions – Free Entry for Children.
- Support for Racecourse Infrastructure Grants Program.
- Community Sporting Club Equipment Subsidy – provides funding to community sporting clubs for the purchase of shared sporting equipment for training and competition purposes.
- Creative Regions – delivered through a number of schemes that address the needs of the culture and arts sector in the regions.

Reviews of Royalties for Regions

This Special Government Inquiry into Government Programs and Projects 2008-2017 (Langoulant Inquiry 2018) included consideration of the Resources for Regions program among the 31 issues assessed. A key finding of the Inquiry was that Royalties for Regions destabilised the Government's financial management processes.

Hypothecating the fund has created significant risks and reduced budgetary flexibility for Government. Hypothecating an amount based on forecasted annual royalties has created significant budgetary and fiscal risks and in some years, negative impacts on the State's financial position. For example, in years where actual royalties are less than forecasted royalties the shortfall of funds needs to be met from general revenue or borrowings. There is also a complex interaction between the hypothecating forecasted royalties and GST calculations.

In addition, the cap on the value of the fund at the end of the financial year has created an incentive for funds to be expended quicker than might be necessary or desirable.

Specific findings related to the Royalties for Regions Program include:

- Projects funded were not subject to normal decision-making processes. A 'shadow budget' process saw Cabinet make decision about projects separate from the established budget process and often with only limited discussion with Treasury. This shadow budget process also placed considerable additional workload on Cabinet.
- There was no properly defined strategy for the program. There were policy objectives, but priorities were not clear and it was not possible to measure success. There was also no consistent evidence that the allocation of funding to projects aligned with the program objectives.
- Many projects had an inadequate or no business case. Large amounts of money were allocated to high level undefined initiatives and funding from these was allocated to build infrastructure without proper planning, with inadequate governance structures, and under the management of local government bodies that were ill-equipped to manage multi-million dollar projects. Once these high level projects were approved, other projects were approved within them without a lot of scrutiny. Often there was no funding allocated for ongoing maintenance of assets at the end of the project.
- Of the 50 projects assessed, only five had adequate business cases and over two-thirds of all the projects failed to achieve social or economic outcomes.
- There were significant shortfalls in the governance and administration of the program.

A previous review in 2014 by the WA Office of the Auditor-General also identified a number of problems with the program including:

- Significant variations in the quality of information submitted to Cabinet in relation to alignment of projects with the program objectives and whether they demonstrated long term sustainability.
- Indicators to guide project selection and measurement of social and economic outcomes against program objectives had not been implemented.

- Before 2013-14 projects were not required to address sustainability in business cases and facilities did not generally receive funding for maintenance and operational costs.

The Special Inquiry identified a number of recommendations in relation to the governance and administration of the program as well as recommending consideration of the hypothecated nature of Royalties for Regions.

Queensland

Royalties for the Regions

The $509 million Royalties for the Regions program ran over four years from 2012-13 to 2015-16. In the first three years, the program was focused on providing support to local government in helping communities deal with the impacts of rapid resources growth. The fourth year saw the focus change to helping to build a future for regional communities beyond mining and resources.

In the first year (pilot round) eligibility was limited to local governments in communities experiencing growth pressures arising from large-scale resource developments or from their role as service centres and hosts of major infrastructure projects linked to resource developments. In the remaining funding rounds eligibility was open to all local governments in regional Queensland. Eligible project funding amounts under the program ranged from $250,000 to $10 million.

The program was piloted in the first year with lessons learned being used to improve subsequent rounds. The program aims in the first three years were focused on contributing to building community capacity and economic sustainability through:

- Infrastructure that improves the liveability and amenity of regional communities, making places more attractive for people to live and work.
- Economic development and resilience of regional communities.
- Development consistent with Queensland regional economic or planning priorities.
- Increased private sector investment in resource communities.

The fourth year was focused on economic growth and funding strategic projects that provide and support jobs and business opportunities in regional Queensland.

The program had a two stage application and assessment process similar to Resources for Regions, except in year four, where a competitive expression of interest process operated. A funding category was added in the final year which made available funding to state government departments for regional infrastructure projects.

The Queensland Audit Office reviewed the program in 2015 and found that optimal mix and best value for money could not be demonstrated from the suite of projects funded under the program. A number of problems were also identified in relation to departmental assessment and ministerial approval processes.

This program had a broader focus than Resources for Regions and did not require co-contributions from local government. Applicants were not required to provide a Benefit Cost Ratio but this was considered in the value for money assessment with a BCA prepared by the department. A key difference when compared to Resources for Regions is that some funding was allocated for State Government projects.

Building Our Regions

The $515 million Building our Regions program will run over five years from 2015/16 to 2019-20. The program provides funding for regional local government infrastructure projects that create flow-on economic development opportunities and jobs. Funding is administered through two programs:

- A competitive funding program of $365 million administered by the Department of State Development, Manufacturing, Infrastructure and Planning (DSDMIP).

- The remaining $150 million allocated through the Transport Infrastructure Development Scheme (TIDS) administered by the Department of Transport and Main Roads (DTMR).

The program has broad regional development objectives. It funds regional infrastructure projects that:

- Support regional economic development and the sustainability of regional communities.
- Support the development of new industries or the expansion of established industries in the regions.
- Contribute to the creation of new sustainable employment opportunities.
- Improve the liveability and amenity of regional communities through improved infrastructure and increased economic activity.
- Align with regional industry and economic development priorities.
- Deliver collaborative regional priority infrastructure.

In the current round, $70 million has been allocated for the competitive funding round. This is divided across three funding categories – Regional Capital Fund $34m, Royalties for Resource Producing Community Fund $26m, Remote and Aboriginal and Torres Strait Island Communities Fund $10m – and local governments are allocated to one of the three categories based on remoteness and whether or not they are experiencing resources sector or mining activities. They can only apply within that category and are assessed within a similar cohort.

Eligible projects can include infrastructure construction projects or infrastructure planning projects. Ineligible projects include roads, bridges, water, sewage and waste infrastructure. Voluntary contributions to projects are encouraged.

Local governments must provide a copy of their proposal to the regional office of DSDMIP for feedback on consistency with the guidelines. Business cases must include a Cost Benefit Analysis (projects over $500k) or Benefits Assessment (under $500k).

No publicly available evaluations or reviews of this program were found in the desktop scan.

South Australia

Regional Growth Fund

The newly established $150 million Regional Growth Fund is intended to be allocated over 10 years. The Fund is focused on supporting projects that unlock new economic activity in South Australian (SA) regions, create jobs, grow export opportunities, and strengthen regional communities. The Fund has been established under the SA Recharging Our Regions policy

There are two funding components – in 2019-20 the Fund will support:

- Up to $5 million for Regional Growth Fund Competitive Grants.
- $10 million for the Minister for Primary Industries and Regional Development to commit to strategic regional growth projects.

Eligible entities include local government bodies, incorporated associations and business clusters. Applicants can seek grants from $50,000 up to $2 million.

This fund has a broad economic regional growth focus compared to Resources for Regions.

As a newly established program there are no reviews as yet.

Regional Roads and Infrastructure Fund

This is another newly established fund in SA, focused on road upgrades and other critical infrastructure in the regions. A forecast amount of $341 million over four years was identified in the most recent budget, with funds coming through the Royalties for Regions program. Through the program, the government quarantines 30 percent of mineral and petroleum royalties to be delivered into the Regional Roads and

Infrastructure Fund. The Fund is used to contribute to infrastructure projects announced through the Budget process.

Royalties for Regions in South Australia is a funding source for government infrastructure projects funded through budgetary processes.

As a newly established program there are no reviews as yet.

Victoria

Regional Infrastructure Fund

The $250 million Regional Infrastructure Fund ran over four years from 2015-16 to 2018-19. This was the main infrastructure program under the Regional Jobs and Infrastructure Fund. The Regional Infrastructure Fund had four funding streams – Visitor Economy, Productive and Liveable Cities and Centres, Enabling Infrastructure, and Rural Development.

A broad range of entities were eligible to apply for funding including the private sector, not-for-profits, government agencies, local government, business and industry, higher and other education institutions groups. Rural and regional Victoria is defined in the *Regional Development Victoria Act 2002*.

Grants for infrastructure were capped at $500,000 and grants for project and strategic planning were capped at $50,000. Applicants were expected to make a financial contribution or source third-party funding.

The fund had a two stage assessment process rather than a two stage application process. The first assessment focused on ability to meet core criteria and program stream criteria along with key risks and issues associated with the project. In the second stage, assessment was undertaken by the Regional Infrastructure Development Committee (RIDC) prior to consideration by the Minister for Regional Development. The Committee is chaired by Regional Development Victoria and includes representatives from the Department of Premier and Cabinet, the Department of Treasury and Finance and the Department of Jobs, Precincts and Regions.

Review of regional funds

The Victorian Auditor-General's Office (VAGO) audited two previous funds and made recommendations to inform the implementation of the overarching Regional Jobs and Infrastructure Fund. In 2019, VAGO assessed whether the design of the Fund, decision making, record keeping and public information had been effective, transparent and accountable.

VAGO concluded that the delivery of this Fund was an improvement on the management of previous funds. However, assessment of applications had been slow and the application process required significant effort from the department and applicants. VAGO identified the lack of a risk-based approach to grant assessment as a key reason for the fund's high administrative burden.

National

Building Better Regions Fund

This $841.6 million Australian Government program runs over five years from 2017-18 to 2021-22 and is focused on driving economic growth and building stronger regional communities into the future. There are two streams of funding available under the program:

- Infrastructure Projects Stream – supports projects for construction of new infrastructure, or the upgrade or extension of existing infrastructure that provide economic and social benefits to regional and remote areas.
- Community Investments Stream – funds community activities, including but not limited to, new or expanded local events, strategic regional plans, and leadership and capability strengthening activities to deliver economic and social benefits to regional and remote communities.

Eligible applicants include local governments, not-for-profit organisations, or non-distributing co-operatives.

The Infrastructure Projects Stream allocates grants of between $20,000 and $10 million. For most projects grant funding is up to 50 percent or up to 75 percent of project costs, with the portion determined by ABS Remoteness classification. A full or partial exemption from co-contribution can be applied for, based on exceptional circumstances.

The Community Investments Stream allocates grants of between $5,000 and $10 million specifically for local governments. For most projects grant funding is up to 50 percent, in some circumstances up to 100 percent. Most grants are expected to be under $100,000. For small projects with a total project value under $20,000 grant funding is up to 100 percent, for other projects partial or full exemption for co-contribution is determined by ABS Remoteness classification or in exceptional circumstances. Projects must be completed within 12 months or commencement.

Applications are assessed against eligibility criteria then merit criteria if assessed as eligible. The amount of detail in applications is expected to be in proportion to the size, complexity and grant value of projects. For the:

- Infrastructure Projects Stream a loading is applied to assessment scores for outer regional and remote areas. Eligible applications also are grouped into three categories (to compare projects of similar size) based on the total value of the project cost – Cat 1 = under $1m, Cat 2 = $1m to 5m, Cat 3 = over $5m.
- Community Investments Stream – applications are scored relative to the project size, complexity and grant amount requested.

For both streams, a Ministerial Panel in consultation with Cabinet decides which grants to approve.

Regional Growth Fund

The newly established $272.2 million Regional Growth Fund will run over four years from 2018-19 to 2021-22. The Fund pprovide grants of $10 million or more for major transformational projects which support long-term economic growth and create jobs in regions, including those undergoing structural adjustment. The expected outcomes of the Program are to create jobs, drive economic growth and build stronger regional communities.

Applications are open to state and territory governments, local governments, the private sector and not-for-profit organisations. Grant funding is expected to leverage investment from the private sector, not-for-profit organisations and other levels of government in the region. Proponents or other contributors are required to contribute at least 50 per cent cash funding to the project.

There is a two stage application process similar to Resources for Regions. This involves an initial application for competitive assessment, then a full business case for shortlisted projects. A loading may be applied to a project's total merit criteria assessment score consistent with the ABS remoteness classification.

Following an assessment of the eligible Initial Applications, we will provide a recommendation to the Ministerial Panel. The Ministerial Panel will consider the recommendation and supporting information, and make decisions on projects to proceed to Full Business Case in consultation with the Investment, Infrastructure and Innovation Committee of Cabinet or Cabinet.

This program includes consideration of private as well as public infrastructure, a key difference with Resources for Regions.

Regional Jobs and Investment Packages

The $222.3 million Regional jobs and Investment Packages is being delivered over four years from 2016-17 to 2019-20. The focus is on helping regions to diversify their economies, stimulate long-term economic growth and deliver sustainable employment.

Ten pilot regions have been chosen across the country, two of which are in NSW – North Coast and South Coast.

Each of the packages is a locally led pilot with each region involved in determining local priorities and growth industries to deliver economic growth in their region and create jobs. The Minister for Regional Development has appointed a Local Planning Committee in each pilot region to develop a Local Investment Plan which outlines industry growth sectors, new market opportunities and future workforce needs. Successful projects must align with the strategic industry priorities outlined in the region's Local Investment Plan. Once the plan is published, the program is open for applications. Only one round of applications is expected per region.

The program provides funding in three grant funding streams.

- Local infrastructure – grants above $50,000 to the maximum regional allocation, for local governing bodies and not-for-profit organisations to invest in new or upgraded infrastructure. These projects are to capitalise on opportunities for growth, deliver long-term economic benefits to regional communities and create jobs.
- Business innovation – grants above $50,000 to the maximum regional allocation, to enable business to build scale and capability to be competitive in new or growing markets that create sustainable employment.
- Skills and training – no minimum grant amount, for local government bodies and agencies and not-for-profit organisations to support training and upskilling of the regional workforce to meet regional priorities, take advantage of emerging opportunities and withstand major labour market changes.

Applicants are required to provide co-funding towards their project, of up to 50 percent. Exemptions may be granted in exceptional circumstances under the Local Infrastructure and Skills and Training streams.

Applications are assessed against eligibility criteria then merit criteria if assessed as eligible. Applications are assessed against the merit criteria and compared to other eligible applications in the region before recommending which projects to fund. Applications are assessed across the three streams within a region and scored relative to the project size, complexity and grant amount requested.

Advice is provided to the Ministerial Panel on eligible applications and recommendations on which projects to fund. The Ministerial Panel makes decisions on requests for exceptional circumstances co-funding exemptions.

International

New Zealand – Provincial Growth Fund

The newly established Provincial Growth Fund will allocated NZ$3 billion over three years for projects that support job creation, including in key sectors and regions, and that power up prosperity and productivity in one or more regions.

The Fund has five goals:

- Creating jobs, leading to sustainable economic growth.
- Increasing social inclusion and participation.
- Enabling Māori to realise aspirations in all aspects of the economy.
- Encouraging environmental sustainability and helping New Zealand meet climate change commitments alongside productive use of land, water and other resources.
- Improving resilience, particularly of critical infrastructure, and by diversifying our economy.

There are three tiers in the fund:

- Tier 1 – Regionally-focused projects – focused on economic development, feasibility studies and capability building within regions. Proposals need to demonstrate how they will lead to an increase in sustained local employment outcomes, both within the Fund's timeframe and beyond. They also require a clear outline of what support employers and working people will have to get them ready to take up the opportunity. Proposals should demonstrate how they complement existing programs and government support, and how they are linked to regional priorities. Consultation and collaboration with regional stakeholders is encouraged.

- Tier 2 – Sector-focused projects – focused on accelerating the transition from a volume-based export economy, to a value-based economy. This Tier is targeting projects in the food and beverage, tourism and forestry sectors, because these align to international demand. Government is aiming to support projects that increase local skills, reduce environmental impacts and improve productivity of the sector.
- Tier 3 – Infrastructure-based projects – focused on infrastructure investment that is central to regional economic development – specifically transport and digital enablement. For transport, it provides supplementary funding to the National Land Transport Fund. Projects should be included in Regional Land Transport Plans and other regional strategic planning documents. It also funds rail, ports, wharves and airports. Digital enablement covers network infrastructure, capability enhancements for business and local people, enabling innovation and digital employment.

An additional funding area is for *Te Ara Mahi* and *He Poutama Rangatahi* – programs that focus on employment outcomes.

A range of investment types are expected, including non-commercial, commercial and quasi-commercial. Funding types will include grants (non-commercial projects and feasibility studies), debt (preferred for quasi-commercial and commercial projects), underwriting (guarantees to lower risk for potential investors), equity (in some circumstances) and attracting third part investors (help with matching a project with potential investors).

A range of tailored application forms have been developed depending on the cost of the project and whether the entity has already started working on the project. Issues considered in assessing applications include risk and reward, capacity to deliver, and co-contributions.

This program has a very different approach to Resources for Regions as it is a broad national regional development fund with a mix of targeted and broad aims. The approach to funding appears to be relatively flexible across the elements with a range of funding and financing options for supporting projects. Regionally focused projects are required to be aligned to regional plans.

British Columbia, Canada – Rural and Northern Communities Infrastructure, Investing in Canada Infrastructure Program

The Rural and Northern Communities Infrastructure Program (RNC) is set up under the Investing in Canada Infrastructure Program. In late 2018, the Canadian and British Columbian Governments committed up to $95 million towards an initial intake of program. The RNC Program supports cost-sharing of infrastructure projects in rural communities across the province of British Columbia that are focused on creating long-term economic growth, building inclusive, sustainable communities and supporting a low carbon, green economy.

The RNS Program core outcomes are:

- Improved food security.
- Improved and/or more reliable road, air or marine infrastructure.
- Improved broadband connectivity
- More efficient and/or reliable energy.
- Improved Indigenous health and educational facilities.

Additional outcomes include:

- Improved access and/or increased quality of community, cultural and recreational infrastructure.

- Improved capacity, quality, safety and access to public transit infrastructure.
- Improved environmental quality – wastewater, storm water, potable water, and addressing air and soil pollution.
- Improved adaptation, resilience and disaster mitigation.

The program targets capital infrastructure projects in communities with a population of 25,000 or less and provides additional funding towards projects in communities with populations of 5,000 or less. Eligible projects will support public infrastructure, defined as tangible capital assets primarily for public use and benefit. Eligible applicants are Local Governments, Indigenous Ultimate Recipients (both on and off-reserve), Not-for-Profit organisations and For-Profit organisations (when partnered with a local government or Indigenous government). There are limits to the types of projects that not-for profits and for-profits can apply for.

Assessment is merit based and projects are subject to a comprehensive technical ranking assessment and internal provincial review, with a list provided to an Oversight Committee and recommendations submitted to the Canadian Government for final approval.

As a newly established program there are no reviews as yet.