

Review of the Regional Development Act 2004

Issues Paper

November 2023

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More information

Visit our website at www.nsw.gov.au/regional-development-roadmap

or email us at regionaldevelopmentroadmap@regional.nsw.gov.au.

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Acknowledgement of Country

The NSW Government acknowledges Australia's First Nations peoples as the Traditional Custodians of Country throughout NSW and recognises and respects their continuing connections to lands, waters and communities. The NSW Government pays respect to Elders past and present and to all First Nations peoples, and recognises the continuation of diverse cultural, spiritual and educational practices.

Message from the Minister



The NSW Government is supporting regional communities to ensure they continue to grow and thrive. The 2023-24 NSW Budget committed \$1.8 billion in new regional investments to build on the strengths of our regions, invest in essential services and infrastructure, and improve service delivery and quality of life in our rural and regional communities.

Now, through the review of the Regional Development Act 2004, we will support the delivery of these commitments with a modern investment framework. Reviewing the Regional Development Act is part of the NSW Government Regional Development Roadmap, our plan to ensure we are doing everything we can to improve outcomes for regional communities.

Our regional communities have changed significantly in recent years, presenting new opportunities and challenges. The Regional Development Act has not been reviewed in more than a decade and needs to be modernised to ensure it meets the current needs of regional areas and the public's expectations of how the Government serves them. A crucial part of this review will be engaging directly with regional communities. We want to hear from everyone about how we can continue to support their communities in a meaningful way, and this process begins with you.

This consultation will help address the priorities for regional communities and ensure they have a say in reviewing the principles that underpin future Government investment. What matters to the communities of regional NSW matters to us, and through this review we can ensure our investments improve outcomes in rural and regional communities now and into the future.

The Honourable Tara Moriarty, MLC

Minister for Agriculture

Minister for Regional NSW

Minister for Western NSW

Summary

The Department of Regional NSW is seeking your feedback on the future of regional development in NSW, including how Government invests in the regions for the greatest impact within our regional communities.

Regional NSW is home to one-third of the state's population, and provides the food, fibre, energy and resources that help all NSW communities live and grow.

We want to hear from all members of the NSW community. The feedback you provide will inform how the Government supports the sustainable growth of regional NSW now and into the future.



1

Consultation

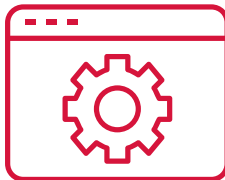
Regional roundtables and release of issues paper in November 2023.



2

Review

Reviewing feedback received on the future for regional development in NSW and release of consultation report by March 2024.

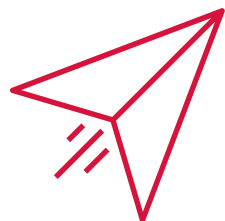


3

Development

Feedback considered in developing:

- amendments to the Regional Development Act, and
- a new Investment Strategy for the Regional Development Trust.



4

Implementation

Regional Development Bill introduced to parliament.

Regional Development Investment Strategy released and implemented by June 2024.

Have your say

In seeking your feedback, the Minister for Regional NSW, the Hon. Tara Moriarty, MLC is visiting regions across NSW where local industry, community groups and councils will have the opportunity to discuss their local needs and priorities and help guide Government investment in regional areas.

Roundtables will be held in Bega, Wagga Wagga, Orange, Broken Hill, Cobar, Wyong, Maitland, Moree/ Narrabri and Coffs Harbour commencing in November 2023.



To ensure your voice is heard, we're asking all members of the community to give feedback on the future of regional development in NSW. To help guide this feedback, we have included a number of guiding questions throughout this document.

When ready to lodge your submission, you can provide feedback:

Online by visiting www.haveyoursay.nsw.gov.au or our website at www.nsw.gov.au/regional-development-roadmap and completing the online survey.

Email by completing the submission form and emailing it to regionaldevelopmentroadmap@regional.nsw.gov.au.

Mail by sending the submission form to:

Regional Development Act Submissions
Department of Regional NSW
1 Monaro Street
Queanbeyan NSW 2620

Submissions close on Wednesday 31 January 2024.

How feedback will be used

With the introduction of a new modern investment framework and reforms to the Regional Development Act 2004, your feedback will be influential in shaping how the Government invests in regional NSW into the future.

All feedback will be considered in making amendments to the Regional Development Act and developing a new Regional NSW Investment Strategy that's fit for purpose and reflects the current opportunities and challenges in our regional communities.

Once consultation has concluded, we will share the outcomes of this engagement process through a consultation report. The consultation report will be reviewed by the Regional Development Advisory Council and be made publicly available in a recommendations report.

For more information, visit www.nsw.gov.au/regionaldevelopment.

Introduction

Regional NSW is home to about one-third of the state's residents¹, with regional communities across NSW projected to grow significantly in the next decade. In 2020-21 regional NSW was the only jurisdiction in the country to increase its growth rate, as people continue to enjoy the lifestyle and relative affordability of our regional communities².

Regional NSW also plays an important role in the NSW economy, accounting for over one-fifth (\$157 billion) of NSW's Gross State Product³. It supports a range of engine industries, including agriculture, mining, tourism, and manufacturing. Over the coming years, regional areas will be increasingly important to the growth of emerging industries, such as the renewable energy sector and advanced manufacturing⁴.

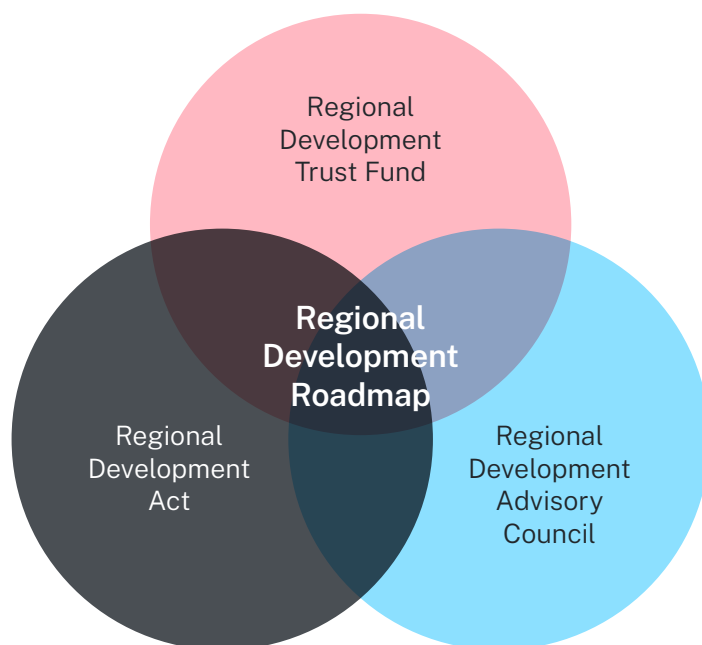
The Regional Development Act was introduced in 2004 to provide a framework that supports economic development and employment growth in regional NSW. The Act includes a provision to invest in a Regional Development Trust and enables the appointment of a Regional Development Advisory Council⁵.

Regional NSW has experienced significant changes in the time since the Regional Development Act was first introduced. Nation-wide changes to working arrangements and the trend towards 'working from home' has encouraged a movement of people away from metropolitan centres into the regions. However, many regional areas are experiencing a protracted shortage of skilled labour and housing stock, as well as broad-scale pressure on regional supply chains driven by the residual impact of the COVID-19 pandemic.

The recent growth of regional NSW and its importance to the future of NSW provides an opportunity to re-evaluate the Regional Development Act, and how investment through the Regional Development Trust and the oversight of the Regional Development Advisory Council can best support communities, industries and economic growth in regional NSW.

As part of the 2023-24 Budget, the NSW Government announced a record investment of \$350 million into the Regional Development Trust to invest in the future needs of regional communities⁶. This forms part of the Regional Development Roadmap (the Roadmap) that includes:

1. investing in the Regional Development Trust Fund
2. appointing a Regional Development Advisory Council, and
3. modernising the Regional Development Act.



1 Australian Bureau of Statistics (2021). 2021 Census data: population and people. Available at <https://www.abs.gov.au/methodologies/data-region-methodology/2011-22#list-of-data-items>.

2 Centre for Population (2022). Regional Population, Australia, 2020-21. Available at: <https://population.gov.au/data-and-forecasts/key-data-releases/regional-population-2020-21>.

3 National Institute of Economic and Industry Research via .id economic profiles.

4 NSW Climate and Energy Action (2023). Net Zero Plan. Available at <https://www.energy.nsw.gov.au/nsw-plans-and-progress/government-strategies-and-frameworks/reaching-net-zero-emissions/net-zero>.

5 Regional Development Bill 2004, second reading speech. Available at <https://www.parliament.nsw.gov.au/bill/files/896/A5804.pdf>.

6 NSW Government (2023). NSW Budget 2023-24 - Our Plan for Regional NSW. Available at https://www.budget.nsw.gov.au/sites/default/files/2023-09/2023-24_Our-plan-for-Regional-NSW.pdf.

As part of the Roadmap, and to help inform how the Regional Development Act can better guide investment, employment growth and economic development in regional NSW communities, this issues paper is seeking your feedback and comment on how we can improve the Regional Development Act.

What else helps guide investment in regional communities?

NSW Industry Development Framework: details how the NSW Government works in partnership with the private sector, research institutions and other levels of Government to support the growth of priority industries.

Australian Government Regional Investment Framework: identifies principles and focus areas for regional investment by the Australian Government, including investing in people, services, places, industry and local economies, and how best to align efforts across all levels of Government to best support rural and regional NSW.

The development of a new Investment Strategy to guide investment through the Regional Development Trust will align with these frameworks as required.

The Commonwealth Regional Investment Framework outlines a new approach to delivering regional investment, and supports ways to coordinate across Government to respond to challenges across regional Australia.

- i. realising an ambition of ‘no one held back and no one left behind’ requires specific regional investment across portfolios
- ii. Australia’s regions and their economies are diverse, with each having unique strengths and challenges
- iii. delivering on the potential of regional Australia requires building on each region’s unique strengths, including helping regions undergoing significant economic change to transition or adapt to specific structural challenges, and
- iv. place-based decision-making that draws on the experience of local Government alongside regional bodies must guide investment in our regions.

Regional NSW in 2023: a snapshot

People and community

The regional NSW population is growing

Around 35% of NSW residents (around 2.8 million people) live across regional NSW in over 450 towns and regional centres⁷. The population of regional NSW has grown by an estimated 155,060 people (5%) over the past 5 years⁸, with projections estimating an increase to 3.7 million by 2041⁸.

Migration patterns in regional NSW have changed over recent years, influenced in part by recent events such as the global COVID-19 pandemic. Overall, there has been a near doubling in domestic migration from 2017 – 2020, with people migrating from metropolitan Melbourne and Sydney to regional centres like Coffs Harbour, Dubbo, Newcastle, Tamworth and Wagga (Figure 1).

In the decade between 2006 – 2016, 13.2% of moving residents were people relocating from Greater Sydney into regional NSW⁹, increasing to around 15% in 2018-19¹⁰. Over the years 2021 – 2023, movement out of Sydney and into regional NSW was 33% of the total migration out of capital cities in Australia¹¹.

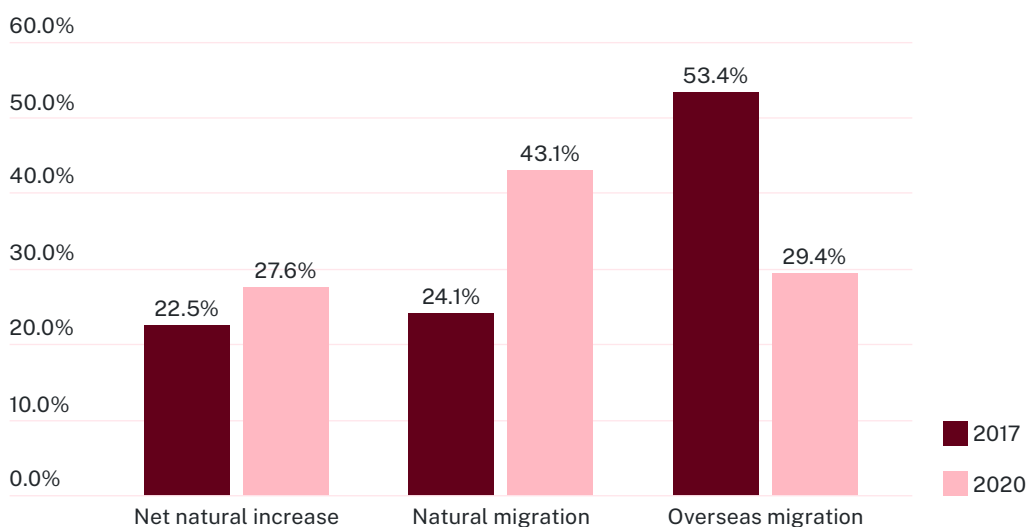


Figure 1: Components of population growth: regional NSW¹²

7 Australian Bureau of Statistics (2021). 2021 Census data: population and people. Available at <https://www.abs.gov.au/methodologies/data-region-methodology/2011-22#list-of-data-items>.

8 NSW Department of Planning and Environment (2023). Population projections. Available at <https://www.planning.nsw.gov.au/research-and-demography/population-projections>.

9 Angus, C. (2020). Regional NSW: A demographic and economic snapshot. Briefing Paper No 01/2020. Available at <https://www.parliament.nsw.gov.au/researchpapers/Documents/Regional%20NSW%20Snapshot.pdf>.

10 Australian Government Centre for Population (2020). Migration between Cities and Regions: A quick guide to COVID-19 impacts. Available at <https://population.gov.au/sites/population.gov.au/files/2021-09/the-impacts-of-covid-on-migration-between-cities-and-regions.pdf>.

11 Regional Australia Institute. (2023). Regional Movers Index: June 2023 Quarter Report. Available at https://regionalaustralia.org.au/common/Uploaded%20files/Files/Regional%20Movers%20Index/July%202023/July_2023_RMI_Report.pdf.

12 Australian Bureau of Statistics (2021). 2021 Census data: population and people. Available at <https://www.abs.gov.au/methodologies/data-region-methodology/2011-22#list-of-data-items>.



Bega

In contrast, the number of dwellings in regional NSW grew by just 80,000 from the years 2016 – 2021, to 1.21 million 2021¹³. With an average household size of 2.41 persons per dwelling¹³, housing supply is just one of the key issues facing regional NSW and it is anticipated that many regional areas will need to evaluate how their infrastructure and essential services will meet the needs of regional communities into the future.

Diverse and unique communities

Regional NSW communities are incredibly diverse in terms of size and scale, distance from their closest cities and each other, and their unique culture and history. Across regional NSW, around 6.6% or approximately 185,870 of residents identify as Aboriginal and/or Torres Strait Islander, compared with the state average of 3.4%¹³.

In total, around 12% of regional residents are from multicultural backgrounds including those born overseas¹⁴. NSW welcomed around 57,000 migrants in 2022-23, nearly 30% of the nation's total. Of these, around 6,200 were migrating to provide skilled labour to regional NSW¹⁵. The overall transition of regional migration from overseas to domestic sources has had implications for regional communities, particularly for industries that have traditionally relied on overseas migration for labour.

While the age profile across regional NSW is variable, it is generally home to a greater number of older residents and a lower proportion of younger, working age residents. In total just over 20% of regional NSW's population is aged 65 or over, compared to 13.5% in Greater Sydney. In contrast, young people of working age show the greatest difference between metropolitan and regional NSW – for example, there is a difference of 11% vs. 16.1% in residents aged 25 – 34 in regional NSW and Greater Sydney, respectively.

Income and affordability in regional communities

Generally, household incomes across regional NSW are lower than in Greater Sydney. Based on 2021 Census data, there is a difference in median weekly income of \$335 between regional NSW and metropolitan areas¹⁶.

Regional NSW is home to more disadvantaged households¹⁷ compared with metropolitan communities, with the highest rates of disadvantage in the Mid and Far North Coast, North West NSW and parts of New England and Central West¹⁸. Overall, up to 37% of households in regional NSW were in rental stress in 2021, an increase from 11% in 2016. Similarly, 13% of households were in mortgage stress in 2021, up from 6% of households in 2016¹⁹.

13 Australian Bureau of Statistics (2021). Australian Bureau of Statistics, Census of Population and Housing 2016 and 2021 (Usual residence). Available at <https://profile.id.com.au/australia/population?WebID=180#:~:text=The%20Census%20usual%20resident%20population,average%20household%20size%20of%202.41>.

14 Australian Bureau of Statistics (2021). 2021 Census – Australia's Population by Country of Birth. Available at <https://www.abs.gov.au/statistics/people/population/australias-population-country-birth/2021>.

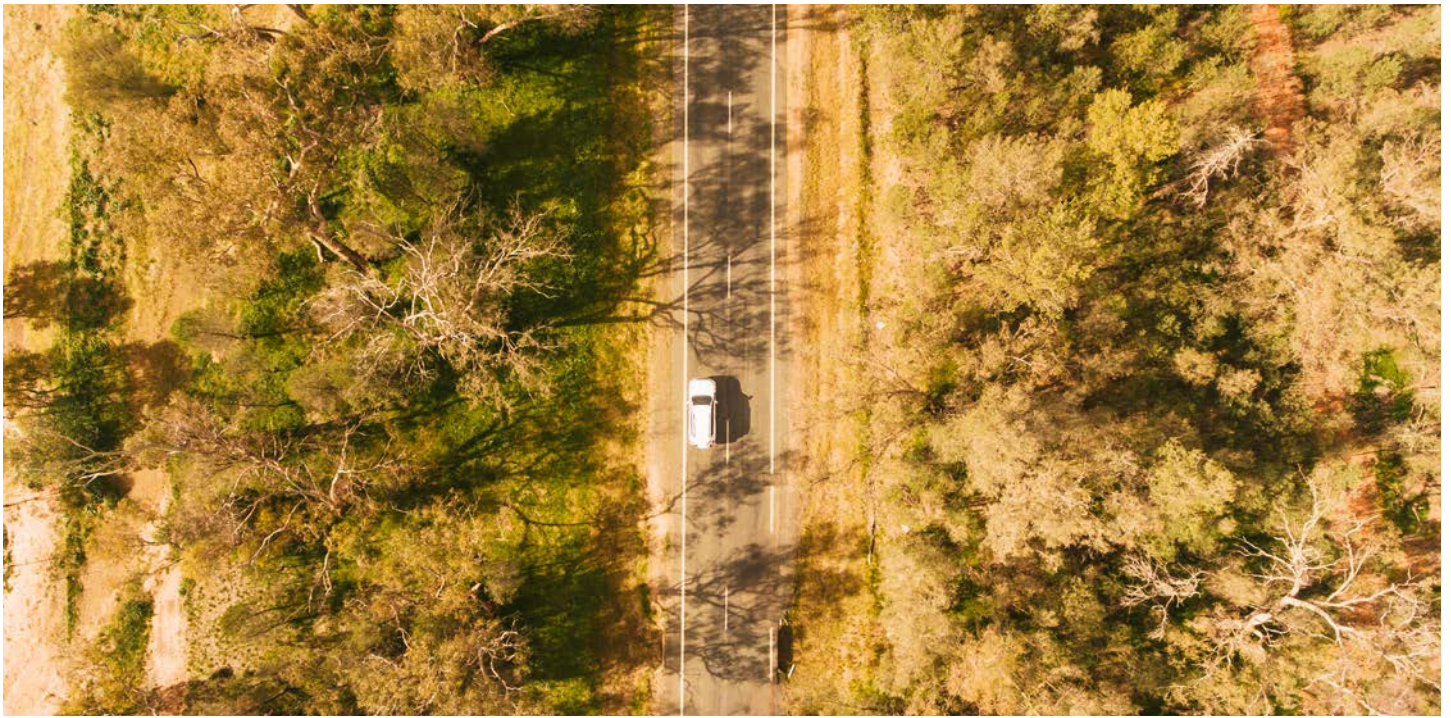
15 Australian Government Department of Home Affairs (2023). 2022-23 Migration Program Report. Available at <https://www.homeaffairs.gov.au/research-and-stats/files/report-migration-program-2022-23.pdf>.

16 Angus, C. (2020). Regional NSW: A demographic and economic snapshot. Briefing Paper No 01/2020. Available at <https://www.parliament.nsw.gov.au/researchpapers/Documents/Regional%20NSW%20Snapshot.pdf>.

17 measured as having an income less than 50% of the state's median household income

18 NSW Council of Social Service (NCOSS). (2023). Mapping Economic Disadvantage in New South Wales 2023. Available at <https://www.ncoos.org.au/policy-advocacy/policy-research-publications/mapping-economic-disadvantage-in-nsw/>.

19 Australian Bureau of Statistics (2021). Australian Bureau of Statistics, Family and Community Population. Available at <https://www.abs.gov.au/methodologies/data-region-methodology/2011-22/14100DO0007-2011-22.xlsx>.



Local and regional service delivery

Due to the remoteness and geography of many areas in regional NSW, regional communities struggle with access to services, which impacts the liveability and prosperity of rural and remote communities. Ensuring regional people have access to quality education, health and social services, as well as mobile and digital connectivity is critical for promoting thriving communities.

Access to health services is variable across regional NSW. A recent NSW parliamentary inquiry into access to health and hospital services in rural, regional and remote NSW found that residents in these areas have inferior access to health and hospital services when compared with their metropolitan counterparts, especially those living in remote locations and Indigenous communities²⁰. There are particular challenges in accessing hospital and specialist treatment across West and Far West NSW. Many vulnerable residents in these areas are Aboriginal and Torres Strait Islander people, which highlights the need to develop the Aboriginal health workforce and support adequate care in these regions²¹.

While a total of 43.5% of NSW's schools are in rural and remote areas, attraction and retention of teaching staff is a key challenge for regional schools^{22,23}. Generally, there is a gap in performance against key educational indicators between children in regional and remote areas compared to major cities²⁴. Students in regional schools are less likely to complete Year 12 schooling and less likely to take advanced English and mathematics subjects²³, demonstrating a need to more effectively support regional students, teachers and education support services into the future.

In 2023, digital connectivity is proving critical to helping regional communities stay connected and access key services, especially following the rise of telehealth services in recent years, and the recognised importance of mobile alerts with weather and natural disaster event warnings. However, 18.6% of households in regional NSW reported having no access to internet – less than the Australian average of 13.6% in the 2016 Census²⁵. In 2018, regional NSW had more than 5 times the number of black spots than metropolitan centres.

20 NSW Parliament Portfolio Committee No. 2 - Health (2022). Health outcomes and access to health and hospital services in rural, regional and remote New South Wales. Available at <https://www.parliament.nsw.gov.au/lcdocs/inquiries/2615/Report%20no%2057%20-%20PC%202%20-%20Health%20outcomes%20and%20access%20to%20services.pdf>.

21 Mission Australia (2020). Health outcomes and access to health and hospital services in regional, rural and remote NSW 2020.

22 NSW Department of Education (2021). Rural and remote education strategy (2021 – 2024). Available at <https://education.nsw.gov.au/content/dam/main-education/en/home/teaching-and-learning/curriculum/rural-and-distance-education/rural-and-remote-education/rural-and-remote-education-strategy-2021-2024.pdf>.

23 Centre for Education Statistics and Evaluation (2020). Evaluation of the Rural and Remote Education Blueprint – Final report. Available at <https://education.nsw.gov.au/content/dam/main-education/about-us/educational-data/cese/2020-rural-and-remote-blueprint-final-report.pdf>.

24 Audit Office of New South Wales (2023). Regional, rural and remote education, NSW Auditor General's Report. Available at https://www.audit.nsw.gov.au/sites/default/files/documents/FINAL%20REPORT%20-Regional%20rural%20and%20remote%20education_0.pdf.

25 Australian Bureau of Statistics, Census of Population and Housing 2011 and 2016.

Landscape and environment

Regional NSW's communities, industries and economy all have a strong link with the region's environment and landscape through recreation, tourism, agriculture and natural resource industries. A total of 7.59 million hectares of NSW is incorporated into NSW's National Park Estate, of which 93% occurs in regional NSW. Nearly all of the NSW's State Forest estate occurs in regional NSW, comprising around 2.2 million hectares of multiple use native forests and plantation. All of the state's six marine parks occur in regional NSW.

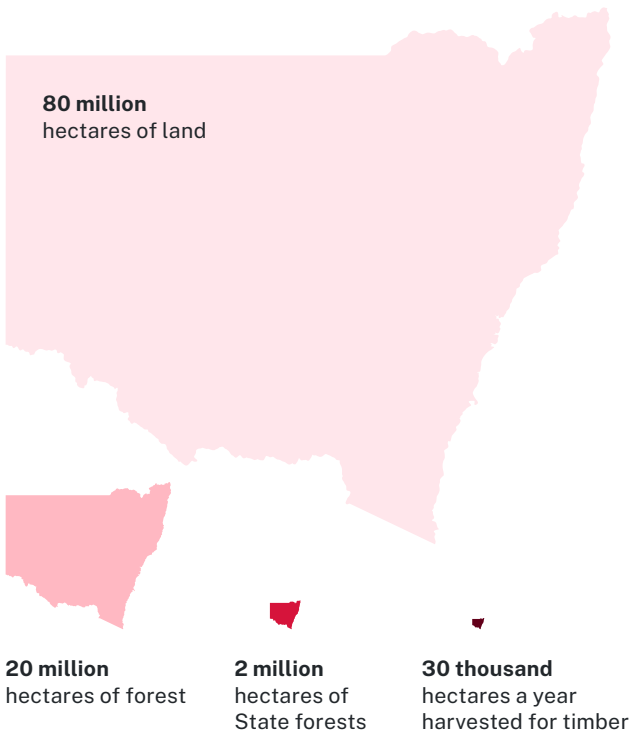


Figure 2: Sustainable management of the State forest estate in NSW

Regional NSW communities and industries are more vulnerable to impacts from natural disasters than metropolitan areas, with 77 of a total 81 natural disaster declarations affecting regional NSW since July 2018²⁶. Regional NSW's economy is also more vulnerable to changes in climate and environmental conditions.

For example, between 2016 – 2018 the agriculture industry contracted by almost 20% as a result of drought events²⁷ and has since grown 23% year on year from 2020-21 to 2021-22 following favourable growing conditions and strong commodity prices²⁸.

In response to the challenges presented by a changing climate, we are seeing Governments, industry and regional stakeholders working in new ways to balance sustainable development, environmental stewardship, community wellbeing and economic productivity. The structural shift to a more service-based economy and improved practices in energy generation, agriculture and mining have seen carbon emissions intensity and energy intensity reducing compared with economic output since 1990²⁹.

The NSW Government is committed to reducing emissions by 50% compared with 2005 levels by 2030 and achieving net zero by 2050. A key part of the plan to grow NSW's electricity and energy networks is the delivery of Renewable Energy Zones, all of which are located in the regional communities of the Central West Orana, New England, Hunter Central Coast, Illawarra and South West.

The transition to renewable energy requires both land for energy generation, such as solar and wind farms, and land for energy networks and enabling infrastructure. Cleared land in proximity to existing power networks is favoured by new renewable developments, making farmland a preferred option in many circumstances³⁰. Renewable energy provides an opportunity for some primary producers to diversify their income, and analysis undertaken by the NSW Agriculture Commissioner indicates that impacts on agricultural land are more likely to occur on a local scale³¹. However, case studies such as the development of the Humelink transmission project demonstrate the potential for land use conflict with both agricultural and other rural and regional landholders³². As a result, renewable energy development will need to be carefully managed through considered and strategic land use planning.

The Department of Regional NSW will continue to work closely across all levels of Government as well as across private sector to ensure regional economies are adaptive and resilient to changes in climate and environmental conditions, and that regional communities can benefit from the growth of new industry sectors.

²⁶ <https://www.nsw.gov.au/disaster-recovery/natural-disaster-declarations>.

²⁷ SGS Economics (2019). GDP report: Economic Performance of Australia's Cities and Regions.

²⁸ NSW Department of Primary Industries (2022). Performance, Data & Insights 2022. Available at <https://www.dpi.nsw.gov.au/about-us/publications/pdi/2022>.

²⁹ NSW State of the Environment 2021, www.soe.epa.nsw.gov.au/all-themes/drivers/economic-activity-and-the-environment, ABS 2020a (cat. no. 5220.0), Science, energy and Resources, National Greenhouse Accounts 2019 and Australian Energy Statistics, Table F.

³⁰ Taylor, M. (2022). Planning the Energy Transition: A Comparative Examination of Large-Scale Solar Energy Siting on Agricultural Land in Australia. Utrecht L. Rev., 18, 70.

³¹ NSW Agriculture Commissioner (2022). Renewable energy generation and agriculture in NSW's rural landscape and economy – growth sectors on a complementary path. Available at https://www.dpi.nsw.gov.au/_data/assets/pdf_file/0005/1449860/210395fd12ea058abf3b424f4370204d64e105bb.pdf.

³² Standing Committee on State Development (2023) Feasibility of undergrounding the transmission infrastructure for renewable energy projects. Available at <https://www.parliament.nsw.gov.au/committees/inquiries/Pages/inquiry-details.aspx?pk=2966#tab-terms-of-reference>.

Regional economy and industries

Regional NSW industries represent a \$157 billion economy³³, contributing over a fifth of the total NSW Gross State Product. It is the largest and most diverse regional economy in Australia with key industries including agribusiness and food, tourism, energy and mining, as well as emerging industries such as renewable energy and advanced manufacturing³⁴.

There are a total of 38 functional economic regions (FER) in regional NSW, each of which are driven by local economic factors and industries³⁵. In a 2017 report on FERs in NSW, the Productivity Commission found that the resilience of FERs across regional NSW was varied and strongly linked to:

“The skills and education of regional workforces, access to infrastructure and services, availability of natural resources, financial resources available to businesses and individuals, and industry diversity.”³⁶

Over the past decade (2011-2021), there has been a structural shift to a more service-based economy in regional NSW. The main industries underpinning this shift (based on gross value add) include health care and social assistance, public administration and safety, and construction³⁷. This compares with the manufacturing and wholesale trade sectors, which decreased in the same period. In 2021, the agriculture sector represented 5.3% of the regional NSW economy, up from 4.5% in 2011 and mining represented 12.5% in 2021, up from 12.2% in 2011³⁸.

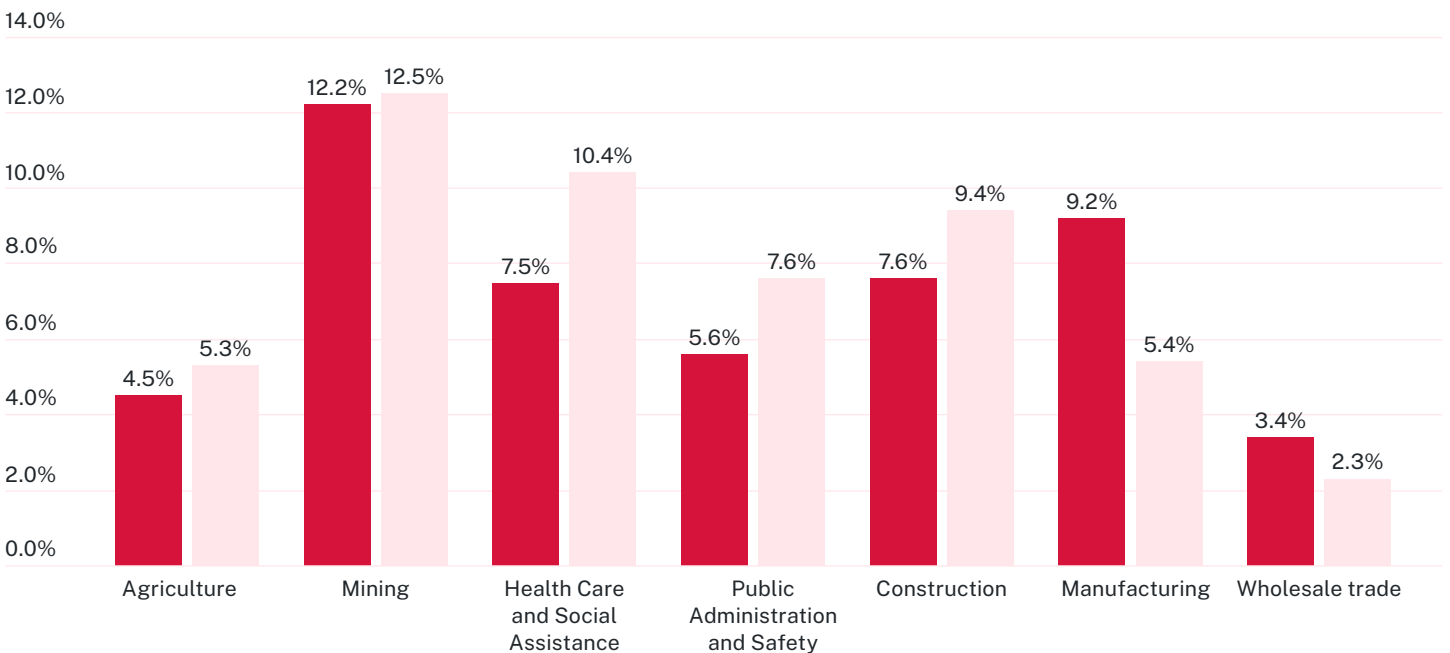


Figure 3: Key industries driving changes in regional NSW’s economy

■ Gross value add 2011
 ■ Gross value add 2021

33 National Institute of Economic and Industry Research via .id economic profiles.

34 Angus, C. (2020). Regional NSW: A demographic and economic snapshot. Briefing Paper No 01/2020. Available at <https://www.parliament.nsw.gov.au/researchpapers/Documents/Regional%20NSW%20Snapshot.pdf>.

35 NSW Government Regional Economic Development Strategies: www.nsw.gov.au/regional-nsw/regional-economic-development-strategies.

36 Productivity Commission (2017). Transitioning Regional Economies. Available at <https://www.pc.gov.au/inquiries/completed/transitioning-regions/report>.

37 REMPLAN 2021.

38 REMPLAN 2021.



Further, the transition to a net zero economy as outlined in the previous section presents broader economic diversification opportunities in regional NSW. These include identifying emerging markets in hydrogen production and research, critical minerals, ecotourism and technology-enabled primary industries.

The structural shift to service provision, coupled with the strength of the agriculture and mining sectors and future opportunities in renewable energy all highlight the increasingly diverse economic profile of regional NSW. These opportunities will vary across the regions based on proximity to other industries, access to supply chains and skilled labour, and proximity to enabling infrastructure.

These drivers are also likely to continue to change the industry mix in some rural and regional economies over the next 40 years. By planning ahead, communities can position themselves to take advantage of opportunities and ensure those with emissions-intensive industries are ready for the transformation.

The Australian Government is establishing a national Net Zero Authority to help drive the transformation to a clean energy economy and ensure Australia's regions, workers and First Nations people benefit from the transition. It will include a focus on the regions, industries and workers that have traditionally powered Australia's economy. This will be further supported by the Department of Regional NSW through the Future Jobs and Investment Authorities announced in the 2023-24 Budget for Regional NSW³⁹.

³⁹ NSW Government (2023). NSW Budget 2023-24 - Our Plan for Regional NSW. Available at https://www.budget.nsw.gov.au/sites/default/files/2023-09/2023-24_Our-plan-for-Regional-NSW.pdf.

Employment

Around 1.25 million people are employed in regional NSW, an increase from 1.1 million in 2016⁴⁰. The main industries that employ people in regional NSW are shown in Figure 4 below.

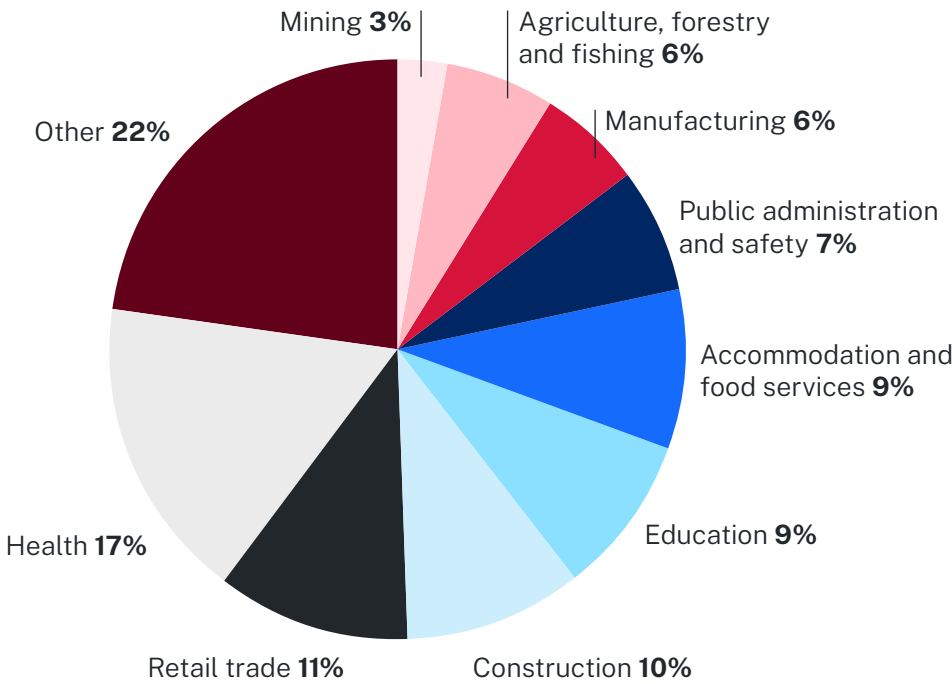


Figure 4: Regional NSW employment by industry sector

While agriculture and mining are strong contributors to the state’s economy, together they employ 8.8% of regional NSW residents. In part, this reflects productivity improvements in these sectors from mechanisation, improved management and the increasing use of technology.

In 2021, 8% of the regional NSW workforce did not reside in regional NSW. This trend reflects emergence of the drive-in drive-out (DIDO) and fly-in fly-out (FIFO) workforces, which in-turn impacts on service provision and wealth retention in many regional communities.

The recently released 2023 Intergenerational Report observes that access to employment opportunities and labour markets may be more challenging in regional areas, and is of particular concern given around 70% of young adults continue to live in the same local labour market where they grew up⁴¹.

Ensuring we have a skilled workforce and competitive labour market supported by adequate education and training pathways will help regional NSW capitalise on its competitive and comparative advantages, as well as effectively respond to changing economic conditions both now and into the future.

40 Source: Australian Bureau of Statistics, Census of Population and Housing 2016 and 2021 (Usual residence). Available at <https://profile.id.com.au/australia/population?WebID=180#:~:text=The%20Census%20usual%20resident%20population,average%20household%20size%20of%202.41>.

41 Australian Government (2023). Intergenerational Report 2023: Australia’s future to 2063. Available at <https://treasury.gov.au/sites/default/files/2023-08/p2023-435150.pdf>.

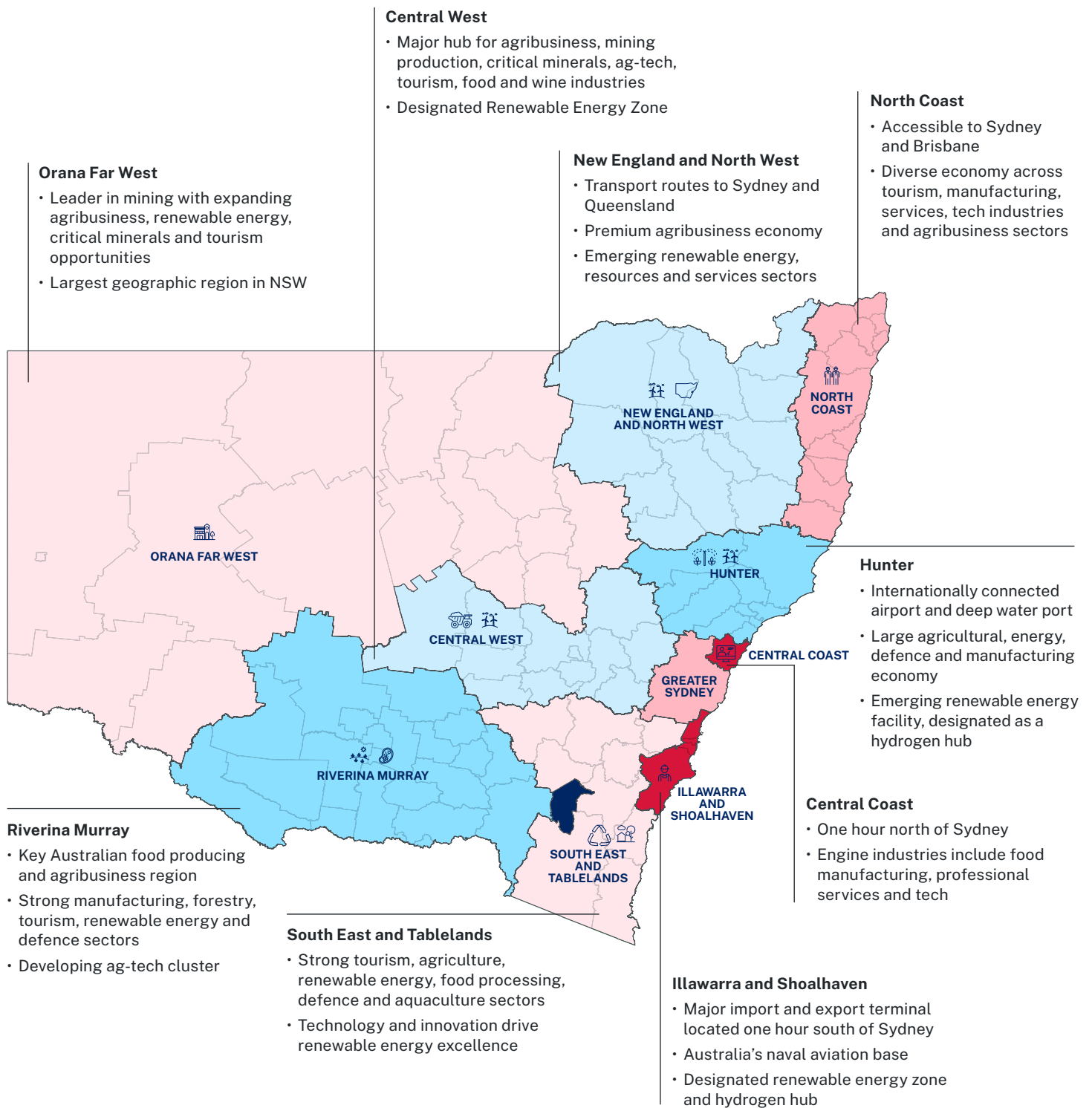


Figure 5: Engine industries and endowments of regional NSW

Review of the Regional Development Act 2004

The NSW Government is undertaking a review of the Regional Development Act to ensure it can respond to the current and changing needs of regional communities and reflects the NSW Government's commitment to transparency, accountability and probity in the use of public funds. Moving forward, the Regional Development Act will help underpin the delivery of future investment in regional communities.

As part of the 2023-24 Budget, the NSW Government initially committed \$350 million for the Regional Development Trust Fund (the Trust) to support long-term strategic investment and reduce the reliance on ad-hoc grants funding as a primary source of Government support for regional communities.

The Minister for Regional NSW has also announced the re-establishment of the Regional Development Advisory Council (the Council) which is given effect under the Regional Development Act. The Minister will ask the Council to support consultation on changes to the Act and ensure the interests of rural and regional communities are central to Government decision-making.

The Council will include members with experience and expertise in a range of fields including regional and rural economics, climate adaptation and resilience, finance and public administration, community services and primary industries. Further information about the Council is available at www.nsw.gov.au/regionaldevelopment.

Focus areas for review

The Act's objectives

The Regional Development Act commenced on 1 December 2004 to provide a framework for financial assistance that attracts investment and boosts jobs in regional NSW. The existing objects are to provide a framework for strategic intervention in the economies of regional NSW to:

- i. help fill gaps left by the market system
- ii. promote economic and employment growth in regions
- iii. assist regional communities to capitalise on their regional strengths, to broaden and reposition the industry base of their regions and to develop new products and new markets, and
- iv. develop regional or local solutions for regional or local business development problems.

While many of these objects remain relevant, much has changed in rural and regional NSW since the Act was first introduced. Consequently, we are seeking your input on potential changes to ensure the Act reflects the long-term needs of regional communities and industries.

Contemporary objectives for regional investment to be reflected in the Act may include:

- a focus on ecologically sustainable development
- providing equal access to quality essential services
- support for the diversification, adaptation and resilience of regional economies
- providing economic opportunities for disadvantaged regional communities
- improving living standards, service delivery and quality of life in regional communities
- supporting social, economic and cultural outcomes for Aboriginal people, businesses and communities.

Guiding questions

1. Are there any other matters that should be included in the objects of the Regional Development Act?
2. Are there any objects currently in the Act that are no longer relevant to regional NSW and should be changed or removed?

Financial assistance and compensation

The Regional Development Act gives the Minister authority to grant financial assistance to support industry or business in a region, or to assist economic development. Under the existing Act, the Minister may grant money, a subsidy or a payroll tax rebate and may make the assistance conditional on performance targets, co-investment or other requirements identified by the Minister. In part, the existing Act anticipates measures to compensate for the closure of industry and major businesses in regional and rural communities.

Consistent with the current drivers, opportunities and recent changes in the regional economy, the Government is considering how the Act can recalibrate decision-making towards strategic investment that is likely to improve outcomes and better address the needs of regional communities. This may include a shift in focus away from compensation as the principal driver for investing the Regional Development Trust, towards enabling investment and support services to generate regional prosperity.

Additionally, the Government is considering how the Act can support more transparent expenditure of public funds by developing clear investment principles that align with the Australian Government's Regional Investment Framework released in July 2023⁴² to help integrate decision-making across both levels of Government.

The Commonwealth Regional Investment Principles are:

- i. realising an ambition of 'no one held back and no one left behind' requires specific regional investment across portfolios
- ii. Australia's regions and their economies are diverse, with each having unique strengths and challenges
- iii. delivering on the potential of regional Australia requires building on each region's unique strengths, including helping regions undergoing significant economic change to transition or adapt to specific structural challenges, and
- iv. place-based decision-making that draws on the experience of local Government alongside regional bodies must guide investment in our regions.

The NSW Government has announced four initial focus areas for the Trust:

1. Sustainable regional industries, including engine and emerging industries
2. Aboriginal economic development and enterprise
3. Community infrastructure and capacity building
4. Improving regional service delivery



Guiding questions

3. What else should the Government consider when making investment decisions to support regional communities and industries?
4. What factors should drive investment in each region?
5. What are the most important areas to you for investment over the next 1-2 years? (Rank in order of most to least preferred.)
 - Improving community services
 - Aboriginal business and partnerships
 - Growth of new industries
 - Supporting regional supply chains
 - Local and regional infrastructure
 - Sustainable food and fibre industries
 - Capacity-building in local Government
 - Other (please specify)
6. How can Government, through the Trust, help encourage and support investment from other sources (including outside Government) to maximise outcomes for regional communities?

⁴² Australian Government Department of Infrastructure, Transport, Regional Development, Communications and the Arts (2023). Regional Investment Framework. Available at <https://www.infrastructure.gov.au/territories-regions-cities/regional-australia/regional-investment-framework>.

Regional Development Trust Fund



Tamworth



The Regional Development Trust Fund (the Trust) allows for money to be set aside by the Government, or the payment of gifts or bequests of money for the purposes of the Regional Development Act.

Strong governance frameworks are essential for delivering appropriate place-based investment, ensuring transparency and accountability, providing effective service delivery and coordination between Government, non-government organisations, industry, the business sector and the community.

The Government will consider how the Trust should be revised to provide community with greater confidence in how investment is prioritised and delivered for regional communities, and to enable investment from other jurisdictions (such as the Commonwealth), industry and non-government organisations. If adopted, these changes will enable the Trust to work in partnership with other jurisdictions, industry and non-government organisations.

To improve community confidence, the Act will revise the governance arrangements associated with the Trust. This will include developing an investment strategy to inform future investment and expenditure through the Trust including consideration of the Australian Government's Regional Investment Framework. The Trust could also be used in conjunction with complementary funds such as the NSW Government's \$250 million Working Regions Fund to maximise benefits for regional communities. Additionally, consideration will be given to the role of the Regional Development Advisory Council in providing oversight and recommendations on investment from the Trust (see 'Advisory Council' section on the next page).

Guiding questions

7. Should investment through the Trust allow for a range of approaches to support regional communities (e.g., joint partnerships, funding agreements, service delivery)?
8. What are some of the key outcomes that would help track the benefits of investment decisions over time?

Regional Development Advisory Council

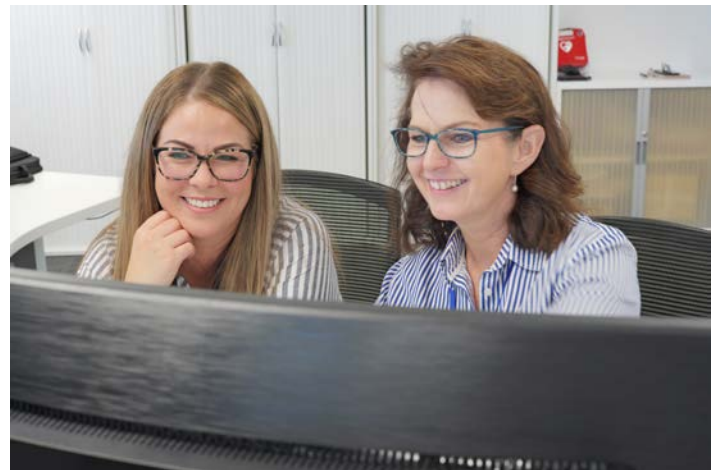
The Regional Development Act allows for the establishment of a Regional Development Advisory Council, with members appointed on the basis of having relevant expertise and experience. The purpose of the Council is to advise the Minister for Regional NSW on any matters relevant to the objects of the Act (see page 18) or any matters referred to it by the Minister. The Regional Development Regulation requires that the Advisory Council must comprise:

- a. 2 – 4 members with relevant experience in one or more of the following:
 - i. regional and rural economics
 - ii. climate adaptation and resilience
 - iii. the delivery of services in regional areas
 - iv. community service activities
 - v. the development of new industries
 - vi. finance
 - vii. public administration
 - viii. regional planning and infrastructure
 - ix. primary industries
 - x. natural resource management
- b. 1 member who is an Aboriginal person and has knowledge and experience in supporting economic development within Aboriginal communities
- c. the Secretary of the Department of Regional NSW, and
- d. a representative from Regional Development Australia or another Commonwealth body which deals with regional matters.

The Government will consider the role and responsibilities of the Council in the context of the current regional development landscape. The review will also consider how best to ensure the Advisory Council can effectively represent our regional communities and has the expertise to provide practical advice on regional issues.

Guiding questions

9. Are there any other skills/expertise that Advisory Council members should have to effectively guide investment in regional NSW?
10. How can the Advisory Council help build the resilience, capacity and long-term sustainability of communities and industry?



Other matters

The Act may also be updated to capture other matters important to how the NSW Government will work to support regional communities. This could include establishing strong reporting, assurance and evaluation frameworks to ensure regional investment decisions are evidence-based and delivering on regional priorities.

Guiding questions

11. Do you have any further suggestions for how the NSW Government can effectively respond to regional issues as part of this work?



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Department of Regional NSW

