

Ms Helen Minnican Clerk of the Legislative Assembly NSW Legislative Assembly Parliament House Macquarie Street Sydney NSW 2000

Dear Ms Minnican

I refer to Report No.1/57 of the Legislative Assembly Committee on Investment, Industry and Regional Development entitled Interim report into support for drought affected communities in NSW.

Please find attached the NSW Government response.

If you require additional information or wish to discuss this matter further, please contact Brendan Cook, A/Executive Director Strategy and Economics, Department of Regional NSW at

Yours

The Hole Jobn Barilaro MP Deputy Premier Minister for Regional New South Wales Minister for Industry and Trade

Introduction

The NSW Government welcomes the findings of the Legislative Assembly Committee on Investment, Industry and Regional Development's inquiry into support for drought affected communities in NSW (the Inquiry). The severity and extent of the current drought has had devastating social and economic impacts in NSW. While some regions are now in recovery, longterm drought recovery will take many years.

The Inquiry's report comes at an important time and provides a valuable source of insights to inform the NSW Government's next steps in ensuring the State is better prepared to manage the impacts of future droughts.

Many of the concerns and issues raised through this Inquiry are a key focus of current Government policy reforms, and this response provides an overview of current reforms underway to address the issues and findings of the Inquiry.

Work is underway to inform and improve future drought response

The NSW Government's drought response has focussed on three priority areas: critical water security, support for businesses and communities, and on-farm support. Significant investment has been made to the drought response in NSW, with more than \$4 billion committed since 2017. This includes subsidies and fee waivers for primary producers, increased mental health support, critical water infrastructure builds and programs that stimulate economic activity. Additionally, more than \$275 million in funding has been allocated to water initiatives that will have marked improvements to the water supplies in numerous towns and communities. There has been a substantial uptake of these programs. For example, by October 2020, more than 3,000 Drought Assistance Fund Loans, worth more than \$139 million have been approved. In 2019, more than 1,000 primary producers from 47 drought-affected communities received face-to-face support as part of the Drought Assistance Van outreach campaign. There were also 13 Rural Resilience workers across the state engaging with more than 6,500 primary producers to provide social and business resilience support.

However, the Inquiry highlighted areas for improvement in current drought support. The NSW Government recognises the importance of ensuring all drought support programs are fit for purpose and an evaluation is underway of the NSW Government's 2018-2020 drought support programs.

While drought support measures must be fit for purpose, they must also be accessible, which was one of the Inquiry's key findings. Accordingly, the NSW Government supports a single portal of information that identifies all available drought assistance across levels of government to support regional communities' access what is available to them. This is consistent with the NSW Government's nsw.gov.au strategy to provide a simplified, customer-centric experience for those who need assistance, with work underway to unify drought information from key platforms onto one central site.

The NSW Drought Plan will outline new support for drought preparedness

The Inquiry's findings will also inform the NSW Drought Plan which will outline the priorities and actions required across the NSW Government to plan for future drought. This response provides some initial insights into the direction of the Plan, with further development underway. Areas of focussed consideration include:

- 1. Improved water management coordination across the State to address changes in drought conditions, to address the Committee's recommendation that a more consistent approach to water restrictions be investigated.
- 2. Ensuring that essential services in drought affected areas do not lose key roles such as teachers and nurses if their community's population drops. For example, Enrolments for some schools have fluctuated when families are affected by drought or other challenges like

bushfires, floods, or the economic impacts of COVID-19. In October 2020 the Government announced support to maintain resourcing at 268 regional schools.

3. Additional focus on water efficiency for major water users, including for the resources sector. This could include greater accountability to improve water use and efficiency in water management plans.

Significant reforms to the water sector are currently underway

The NSW Government acknowledges safe, secure and sustainable water supply and sewerage services are essential for community wellbeing. They are also important to enable social and economic opportunities in regional NSW's towns.

There are several NSW Government programs and policies to support this, including the \$1 billion Safe and Secure Water Program, the development of the State Water Strategy and Regional Water Strategies, and support for council local water utilities strategic service planning, including drought and emergency response planning. Significant water sector reform work is currently underway to better support local water utilities and improve water sector performance. Additionally, water infrastructure investment - such as the Government's commitment to priority dam projects - is being supported under the Snowy Hydro Legacy Fund.

The NSW Government will continue to implement the Safe and Secure Water Program. This program provides co-funding to councils to address water security, water quality and environmental risks in urban water systems across regional NSW. In addition, the State Water Strategy and Regional Water Strategies currently being developed will identify priorities and actions for building resilience of regional towns and communities to changes in water availability. One of the objectives of the Regional Water Strategies is to recognise and protect Aboriginal rights, interests and access to water. Consultation is currently underway to ensure the Regional Water Strategies better recognise cultural values in water management. More broadly, the NSW Government is working with the Aboriginal Water Coalition to develop an Aboriginal water strategy to improve access to water for cultural and economic uses. Empowering local communities by involving them in the decision-making process and making sure they have a say over decisions affecting their lands and water is key.

Primary producers are being supported as they move into recovery

Long-term recovery from this drought will take many years. The cropping sector will need at least two fully yielding crops (18 months and more) to recover once conditions return to normal. The livestock sector will take longer to recover to rebuild herds. The Department of Primary Industries (DPI) continues to provide assistance to primary producers as they transition into recovery from drought. Some programs have pivoted to support recovery, including the Drought Transport Subsidy, which now includes a restocking component to assist with recovery efforts. The DPI Drought Recovery Guide (published in February 2020) provides information and resources to assist primary producers in resuming normal business operations following drought.

The NSW Government has also funded longer term drought preparedness and resilience measures, such as the \$1 billion Farm Innovation Fund, which is a low interest rate loan for NSW farmers to invest in permanent on-farm infrastructure. This loan will continue to be instrumental in facilitating primary producers to think ahead and invest in infrastructure that will improve the productivity and drought resilience of their farms. An additional \$1 million has been provided to the Rural Resilience Program this financial year to assist with recovery in the primary industry sector and farming communities.

The NSW Government continues to support drought-impacted communities

The Inquiry highlighted the importance of empowering local communities and providing hope for the future. Many of its findings centre on the availability of crucial mental health support, as well as providing educational and training opportunities for regional communities.

Mental health support

The NSW Government has invested \$26.3 million in mental health drought initiatives since 2018-19. These include the Farm Gate Counsellors and Drought Peer Support Workers program, an expansion of virtual mental health services, Aboriginal wellbeing services, an enhancement of the Rural Adversity Mental Health Program and the Far West Connections Program to support socially isolated people with mental illness in far west NSW.

However, greater levels of public investment will not by itself address the challenges of establishing a well-equipped and high performing mental health workforce in regional NSW. In recognition of this, the NSW Ministry of Health is identifying a range of strategies to improve the attraction and retention of a multi-disciplinary rural health workforce including sharing rural health worker stories of career success, offering career enrichment programs involving secondments to rural areas, improving onboarding processes to connect rural candidates with the local community and other NSW Government agencies, and providing mentoring and support for rural employees with clinicians from metropolitan facilities.

Additionally, the Department of Education is establishing a dedicated fly-in fly-out and telepsychology service to provide regular and timely access to psychology support in rural and remote schools. The positions will be phased in from 2021 to June 2023. An additional 87 student support officers and 25 school counselling positions will be in place from 2021.

The NSW Government's Centre for Work Health and Safety is also developing improvements that will benefit drought-affected communities. One in particular, focuses on mental health in remote and rural farming communities. This study will investigate whether an e-mental health SMS has similar outcomes as face-to-face psychological interventions. It will also analyse if the characteristics of clients and/or interventionists' language use is correlated with clinical outcomes.

Training and education

The NSW Government recognises the impact prolonged drought can have on regional communities and on loss of key trades, skills and businesses. It is critical to ensure communities have adequate access to vocational education and training to maintain or acquire new skills.

The Department of Education, through Training Services NSW (TSNSW), allocated \$5 million to fund vocational training in drought affected communities in 2019-20. In the 2020-21 financial year, TSNSW has identified priorities for funding to support drought affected communities, in response to research and industry consultation.

This complements significant work underway by the Department of Education in the area of skills reform. This includes the Skilling for Recovery program, which will include expanding fee-free VET for target redeployments and career transitions for displaced workers due to COVID-19 and establishing a team of regional skills and employment brokers to combat skill gaps and local economic challenges. It will also extend the Regional VET Pathway program in selected regional areas of high youth unemployment and affected by natural disasters.

The role of local councils

As the sphere of government closest to the community, local government has the greatest understanding of what communities need and plays a critical role in supporting and sustaining communities during prolonged drought and other adversities. The NSW Government will continue to partner with local councils to understand their needs and to also listen to their local insights.

Additionally, the Inquiry found that friendship relationships between metropolitan and regional councils are a positive initiative that can provide shared benefits for all parties. Friendship and resource sharing partnerships linking metropolitan and rural councils within NSW are common, and sometimes take the form of Sister City relationships. These arrangements allow participating councils to exchange information, develop skills, support cultural development and connect diverse communities.

Coordinating regional recovery

Multiple disasters including bushfires and floods, together with drought and COVID-19, have had compounding impacts on NSW communities over the past 12 months. Resilience NSW has been working with Regional NSW and councils to consider how government can best work together to reduce duplication, be more efficient and better meet the needs of communities experiencing multiple challenges. Work is underway to establish seven Resilience and Recovery subcommittees across the regions to ensure a whole-of-government, integrated approach to regional recovery activities in response to disasters, drought and COVID-19, and to facilitate collaboration and build community resilience.

Conclusion

The NSW Government looks forward to the delivery of the Inquiry's final report and trusts its commentary above and responses to the recommendations below support the delivery of the final report.

Response to the Inquiry's recommendations

	Recommendation	NSW Government Response
1.	 The Committee recommends that a review be conducted into existing NSW Government support to local water utilities to assess its effectiveness in: providing reliable town water supplies to rural and regional communities; and in ensuring the long-term financial sustainability of local water utilities. 	Support The NSW Government is committed to reviewing the support provided to local water utilities (LWUs) to ensure they are equipped with the tools required to provide reliable town water and to be financially sustainable. The Government has analysed the risks to services in regional towns and has received sector feedback on this. In response, the Department of Planning, Industry and Environment (DPIE) will deliver a program of initiatives focused on supporting the delivery of safe, secure and sustainable water services by LWUs. The NSW Government will also continue to implement the Safe and Secure Water Program. This program provides co-funding to councils to address water security, water quality and environmental impact risks in urban water systems across regional NSW. In addition, State and Regional Water Strategies currently being developed will identify priorities for a program of a program of services of the program.
2.	The Committee recommends that the NSW Government conduct a review into whether a standardised system of water restrictions should be implemented in New South Wales.	 priorities and actions for building resilience of regional towns and communities to changes in water availability. Support The Minister for Water has already requested DPIE look at harmonisation of water restrictions across NSW. DPIE is currently consulting with water utilities, the Water Directorate (the NSW Regional Water Utility Association), the Office of Local Government, and other key stakeholders on this issue as part of the State Water Strategy.
3.	The Committee recommends that a review be conducted into the Integrated Water Cycle Management guidelines and section 60 of the Local Government Act (NSW) approval process with a view to removing duplication and improving timeliness.	Support The NSW Government acknowledges that a greater emphasis on strategic planning for town water supplies is needed and supports this recommendation. There are opportunities to improve LWU strategic urban water service planning, including planning and regulation of town water supply infrastructure and assets. This will form part of DPIE's LWU regulatory review project
4.	 The Committee recommends that with regard to funding programs: the NSW Government encourage the Commonwealth Government to consider extending the Farm 	Support in principle The NSW Government acknowledges the devastating impact the current drought has had on the farming community and the importance of supporting primary producers to manage and recover from the impacts of drought. The Farm Household Allowance (FHA) is a key mechanism to support primary producers experiencing financial hardship.

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 Household Allowance eligible time period from 4 years to 6 years; and the NSW Government encourage the Commonwealth Government to review the timeframes for the delivery of projects under the Drought Communities Program; and the Rural Assistance Authority review guidelines to ensure that off-farm income does not unfairly impact on eligibility for assistance. 	 The Commonwealth recently conducted an independent review into the FHA: The review considered it imperative that ongoing access to the program is not extended from four years. The Review Panel considered that a time limit to accessing the FHA encourages self-sufficiency, preparedness for future shocks and structural change, while discouraging welfare dependency. The review panel considered limiting access to four years in a lifetime was however unrealistic because farmers will likely experience multiple droughts and other financial shocks over their lifetime and potentially in quick succession. For this reason, the Panel recommended increasing the maximum time a person is able to access the Farm Household Allowance (FHA) from four years over a lifetime to four years in a ten-year period.
	The NSW Government recognises the importance of ensuring the Farm Household Allowance scheme is fit for purpose. The NSW Government will continue to engage with the Commonwealth on this scheme and advocate for improvements and for regular assessment of the scheme's performance. The NSW Government will seek to engage further with the Commonwealth on the Drought Communities Program to drive the best outcomes for all involved, including a discussion on the suitability of the existing timelines for project delivery. DRNSW will collaborate with the Office of Local Government to understand more fully the challenges and concerns of councils with current delivery timelines.
	The most recent funding announcement was made in January 2020 to 52 councils. Applications close on 1 June 2021 and projects are to be completed by 30 June 2021. For eligible councils that received funding as part of the November 2019 announcement, projects must be completed by 31 December 2020.
	The Rural Assistance Authority (RAA) regularly reviews program guidelines and consults with key stakeholders to ensure that there are no unintended consequences of program guidelines and eligibility criteria. Program guidelines are in place to ensure that funds are allocated to primary producers in genuine need of assistance.
	The RAA recognises that during drought, one or both partners may need to seek off-farm income in order to remain viable and actively works with applicants to determine a 'normal' year in which they were unaffected by drought to determine eligibility. Applicants can nominate the year that most accurately reflects a typical operating year, rather than the last financial year, which may have been impacted by off-farm income.

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	The issue of off-farm income unfairly impacting eligibility for assistance, as well as the definition of a farmer, will be considered further as part of a planned review of the <i>Rural Assistance Act 1989</i> .
5. The Committee recommends that the NSW Government encourage the Commonwealth Government to consider allocating additional funds to the Emergency Water Infrastructure Rebate Scheme to extend the program.	Support in principleThe NSW Government has already successfully lobbied the Commonwealth for additional funding for this program. As stated in the guidelines for the program, the availability of rebates was subject to funds being available and no rebates could be offered beyond the allocated funding.On 2 October 2020, the Commonwealth Government announced a new, \$50 million national Emergency Water Infrastructure Scheme which requires dollar-for-dollar funding from the NSW Government.
6. The Committee recommends that the NSW Government fund the establishment of resilience officers (drought and recovery) at the regional level.	 Support in principle The NSW Government has invested in a number of programs to date that provide support at a regional level to build resilience The Rural Resilience Program consists of a core team of seven Rural Resilience Officers that provide regionalised support to enhance personal and business resilience in the primary industries sector and rural communities. The program has received \$8 million of funding to-date. The Program focuses on place-based solutions and working with communities to create opportunities and solutions when they are facing adversity and to enhance preparedness. The Program has engaged with more than 6,500 people per annum, supported more than 200 community resilience building projects per annum and established 29 Rural Service Support Networks across the state to enhance regional scale collaboration. The program has delivered 875 resilience skills building workshops and events to 33,610 farmers, coordinated and supported drought information events such as the DPI's Drought Van, and provided natural disaster support and recovery services to farming communities impacted by five significant natural disaster events including the 2017 Sir Ivan bushfire. The Rural Resilience program focuses on positive outcomes and real behaviour change. Evaluation data shows that 84 per cent of participants indicated they were highly likely to do something different as a result of attending these events (averaged results). In 2021 the Rural Resilience Program will continue to focus on a number of areas including recovery from drought, bushfires and COVID-19. New programs are being developed which target business decision making, farm family business

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Recommendation	 communication, transitioning to something new for those considering exiting the industry, succession planning, risk management and enterprise diversification. Under the Rural Resilience Program, Rural Service Support Networks increased from 14 in 2015 to 26 in 2019 to understand local issues and co-design activities. The Rural Resilience team also administered the Drought Resilience Fund (Ministry for Health) to encourage social resilience with 162 events held with 28,008 participants and another 183 events to be held. The Young Farmer Business Program focuses on improving the business resilience of the next generation of farmers and fishers to support them in operating robust, resilient businesses and to manage risks into the future such as drought. To date the program has received funding of \$6 million. From 2017 to 2020, there were 3,230 attendees at 100 skill building programs and the program has established an online community of more than 780,000 individuals. Resilience NSW has launched a pilot program, which is funding resilience officers in three NSW Joint Organisations focussed on disaster preparedness. Joint State and Federal funding have facilitated Community Recovery Officers within Councils in 22 LGAs for the next 12 months to coordinate local recovery and build local community resilience networks. Over the past year, Service NSW for Business (SfB) has scaled up its operational support for businesses and now has over 100 metro and regional offices who provide personalised case management support and outreach to local regional areas. SfB's Business Concierges are also working with local and State business associations to facilitate awareness of and engagement with government support and recovery services. Additionally, SfB has a council outreach program and to date has signed up 119 councils to facilitate information exchange on local business
	The NSW Government will consider approaches for how communities can be supported to navigate the assistance available to both support recovery now and to ensure systems are in place to better support communities to manage future droughts. This will focus on ensuring a more customer centric approach to service delivery. Work is underway by the

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	Department of Customer Service on the 'tell government once initiative' and also unifying available support in one central location.
 The Committee recommends that Destination NSW continues its campaign to promote regional NSW as a destination for tourists and events. 	Support Regional tourism plays an important role in growing the NSW economy, contributing \$22.5 billion to the State (tourism consumption) in 2018-19 and supporting 99,600 direct jobs, which is 52 per cent of the State's direct tourism employment.
	With the tourism industry being one of the most heavily impacted industries due to the unprecedented events of COVID-19 pandemic, prolonged drought and bushfire, the NSW Government is committed to supporting the recovery of the industry and economy. The focus on domestic visitation will help support many regional businesses and jobs.
	In February 2020, the NSW Government announced a \$10 million tourism recovery package to encourage visitation to NSW. The package includes the 'Love NSW' campaign, encouraging travellers to book a getaway to NSW. In September 2020, Destination NSW launched an 8-week digital marketing campaign which was delivered in partnership with 20 local councils and focussed on regional destinations targeting NSW and ACT residents. Destination NSW will continue to develop and deliver the Love NSW campaign to shine the spotlight on NSW to ensure travellers know about the many unique experiences on offer. A key part of this campaign is the Love Map which allows users to find experiences within three hours' drive of a selected location as well as showcasing tourism businesses.
	The tourism recovery package includes the \$1 million Regional Event Fund, which offers funding support for sporting, arts, cultural and lifestyle events that bring an economic and social boost to their town. In 2020, 59 regional events received grants under this fund to help drive visitation, while creating more jobs and bringing local communities together.
	Destination NSW continues to build a calendar of world-class major events for NSW to bring visitors to experience our regions. The NSW Government supported a number of major events in regional NSW in 2020, including Surfest Newcastle, Bathurst 12 hour, the Women's NSW Open Championship at Dubbo Golf Club, the Australian Cross Triathlon Championships and the Snowies Mountain Bike Festival.
	In addition to marketing and promotion, Destination NSW is delivering a number of programs to support industry development including the NSW First workshop program, which assists tourism businesses around the State to develop, promote and sell their tourism products. NSW First includes face-to-face workshops and online webcasts that offer 'how-to' insights on a range of topics for the tourism industry, with new events added to the calendar throughout the year. In 2019-20, Destination NSW delivered 21 workshops in 17

Recommendation	NSW Government Response
	locations across NSW through the NSW First Program to ensure that operators remain competitive and offer quality products for the domestic market. In August 2020, Destination NSW launched Local Stories, a series of 49 videos (38 regional NSW and 11 Sydney) providing a behind the scenes look at the operations of tourism industry champions.
8. The Committee recommends that the NSW Small Business Commission develop a campaign to promote its resources and support services to regional business communities.	Support in principle The NSW Government acknowledges the importance of supporting small businesses through the recovery phase of drought. The NSW Small Business Commission (Commission) will continue to play a critical role in this support by promoting regional resources and support services through publishing information and toolkits on its website, as well as circulating a regular newsletter. The Commission will continue its ongoing stakeholder engagement with regional business communities and advocate on their behalf. The NSW Government has committed to extending its Business Connect program for a further three years which will allow regional business to access targeted advice and skills training from regional advisors. NSW Small Business Month which occurs in October each year provides opportunities for regional businesses to upskill, network and be made aware of available NSW Government support. The NSW Government will continue to consider additional opportunities to promote drought related support for small businesses including through additional resources and services.
9. The Committee recommends that the NSW Government consider ways to include support for regional universities when preparing drought assistance programs	 Support in principle The Commonwealth Government is the primary funder and regulator of Australian universities, including responsibility for providing regional universities with support. In June 2020, the Commonwealth Minister for Education, the Hon Dan Tehan MP announced a package of measures worth over \$400 million, over the next four years to increase opportunities for regional and remote students to attend university, and to lift investment in regional university campuses. These new measures arise from the National Regional, Rural and Remote Tertiary Education Strategy The NSW Government provides some support to the sector, but this is mainly centred on assisting students. Examples of existing NSW Department of Education initiatives to support regional NSW universities include: An \$8 million investment into Country Universities Centres (CUC) which help regional and rural students to learn closer to home.

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	 The Regional Transitions to University Grant, which is funding a project designed to help students make informed decisions about university transition and highlight alternate pathways to university. This \$550,000 grant was awarded to three university partners to deliver the Re-inventing the 'Gap Year' project. A conditional commitment of \$26.6 million to a new UNE Tamworth campus. Funding is on the condition that it is matched by the Commonwealth government. The NSW Department of Education has developed a number of blended VET and university pathways in conjunction with regional universities and has provided financial support toward the development and piloting of these courses. These include the Aged Care and Electrical Engineering Pathways at the University of Newcastle, the Aboriginal Primary Health Care Tertiary Pathway at the University of New England and the Civil Construction Management and Engineering Pathway at Southern Cross University.
10. The Committee recommends that the Minister for Transport amend the eligibility requirements for the School Drive Subsidy to include pre-school children who live in an area that is classified as outer regional, remote, or very remote.	Support in principle Transport for NSW is committed to working with other government agencies, industry partners, parent and other stakeholder groups to achieve equitable access to pre-schools for drought affected communities. For example, with the support of funding through the Transport Access Regional Partnerships Grants Program (TARP program) a community bus service was launched in April 2020 to ferry local kids to and from Playtime Preschool in Broken Hill.
	There are a variety of practical solutions to remove barriers so that children from drought affected households can have equitable access to a preschool education including, but not limited to, amending the eligibility requirements for the School Drive Subsidy.
	Transport for NSW is investigating the possibility of extending the School Drive Subsidy to include pre-school aged children in remote and very remote areas. The investigation will include the consideration of operational and safety issues of transportation of preschool children (in consultation with the NSW Department of Education's Early Childhood Education Directorate).