

**Submission
No 8**

PERFORMANCE OF THE REGIONAL INVESTMENT ACTIVATION FUND AND THE REGIONAL JOB CREATION FUND

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NSW Government Submission

Inquiry into the Performance of the Regional Investment Activation Fund and Regional Job Creation Fund

October 2023

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Table of Contents

| | |
|--|-----------|
| Table of Contents | 3 |
| Overview: Regional Investment Activation Fund and Regional Job Creation Fund | 4 |
| Regional Investment Activation Fund (RIAF) | 4 |
| Regional Job Creation Fund (RJCF) | 5 |
| NSW Government current arrangements for facilitating and supporting investment enquiries and job creation in regional NSW | 8 |
| Opportunities and challenges to supporting job creation and economic development in regional NSW | 11 |

Overview: Regional Investment Activation Fund and Regional Job Creation Fund

The Department of Regional NSW (DRNSW) administered the Regional Investment Activation Fund and the Regional Job Creation Fund. Both programs were designed to support job creation and improve economic outcomes in regional NSW communities. The programs provided grant co-funding to leverage private sector investment in industries and locations aligned with NSW Government strategic priorities.

An overview of the objectives, design, governance and outcomes of each program is provided below.

Regional Investment Activation Fund (RIAF)

Program objective

The RIAF was designed to provide co-investment for projects with the potential to deliver benefits for a priority industry or location.

Program design

The program opened for applications on 5 October 2022 with \$110 million set aside under 2 funding streams:

| Stream | Process | Timing | Grant value |
|-----------------|--|--|--|
| Stream 1 | An open, competitive stream with applications assessed through a two-stage application process, Expression of Interest (EOI) and Detailed Application | Notification of Detailed Application assessment outcomes was scheduled for 1 May 2023 | Grants of between \$2 million and \$20 million available |
| Stream 2 | An open, rolling (non-competitive) stream for time-sensitive and strategically significant projects, where applicants could contact DRNSW to apply for funding at any time during the application period | Expressions of Interest were to be assessed within 7 days of submission and an outcome on Detailed Applications was to be provided within 14 weeks of submission | Grants of between \$1 million and \$10 million available |

Under both streams:

- funding was available to businesses able to meet financial viability requirements
- applicants were required to provide a cash co-contribution of at least 50% of the total project cost, except where extenuating circumstances could be demonstrated
- funding could be used for capital and other expenses directly related to the delivery of projects located in regional NSW meeting the objectives of the program
- competition issues were reviewed as part of the assessment process to avoid advantaging or disadvantaging businesses legitimately competing in the same market.

Program governance

The RIAF guidelines and assessment methodology were designed to provide a robust funding process with multiple decision points to ensure integrity in the allocation of public funds to private entities.

An independent probity advisor oversaw the design and delivery of the program, to ensure fairness and transparency through the program lifecycle.

Key components of the program governance included:

- multi-stage assessment and decision-making points, and established approval pathways to manage and reduce risk
- assessment processes to include consultation with subject matter experts from other NSW Government agencies and third-party consultants, where relevant
- Assessment Panels comprised of senior representatives from various NSW Government agencies, ensuring broad review and consideration of the merits of each application, and
- a probity adviser was required to be present at all panel meetings.

Program outcomes

In April 2023, the NSW Government paused assessment of new grant funding while it carried out a government spending review. At the time of the pause, EOIs were under assessment and no offers of RIAF grant funding had been made to applicants.

Funding committed to RIAF Stream 1 and 2 was reallocated in the 2023-24 Budget towards new ways of investing in regional communities and to deliver the NSW Government's regional election commitments. Impacted applicants have been advised of the discontinuation of RIAF by DRNSW.

Regional Job Creation Fund (RJCF)

Program objective

The RJCF was designed to support regional investment and job creation by providing co-funding to regional projects.

Rounds 1 and 2 aimed to support economic recovery and resilience by activating, bringing forward or attracting investment in regional NSW through co-funded business projects that created at least five new jobs. Grantees under these rounds have three years following execution of the funding deed to create the total required Full Time Equivalent (FTE) jobs.

Round 3 included a focus on job retention to protect jobs and ensure resilience in regional economies and to assist in minimising job loss related to productivity and innovation.

Program design

Funding has been granted under Rounds 1 and 2 of the program, while Round 3 opened for EOIs in January 2023. The program provided funding for capital and other expenses directly related to the delivery of eligible projects that supported job creation and/or retention:

| Round | Funding allocation | Process | Timing | Grant value |
|---------|--------------------|---|--|--|
| Round 1 | \$100m | An open, rolling application period with a two stage, merit-based assessment | Opened for Preliminary applications October 2020 | Grants of between \$100,000 to \$10m available |
| Round 2 | \$40m | A defined application period with competitive, two stage merit-based assessment | Opened for EOI applications February 2022 | Grants of between \$100,000 to \$5m available |
| Round 3 | \$100m | A defined application period with competitive, two stage merit-based assessment | Opened for EOI applications January 2023 | Grants of between \$100,000 to \$10m available |

Program governance

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Key components of the program governance included:

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- assessment processes that included consultation with subject matter experts from other NSW Government agencies and third-party consultants, where relevant
- Assessment Panels comprising of senior representatives from various NSW Government agencies, ensuring broad review and consideration of the merits of each application, and
- probity adviser was required to be present at all panel meetings.

Program outcomes

| Round | Program outcomes as at 25 August 2023 |
|---------|--|
| Round 1 | <ul style="list-style-type: none"> • 119 projects were approved for funding. 11 projects subsequently withdrew or declined offers of funding from the program. • Active projects are estimated to create 4,458 FTE jobs. • Grant recipients have 3 years to create the required FTE jobs following the execution of the funding deed. • Job outcomes reporting will be undertaken between 2023 and 2026, as required under the funding deeds. |
| Round 2 | <ul style="list-style-type: none"> • 86 projects were approved for funding. 12 projects subsequently withdrew or declined offers of funding from the program. • Active projects are estimated to create 1,260 FTE jobs. • Grant recipients have 3 years to create the required FTE jobs following execution of the funding deed. • Job outcomes reporting will be undertaken between 2023 and 2026 as a requirement under the funding deed. |
| Round 3 | <ul style="list-style-type: none"> • Opened to Expressions of Interest in January 2023. • In April 2023, the NSW Government paused assessment of new grant funding while it a government spending review was undertaken. At the time of the pause, EOIs were under assessment and no offers of RJCF Round 3 grant funding was made to applicants. • Funding committed to RJCF Round 3 was reallocated in the 2023-24 Budget towards new ways of investing in regional communities and to deliver the NSW Government's regional election commitments. Impacted applicants have been advised of the discontinuation of RJCF Round 3 by DRNSW. |

Program evaluation and reporting

In accordance with Program Monitoring and Evaluation Plans prepared for each round of RJCF, the program will be subject to process, outcomes and economic evaluations to assess effectiveness of program design, implementation and delivery of outcomes.

In March 2022 the Process Evaluation for RJCF Round 1 was published, which found it to be an appropriate program to address a well-evidenced need and was welcomed by external stakeholders. It found RJCF had a clear objective to create new jobs in regional NSW and was well-designed to achieve this objective. Early findings and the final report from the Round 1 Process Evaluation informed the design and implementation of RJCF Rounds 2 and 3.

Process evaluation of further rounds and outcomes and economic evaluations will be completed from 2024-25, when identified milestones for the rounds, relating to grant contracting and project delivery, are achieved.

RJCF grantees are subject to regular reporting requirements established under the funding deed to provide evidence on how projects have resulted in measurable benefits consistent with the program's objectives, focussing on employment and benefits to regional economies and communities. Grantees have three years following execution of the funding deed to create the total required FTE jobs.

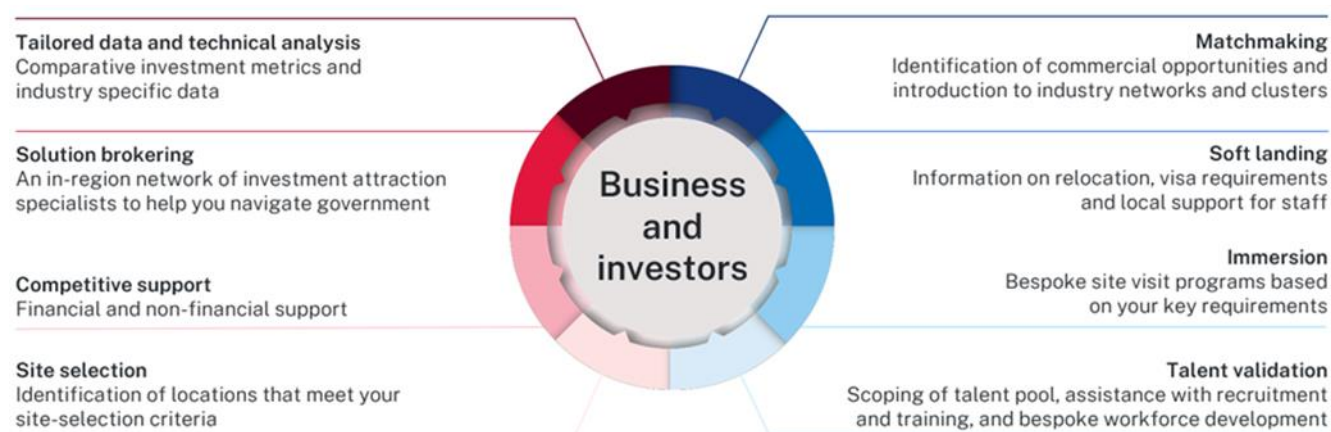
NSW Government current arrangements for facilitating and supporting investment enquiries and job creation in regional NSW

The NSW Government is taking a coordinated approach to facilitating investment attraction, job creation, and business establishment, relocation, and expansion opportunities in regional NSW. This includes close collaboration between DRNSW, Training Services NSW, Investment NSW and the Department of Planning and Environment's Planning Delivery Unit (PDU).

DRNSW has a regional investment attraction team (Office of Regional Economic Development), which currently leads private sector investment attraction and expansion support services across regional NSW.

The team provides a range of facilitation and information services to investors that are looking to establish or expand in regional NSW and holds specialist place-based expertise and deep subject matter knowledge in key engine, emerging and new industries.

DRNSW support services for investors



DRNSW is supporting both reactive and proactive investment attraction:

Reactive investment support

DRNSW responds to regional NSW investment enquiries sourced internally or from a range of government and non-government partners, including Investment NSW (via the Investment Concierge), the Department of Planning and Environment (via the PDU), local councils, Austrade and Consuls General/Trade Commissioners.

Before responding, an extensive due diligence, qualification and verification process is undertaken to determine the organisation's financial, technical and managerial capacity to execute the investment and initial site selection information is then provided, based on DRNSW insights and investor requirements.

When an investor identifies a preferred site, detailed decision-making information is prepared for the location, site visits are arranged and introductions to key partners facilitated, with support from partners including PDU, Training Services NSW, relevant councils and universities.

Following an investment decision being made, ongoing investor support is provided to ensure the successful execution of the project ensuring sustainable economic and employment outcomes for the region. An example of an investment secured through reactive support is Circular Plastics which chose Albury as its preferred location over other interstate sites (case study below).

Proactive investment support

DRNSW proactive investment support involves targeted outreach to companies in sectors where regional NSW or specific regional NSW locations have compelling competitive advantages.

High priority investment opportunities are identified via a process of value chain mapping and opportunity analysis undertaken by DRNSW for strategic industries and locations, in conjunction with key partners, including regional councils.

DRNSW prepares investment prospectus materials and identifies and approaches businesses aligned with the targeted opportunities, working collaboratively with Investment NSW and Austrade where international leads are involved.

When investor interest in an opportunity is secured, DRNSW then undertakes a process of providing information, facilitating access to target sites and key partners and providing ongoing support throughout project delivery, similarly to the reactive investment support process. An example of an investment secured through proactive support is Brightmark from the United States (case study below).

DRNSW Investment Attraction Support for Local Government

DRNSW works closely with regional councils to address constraints experienced by the local government sector in investment attraction, including:

- capability and capacity to deliver investment attraction activities
- siloed approaches to investment attraction which can limit the potential to maximise both local and state-wide benefits
- capability and capacity limitations to identifying unique value proposition/s and potential investment attraction opportunities, and
- lack of access to contemporary and best practice investment attraction collateral and promotional materials.

Activities undertaken by DRNSW with local government in FY2022-23 specifically related to investment attraction include:

- investment attraction training for 63 regional councils
- development and delivery of an Investment Attraction Toolkit for local government area (LGAs)
- production of location-specific investment attraction collateral for 12 LGAs, and
- investment attraction opportunities identification workshops and analyses for 22 regional councils. This work identifies specific target group and value propositions based on each location's competitive advantages.

Attraction case studies

Brightmark

Location: Parkes

US-based global waste solutions company Brightmark is investing \$320 million to build Australia's first large-scale advanced recycling plastics renewal facility in the Parkes Special Activation Precinct (SAP). The facility will be Brightmark's first outside the US and will process 200,000 tonnes of waste plastics annually, creating 100 ongoing regional jobs.

Investment attraction support provided by DRNSW for the project included:

- development of an investment attraction strategy for the SAP in collaboration with Parkes Council
- identification of plastic recycling as an investment opportunity in the SAP and development of target group of potential investors

- development of bespoke investment attraction material
- facilitation to secure the investment in collaboration with Parkes Council, Regional Growth NSW Development Corporation, Department of Planning and Environment, EPA and Investment NSW
- talent validation and bespoke workforce development.

The company has publicly acknowledged the skill and support of DRNSW and supporting agencies in bringing the investment to fruition.

Circular Plastics Australia

Location: Albury

Australia's largest PET recycling facility was established at the Albury Regional Job Precinct. Circular Plastics Australia is a joint venture between Cleanaway, Pact Group, Asahi Beverages and Coca-Cola Europacific Partners. The new facility began operations in December 2021 and processes the equivalent of 1 billion bottles each year, producing more than 20,000 tonnes of new recycled PET bottles and food packaging.

Investment attraction support provided by DRNSW for the project included:

- site selection analysis based on the company's requirements
- development of high-quality bespoke investment attraction material including tailored data and technical analysis and comparison to alternative interstate locations
- bespoke site visit program in collaboration with Albury City Council
- facilitation to secure investment in collaboration with Albury City Council, Department of Planning and Environment (specifically the Planning Delivery Unit) and EPA
- talent validation and bespoke workforce development.

Thales Australia

Location: Lithgow

Thales has established an advanced manufacturing and integration hub at its Lithgow site to manufacture next-generation, Australian designed weapon systems integrating both traditional precision manufacturing and digital technologies, including 3D printing. The facility also provides automated electro-plating and other metal treatment capabilities.

The purpose-built facility supports collaboration across research institutions, SME partners, and key industrial partners to create the defence systems and small arms of the future. It will also train the next generation of skilled advanced manufacturing workers in the central west of New South Wales.

Investment attraction support provided by DRNSW for the project included:

- implementation of a bespoke workforce development plan to address skills shortages
- support of bids for the Australian Government Department of Defence contracts
- advice on investment attraction aspects of potential masterplan for the remainder of the site.

Opportunities and challenges to supporting job creation and economic development in regional NSW

While regional NSW is subject to many of the same social and economic trends impacting metropolitan NSW, it has unique geographic, demographic, environmental, and economic characteristics that require targeted place-based investment and initiatives.

Some priority opportunities and challenges for supporting sustained economic development in regional NSW in the short, medium and long-term are identified below.

Workforce

Access to skilled workers is a critical component for enabling regional economic growth and remains an ongoing issue in regional NSW. Customised talent attraction and workforce development solutions can assist to address skills and labour shortages being experienced in regional NSW.

The NSW Government has a range of programs and services that support businesses and create upskilling and new job opportunities for individuals and communities across regional NSW.

For example, Training Services NSW's Workforce Development Team helps large employers and investors across regional NSW access funding for supported training, attract and hire new talent, upskill and reskill existing staff, overcome workforce challenges and skills shortages, navigate the education and training system and connect with industry, training providers, recruiters, schools and government for workforce training.

Housing

Regional NSW faces significant housing supply and affordability pressures, with rents and house prices growing at a faster rate than in Greater Sydney and low rental vacancy rates impacting the availability and affordability of housing for low- and even moderate-income households.

The impacts of the COVID-19 pandemic, the 2019-20 bushfires, and flooding in 2020 and 2021, among other events, have highlighted the housing challenges faced by regional communities and the importance of having an adequate supply of affordable, appropriate, well-designed, and well-located homes for regional communities' physical, social and economic wellbeing¹.

The NSW Government has committed to boosting housing supply and delivering more affordable rental housing for regional NSW, beginning with \$30 million for a pilot 'Build to Rent' program on the South Coast. Additionally, the NSW Government will create Homes NSW to lead affordable and social housing policy outcomes in NSW.

Planning timeframes

Planning timeframes remain a key consideration for investors when they are making site selection decisions across jurisdictions.

The NSW Government has committed to cutting red tape and overlap between NSW departments and agencies, streamlining planning processes and accountabilities (including development applications) and keeping strong mitigation measures in place across NSW.

The Department of Planning and Environment's Planning Delivery Unit works with proponents to resolve issues with major development applications, planning proposals and precincts so decisions can be made faster.

The Unit has facilitated positive investment outcomes for regional NSW by proactively working with developers, councils and agencies to resolve issues that are delaying decision making to ensure timely determinations.

¹ Regional Housing Taskforce Findings Report, September 2021, NSW Department of Planning, Industry and Environment

Net Zero and economic diversification

Across regional NSW a number of large sites in the electricity generation, coal mining and steelmaking industries will transition to alternative uses. These sites have the potential to be significant economic and employment drivers at a state and national level due to their access to a significant workforce, large-scale utilities and heavy transport infrastructure.

The NSW Government has committed to establishing Future Jobs and Investment Authorities in coal producing regions to create jobs, where necessary re-skill workers and advance economic diversification.

The Government will also establish a Net Zero Commission who will develop the plan to Net Zero by 2050, monitor and review the plan and trajectory, including impacts on jobs and industry.

Energy infrastructure

In some areas of regional NSW, access to sufficient electricity can be a barrier to the establishment of new and expansion of existing industries. Access to sufficient energy transmission infrastructure is critical to enabling the development of priority industrial sites across regional NSW.

Opportunities to accelerate investment in the delivery of required electrical infrastructure in priority locations through co-investment and innovative solutions will enable improved outcomes for regional industries and precincts.

Industry development

Regional NSW has the potential to be a global leader in engine, emerging and future industries.

The NSW Government has announced a review of the *Regional Development Act 2004*, which will include an investment strategy for the Regional Development Trust to support improved outcomes for regional communities. The Trust investment strategy presents the opportunity to identify how Government investment can further support engine and emerging industries critical to facilitating sustainable regional economic development.

Further, the NSW Government has supported local councils and communities across Regional NSW to develop Regional Economic Development Strategies (REDS) for each of the 38 Functional Economic Regions (FERs). The REDS identify each region's key strengths, its engine and emerging industries, and identify priority strategies and actions to support the region's economic development.

Government procurement

NSW Government commitments to advance the domestic manufacturing sector and to establish local content targets for future investment in rolling stock provide a model to support expansion of a local manufacturing capability in priority sectors, including those industries required to support the transition to Net Zero.

The NSW Government has committed to establishing a NSW Jobs First Commission to oversee the implementation and growth of local industries, and support and advocate for local firms in bidding for government tenders.

Biodiversity

The cost and complexity of the Biodiversity Offsets Scheme (the Scheme) for offsetting unavoidable impacts on biodiversity from development can be a barrier to investment in regional NSW. Opportunities to improve the operation and outcomes of the Scheme will be outlined in the Government response to the Statutory Review of the *Biodiversity Conservation Act 2016*.

While the review is being considered, a dedicated taskforce is implementing the Biodiversity Credits Supply Fund to fast-track the supply of biodiversity credits and enhance confidence in the biodiversity credits market. The Department of Planning and Environment (DPE) has also implemented a concierge service to assist development proponents and local government navigate the Scheme and its interaction with the planning system.