

8 September 2017

Reference: ds:mm 080917
Enquiries: Ms M Macpherson : 0427451085

The Hon Greg Pearce
Standing Committee on State Development
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Mr Pearce,

Re: Inquiry into Regional Development and a Global Sydney

Thank you for holding a hearing of the Legislative Council's Standing Committee on State Development in Orange on 14 August.

Central New South Wales is a highly productive diverse economy with good proximity to Sydney, Canberra, Melbourne and Brisbane. It is primarily driven by agriculture and mining. Growing sectors include tourism where this region is punching well above its weight. Providing infrastructure in advance helps small manufacturers and businesses establish in regional and rural areas. In the medium to long term this encourages migration to regional New South Wales.

Given the Centroc Board's deep interest in facilitating sustainable economic growth for the Central NSW region, we welcome the opportunity to give evidence and to provide response to questions on notice taken during the hearing as follows.

Response to Questions on Notice

Question 1: From the Hon. Mick Veitch (page 19)

The funding framework does not serve the regions. It is so much easier to spend money in Sydney with a funding framework skewed towards larger population centres and designed with treasury gateways and other barriers. (Centroc Submission page 6)

Can you explain further why Centroc makes that statement in its submission and secondly can you provide us with any projects that you are aware of that may have fallen over because of Treasury's application of its benefit cost ratio (BCR) or benefit cost analysis (BCA)?

Centroc response:

As benefit cost ratios are driven by population and the economy, projects that meet Treasury's BCR requirements tend to get funded in locations where there is a higher population base, such as Western Sydney.

This Regional Organisation of Councils speaks for over 200,000 people covering an area of more than 50,000sq kms comprising Bathurst, Blayney, Cabonne, Cowra, Forbes, Hilltops, Lachlan, Lithgow, Oberon, Orange, Parkes, Upper Lachlan, Weddin, and Central Tablelands County Council.

It is difficult to provide specific examples as all projects are assessed in competitive rounds and ranked against each other within that paradigm. It could be said that every project in a regional area that does not secure Infrastructure NSW funding falls into this category as it is measured against projects such as WestConnex that stand to benefit a large population base.

An example is any water infrastructure project in a regional community where the provision of safe secure water is a basic human right. When assessed against the Treasury funding framework these projects will never achieve a BCR of 1 required to meet funding criteria as the population they serve is relatively small. Take, for example a water treatment plant in a western NSW town with a population of under 2000.

As detailed at the hearing, Cowra Shire Council recently submitted a project for Federal funding with a BCR of 3.6 which did not receive funding. This further serves to highlight the difficulties for smaller regional councils of securing funding for their communities for what are sometime aspirational projects such as main street programs or for essential services such as medical infrastructure or secure water supplies.

The escalating costs to Councils to develop these applications and negotiate the requirements of the funding program for no certain outcome is a disincentive, particularly for the smallest and most cash strapped communities who must foot the bill to develop infrastructure (e.g. medical facilities) which is funded by the private sector in metropolitan communities.

In our view, the funding framework is not optimised as it is not developed with Local Government or with an understanding of its variable capacity. Further to this induced demand is not adequately considered in the funding framework which ultimately leads to more of the same as a result of 'progress informed by looking backwards.'

Our region has invested significantly in growing capacity in our members in understanding the funding framework and our priorities that align with it. This has resulted in the Centroc Priority Regional Infrastructure Matrix. From this investment we have, in collaboration with Regional Development Australia Central West, identified over 500 projects in ranked order from Inland Rail through to smaller community halls.

Councils have the ability to deliver projects though experience constraints especially where they need to spend significant money making the case for investment from State funding programs under the current Treasury Guidelines.

While Regional support and collaboration helps manage some of the constraints particularly of smaller less well-resourced Councils, as a general rule Councils are limited in increasing sustainable revenue in regional areas given the:

- rate cap
- jobs they are being given by other levels of government
- specificity of the task in regional NSW –swimming pools, airports

Councils currently are expending a significant portion of revenue on renewal expenditure on ageing infrastructure e.g .pools, water and sewer. Compounding this is that negotiating Special Rate Variations are tortuous and some members are saying they are getting to the end of their ability to match funding.

The question to be asked is if the dollars to resource competitive funding were added up, what is the net benefit, especially in the smaller programs?

In closing we make the following commentary in relation to the funding framework and BCR requirements:

- 1. There needs to be rural region dedicated funding.**
- 2. Funding programs need to recognise the role of Local Government in regional Australia**

To make any long term difference structural changes will need to be made to the funding framework with the State Government engaging with Local Government in regional NSW on co-designed solutions.

Once again we thank you for the opportunity to provide evidence to this inquiry. If you require any further information please contact Jenny Bennett on 0428 690 935 or at jenny.bennett@centroc.com.au

Yours sincerely,



Cr Bill West
Acting Chair
Central NSW Councils (Centroc)