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## Introduction and Overview of LEEP

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### 1 Summary

In January this year, Council and the NSW Government received the expert findings and recommendations of the Lithgow Emerging Economy Plan (**LEEP**). A copy of the LEEP is attached. It sets out:

- the economic and demographic baseline of the Lithgow Local Government Area (**LGA**),
- the identification of the LGA's relative advantages and opportunities,
- the identification of areas of focus which will put the LGA in the best position for the future.

Considerable technical engagement with the third parties was undertaken as part of the LEEP Project.

Council's advice is that leading practice transitions globally have had vastly improved outcomes where all levels of government, the knowledge sector, workforce unions and the private sector have worked collaboratively in a shared responsibility framework that is independent of each of them.

Primary responsibility for delivering the LEEP rests with the NSW Government which is responsible for regional economic development.

The LEEP makes 68 recommendations, 40 of which are due for delivery as soon as reasonably possible. Most of the initial actions are weighted towards further detailed strategic planning and analysis.

Council determined to be a leading actor with other key transitions actors in the regional transition by raising and allocating \$1.07m each year to transition management. Council is obliged to report annually on its transition management program. Council has established an interim Future Jobs and Investment Committee (the **Committee**) under the provisions of s355(b) of the *Local Government Act, 1993* (the **Act**) to coordinate the regional transition whilst the State Government establishes its proposed authorities.

### 2. Commentary

#### 2.1 Economic Context

Thermal coal power generation and coal mining constitute approximately 43% of Lithgow's economy by value-added production. Unlike Queensland, the Hunter, the Illawarra, Mid-Western Region, and the NSW North-West, Lithgow does not have the insulating impact of coal-switching (to higher value seaborne export). In this sense, Lithgow has similarities with Collie and Victoria's brown coal belt. Those regions have received more than \$300m to manage their respective net-zero transitions.

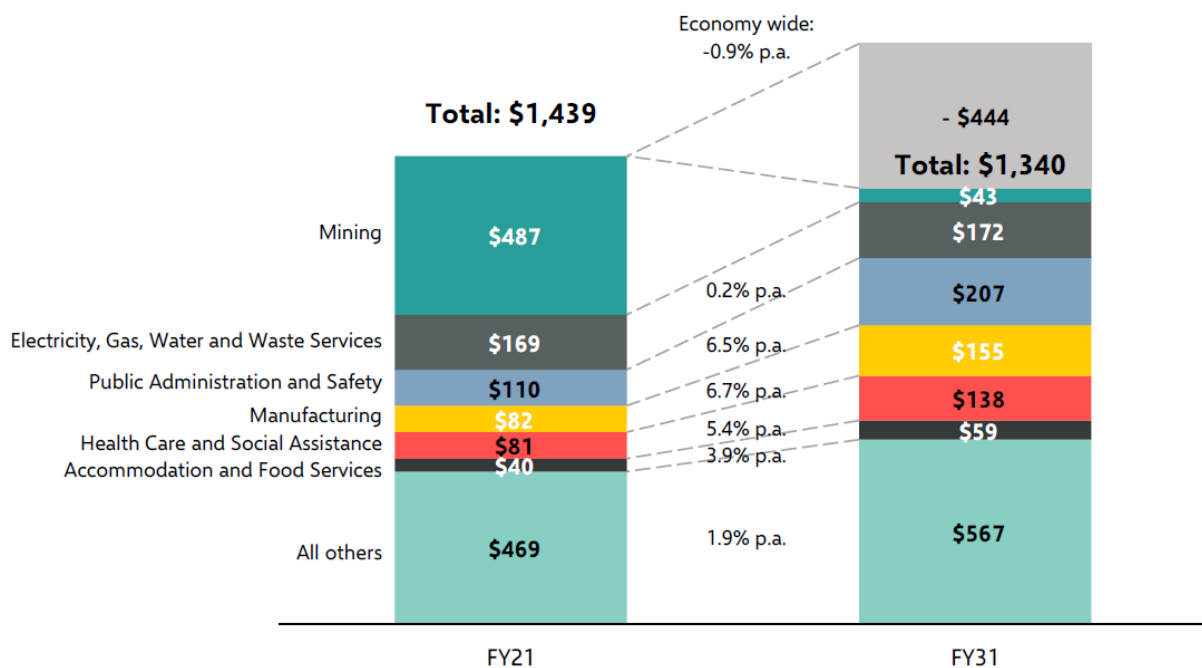
Mt Piper Power Station will progressively change its output and role in the National Energy Market as it switches from baseload to firming supply and then from firming to backup supply with full and final closure by 2040 at the latest. These phases will have workforce impacts in the thermal coal and power generation sectors and broader regional economic impacts.

Lithgow's economic catchment is confined to Lithgow itself, offering little insulating impact from belonging to a wider economic catchment. Lithgow also shares those characteristics with Collie.

It is estimated that between \$150m and \$400m of public sector funding will be required to unlock approximately \$3.5B of private sector investment in Lithgow based upon the methodology deployed to arrive at estimates in the Upper Hunter, Hunter, and La Trobe Valley. The reason for the broad indicative range of necessary investment of public funding results from the timing of intervention. Even short periods of economic disruption can lead to long-term entrenched social disadvantage. Early interventions require less public funding and are a better use of public funds. Early funding also leads to significantly better long-term outcomes.

## 2.2 LEEP

The issues identified, and solution proposed, by the LEEP is neatly set out in the following chart. Committee members will note there is some internal inconsistency in the sensitivity assumptions between the assumed scale of retraction in mining activity and the ambitious expansion of proposed activity in the four sectors identified for inorganic growth. Nonetheless, the chart sets out the scale of the risk associated with decline in the traditional industrial activity and the size of the public investment required to achieve offsetting value-added production. It is also noted that even under the most aspirational scenario, the economy retracts. It is also important to note that, although the economy by value-added production retracts, what matters is the proportion of value retained in the local economy. The identified growth sectors are likely to retain a higher proportion of income in the local economy.



### Purpose of LEEP and Key Findings

The analytical framework and methodology for the LEEP is set out in 4.1 of the LEEP and is considered robust.

The LEEP is a very significant document for the future of the Lithgow LGA. Critically, it informs the following processes:

- grant opportunities from other levels of government,
- advice on how the prioritisation of resources from all LEEP actors can best facilitate the economic transition of the Lithgow LGA over the period of transition,
- strategic land-use planning priority initiatives, and
- private sector investment attraction.

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The LEEP will also inform the State Government's approach to economic transition in Lithgow.

Some of the key findings of the LEEP include:

- baseline modelling on the loss and impact of coal mining and coal-fired power generation economic output in the Lithgow LGA (by value-added production),
- a leading-practice governance framework to best engage the complex issue of economic transition in the Lithgow LGA,
- the identification of focus industries to position the Lithgow LGA for the best possible economic future. This includes health, social and public services, utility services, industrial manufacturing, and tourism.
- advice regarding the discrete prioritised steps to be taken collaboratively to achieve the best possible result. These are consolidated into a single action list in section 7 of the LEEP (commencing from p. 86).

### 2.3 NSW Government Policy Context

The NSW Government intends to deliver on its regional economic transition policy in coal regions by establishing authorities – including a Central West Future Jobs and Investment Authority. This replaces the former Government's proposed management of regional economic transition through its regional inter-agencies. It has published the attached Issues Paper on its proposal. Council's submission with respect to the Issues Paper is also an attachment.

The NSW Government has not provided a timetable for the establishment of its proposed authorities. The existing allocated resourcing is essentially the administrative funding component for the Royalties for Rejuvenation Fund reallocated (approximately \$2.5 million annually). The NSW Government has also said that it might consider allocations from the Royalties for Rejuvenation Fund (approximately \$103 million) before 2028 and that will provide some support and facilitation through the responsible Department as well as the Department of Primary Industries and Regional Development. It has otherwise been silent on the resourcing of its transitions management agenda.

### 2.4 Commonwealth Government Context

The Commonwealth Government is presently presenting its proposed enabling legislation for a Net Zero Economy Authority to the Parliament. The draft legislation has a central focus on energy workers but the wording of the bill 'ropes-in' thermal coal mining workers associated with energy production where the production is substantially vertically integrated. Whilst the Commonwealth is proposing dedicated funding streams to accompany the work of the Net Zero Economic Authority, existing net zero funding is largely available only as a bolt-on objective in existing regional funding programs.

### 2.5 Governance

Leading practice transitions globally have had vastly improved outcomes where all levels of government, the knowledge sector, workforce unions and the private sector have worked collaboratively in a shared responsibility framework that is independent of each of them. As Weller et. al. (2021) noted in "Social and Economic Adjustment in the Upper Hunter" (p.iii):

The governance arrangements associated with structural adjustment programs appear to be critical in determining their success or impact. That is, has the structural adjustment program been accompanied by the creation of a meaningful body to oversee its implementation locally, and linked to other initiatives. This is likely to include regional stakeholders – communities, firms and unions – and all levels of government. Ideally, this would be a

structure that is chaired independently and works to a defined agenda<sup>1</sup> or set of objectives. It needs to take a long-term view and aspire to a legacy that is focused on ... successful transition ...”

In consideration of that advice and the recommendations of the LEEP, Council has established a Lithgow Future Jobs and Investment Committee (the **Committee**) under the provisions of s355(b) of the *Local Government Act, 1993* (the **Act**). The Committee has the functions set out in the Attachment. The functions largely reflect the existing statutory language amended to foreshadow some of policy framing being prepared by the NSW Government. The purpose of the Committee is to provide a shared responsibility and accountability framework.

In identifying suitable membership, regard was had to the identification of key stakeholders and skills in accordance with the AP2 Framework. Particularly:

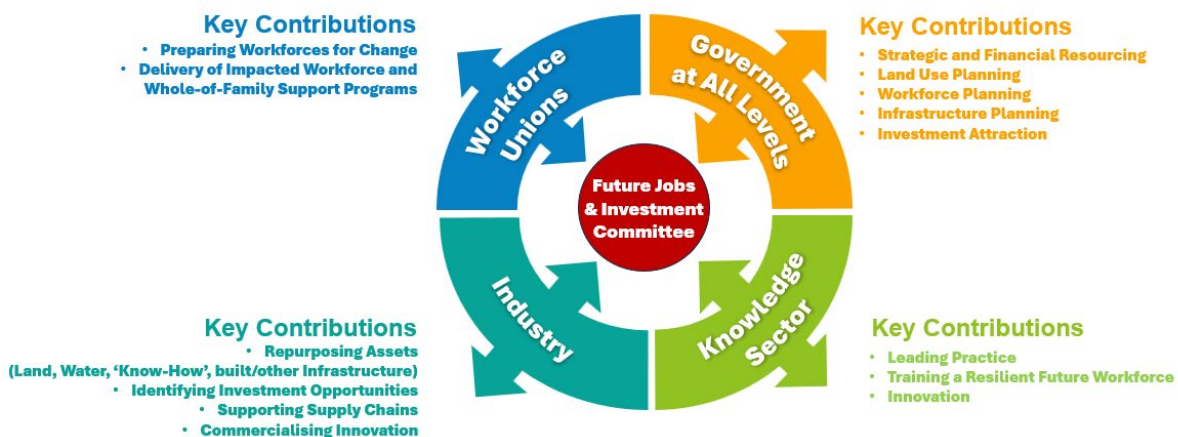
- ensuring that those directly and indirectly impacted by the Lithgow economic transition have a fair opportunity to engage and shape the LEEP process, and
- maximising collaboration with people and organisations who have interest and capacity to contribute to the LEEP tasks.

A more detailed explanation of the justification for arriving at the proposed model can be found in Chapter 4.0 of the attached LEEP Interim Engagement Plan 2024.

The model is broadly depicted in the following image:

## Future Jobs and Investment Committee

### Governance Model



As the LEEP Governance Vehicle is presently a Statutory Committee of Council, Committee members are subject to the Lithgow City Council's Code of Conduct – a copy of which can be found on Council's website.

Whilst the Future Jobs and Investment Committee is the primary governance vehicle for the management of the Lithgow economic transition, the work of the LEEP also engages, or proposes to engage, several working groups and networking groups. These groups and proposed engagements are more fully set out in the Engagement Plan discussed below.

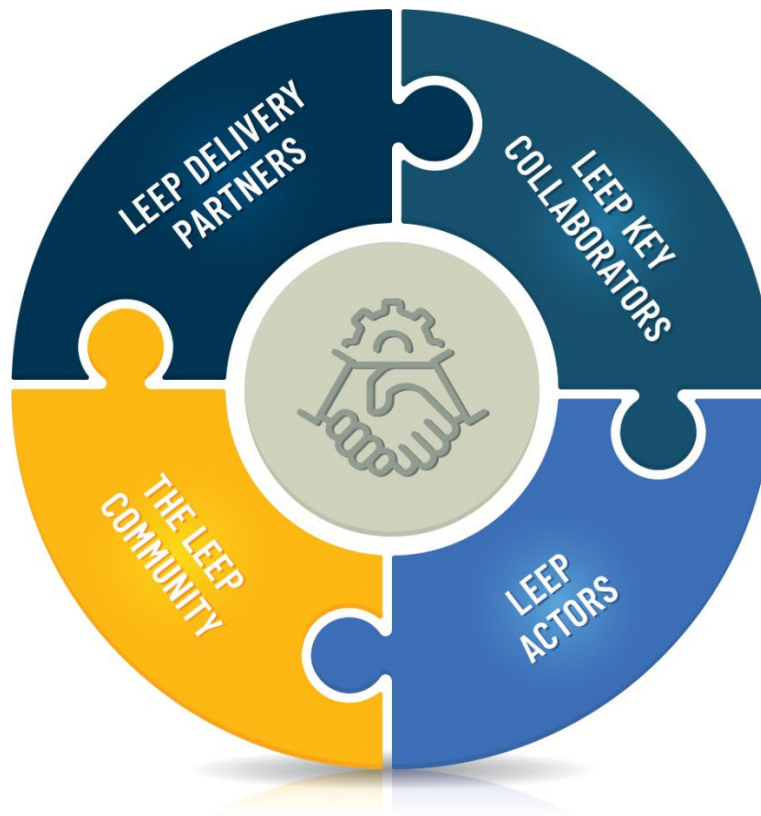
<sup>1</sup> For present purposes, the 'short', 'medium', and 'long-term' recommended actions of the LEEP.

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## 2.6 Engagement and Communications

The LEEP Interim Engagement Plan is attached. It is anticipated that LEEP will have available to it a full-time community engagement and communications officer from late August. Early identified priorities include undertaking a comprehensive re-write of the Interim Engagement Plan and the drafting of a First Peoples Engagement Plan.

The Interim LEEP Engagement Plan sets out four interactive segments of proposed engagement ranging from inform/consult through to empowerment:



Identification of memberships, consultation mechanisms, capacity building activities, and other aspects of the AP2 framework for each engagement segment is set out in the Interim Engagement Plan.

The early focus of engagement is to draw-in additional resources, identifying further willing LEEP actors, and sharing the outcomes of work to date.

It is proposed that consultation mechanisms range from bimonthly networking breakfasts, workshops and committees, e-newsletters, a social media portal, as well as annual reporting and other mandatory public reporting activities.

## 2.7 Risk Assessment

The principal hazard, to which the following assessed subordinate hazards may contribute, is detailed in the LEEP. Expressed in short, it is that approximately 43% of the Lithgow economy by value-added production is likely to disappear over a ten-to-fifteen-year period. The Lithgow economic transition has commenced. Whilst the market can be relied upon to fill much of the economic gap, global experience points to more successful economic transition occurring where local transitions management is undertaken collaboratively.

Transitions management is also critical to ensure that economic disruption does not result in entrenching disadvantage, inter-generational inequity, or leaving vulnerable communities behind.

The LEEP, the LEEP Interim Action Plan, including the deployment of a leading practice governance structure, are the primary controls to manage those transition hazards and eliminate or minimise associated risks.

### Risk Assessment Tool

		Consequence			
		Acceptable	Tolerable	Undesirable	Intolerable
Likelihood	Improbable	Low -1-	Medium -4-	Medium -6-	High -10-
	Possible	Low -2-	Medium -5-	High -8-	Extreme -11-
	Probable	Medium -3-	High -7-	High -9-	Extreme -12-

	Hazard	Assessment	Comments	Control	Assessment	Comments
1	Inadequate appreciation of the extent and timing of likely economic disruption.	High -8-	Timing of strategic interventions to offset the impact of significant economic disruptions is critical, and the failure to sufficiently identify the extent and timing of disruptions can have substantial and ongoing (embedded) negative consequences for a community.	Engaging appropriate expertise to make an assessment using an established methodology. Testing through key stakeholder engagement and peer commentary.	Low -2-	This work was partly completed during LEEP but will require intermittent (at least annual) review.
2	Inadequate appreciation of regional strengths and weaknesses.	High -8-	An inadequate appreciation of a region's strengths and weaknesses can lead to strategic interventions that fail and to the misallocation of scarce resources.	Engaging appropriate expertise to make an assessment using an established methodology. Testing through key stakeholder engagement and peer commentary.	Low -2-	This work was partly completed during LEEP but will require review. It is suggested that review happen, for administrative ease, in conjunction with the periodic review of the regional economic development strategy.

3.	Failure to marshal sufficient and appropriate transitions management resources.	Extreme -12-	This is a significant risk and one of the principal causes for the failure of transitions management exercises. Not bringing sufficient resources to bear (and financial resources are only one such resource) can have substantial and on-going consequences for a community. It exposes the community to the known weaknesses of market failures in a strict market-only 'correction' to the disruption.	It is beyond the control of any one critical transitions management actor to ensure adequate resources are brought to bear. A governance structure, however, that is genuinely collaborative with shared actions and responsibilities is more likely to ensure active appreciation and involvement of all critical LEEP partners in the transitions management exercise. It also ensures that LEEP actions are coordinated efficiently and effectively and without the duplication of scarce resources.	High -8-	It is very difficult to implement controls to minimise this risk in the absence of legislative controls. Transitions management in Australia is not supported by comprehensive legislation and relies heavily on corporate social responsibility and the efforts of willing local community actors.
4	Failure to sufficiently engage with and recruit transitions management actors.	High -8-	Part of the success of a transitions management exercise will be determined not just by the depth of engagement with critical transitions management partners but also the breadth of actors recruited to embrace the exercise. Failure to do this can mean that less resources are brought to the task, issues with lower priority are addressed before issues with higher priority, and there is resistance to the efforts of the more engaged actors by unengaged or disinterested actors.	An appropriate collaborative governance structure, a strong culture of recruitment and engagement, a growing profile of LEEP, and effective communication of success stories will reduce this risk.	Low -2-	With sufficient resources being brought to community engagement, the proposed control will significantly reduce this risk.



5	Conferring an inappropriate commercial advantage on a LEEP transition participant during the process.	Medium 6-	Collaboration and resource sharing can lead to the release of public or other information which inappropriately confers a commercial advantage to a LEEP participant. Whilst the financial consequence of this is comparatively low, the reputational damage can be significant.	Council's protocols will apply to the work of the governance vehicle until such time as the Central West Jobs and Investment Authority is established. At that time, the State Government's probity processes will apply. Council's processes require participants to disclose conflicts of interest, bias and apprehension of bias in all decision-making and advisory structures. LEEP protocols include financially interested participants in reference groups for consultation purposes but not deliberative structures.	Low -1-	It is considered that the controls will come close to eliminating the risk and removing any significant consequence from arising.
6	Inappropriate selection of priorities and misallocation of scarce public funding.	High -8-	There have been many examples of the poor identification of priorities leading to the misallocation of scarce public resources in transitions management exercises. The principal reasons for this have typically been a pressure to 'get money out the door' often in short periods of time, political rather than evidence-based distribution of funding, and the failure to engage	LEEP proposes several controls to reduce the risk of this hazard including: the early identification of objective metrics of success, collaborative governance, the use of appropriate expertise, comparative measures to assess prioritisation, and continual monitoring, review, and improvement. Much of the funding will also be coming externally and will be	Medium -5-	Much of the political and community interest will be around the selection of priorities by each of the critical LEEP partners – including Council. Whilst the governance arrangements endeavour to reduce the risk of misprioritisation and misallocation of scarce resources, political
			with critical transitions management partners and actors.	subject to their own regulatory safeguards.		terms and imperatives will weigh on the process throughout implementation.

7	Projects, investment attraction, and investment failure.	Medium 3-	<p>Typically, there is little downside risk to local experimentation in transitions management. The bigger risk is generally a failure to develop a culture of innovation and an appetite for experimentation and resilience to occasional failure. Some experimentations (including industry experimentations) will fail, and this is part of a leading practice transitions management process. Scaling and acceleration of small innovative industries, for example, requires some organic market exposure to see whether the industry project is likely to sustain a relative market advantage. That exposure necessarily leads to a degree of 'failure'.</p>	<p>The early and unforgiving identification of a region's real rather than imagined strengths and weaknesses is considered the most important control to manage the severity of this risk. Developing a clear set of expected outcomes early together with on-going monitoring of projects is also critical to minimising the adverse risks associated with investment attraction activities.</p>	Low -2-	<p>Whilst the controls will better help inform investment decisions, the assessment of investment attraction projects is inherently difficult. 'Picking winners' is no longer considered leading practice but, rather, a system of local experimentation and support.</p>
8	Failing to recruit sufficient skills and expertise to undertake the shared LEEP actions.	High -8-	<p>This is considered to be a significant risk. The risk reaches beyond Council and includes the internal resourcing for all critical LEEP partners and key LEEP actors.</p> <p>The biggest risk council currently faces in this space relates to the employment market and its unsuccessful efforts to recruit an internal resource devoted to this task.</p>	<p>It is considered that collaboration – particularly with employers of choice such as WSU, a growing profile of LEEP, and effective communication of success stories will reduce this risk but it cannot be entirely eliminated given wider issues in the specific and local jobs markets. Close collaboration with other critical LEEP partners will also build a stronger support network for activities and ensure optimal distribution and range of required skills.</p> <p>Council must also engage external consultants to ensure it has sufficient internal capacity to undertake the task at hand.</p>	Medium -5-	<p>Whilst the controls will assist to minimise the risk, the employment market is largely beyond the control of the LEEP actors especially in the short to medium terms.</p> <p>The engagement of expert consultants, in lieu of attracting such internal resources, is an important mitigation strategy that the Council must implement to reduce this risk.</p>

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## 2.8 Actions

A copy of the Interim Action Plan is attached. Most of the initial actions are weighted towards further detailed strategic planning and analysis. Delivery of actions has been significantly disrupted by difficulties in recruiting suitable staff officers, reactive work, and amendments to the plan to accommodate projects supported by grants. Nonetheless, significant progress has been made in relation to governance and strategic land use planning.

Council has now recruited to all of the existing positions. Key actions for the next few months include:

- continued delivery of the Lithgow STEAM Initiative,
- preparation of a refreshed LEEP Action Plan,
- a draft new LEEP Engagement and Communications Plan,
- a draft First Peoples Engagement Plan, and
- draft LEEP metrics.

The LEEP Team also hope to assist with the preparation of a new voluntary planning agreement framework for Council.

## 2.9 Budget and Resourcing

Updated financial reporting will be provided to Committee Members prior to the Meeting on 12 August 2024.

## **Attachments**

- Lithgow Emerging Economy Plan
- Future Jobs and Investment Authorities Issues Paper
- Submission – Future Jobs and Investment Authorities – Lithgow City Council
- Future Jobs and Investment Committee Functions
- LEEP Interim Engagement Plan
- LEEP Interim Action Plan Summary Table

## **Recommendation**

THAT the Committee NOTE the Report.