Hawkesbury City Council

special meeting business paper

date of meeting: 24 June 2000

location: Council Chambers

time: 5.00pm

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AGENDA

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section

reports for determination

ITEM: 213 **Funds for Economic Development**

FILE NUMBER: GM001/021 Pt.12/GMA/ORF24SAX.G01

REPORT:

For the forthcoming financial year an amount of $250,000 has been set aside in the draft Estimates for use in the area of economic development.

For some years the Council has provided funding towards the operation of a Tourist Information Centre. Since 1995 it has allocated funds to the Hawkesbury Economic Development Board with $15,000 in 1995/1996; $20,000 in 1996/1997; $20,000 in 1997/1998; $12,258 in 1998/1999; $25,000 in 1999/2000 and $20,000 indicated in the draft Estimates for 2000/2001. Of this $5,000 is for the operation of the Business Enterprise Centre. The current financial year was the first that funding was provided for the Hawkesbury Chamber of Commerce in the amount of $77,000.

For the forthcoming financial year requests for funding have been received from:-

- Hawkesbury Skills Incorporated $104,157
- Tourism Hawkesbury $236,784.02
- Hawkesbury Chamber of Commerce $135,000
- Hawkesbury Economic Advisory Development Committee $20,000
- Hawkesbury Farm Gate Project $20,000
- Total . . . . $515,941.02.

In May Council resolved:

> *"Council include within the performance measure for economic development the specific outcomes by the economic development entities within the Hawkesbury as agreed by the Council following which Council will allocate specific funds for these bodies. Further that the Council invite external organisations to submit proposals for economic development of the Hawkesbury Area and to include their specific performance indicators and outcomes."*

The Council has provided some funding for the operation of the Tourist Information Centre since establishing Tourism Hawkesbury on the basis that as well as the Centre providing direct benefit to the tourism members there is a broader community benefit derived from part of the Centre's functions. In the current year the Council has provided the Information Centre building, the funds from the rental of part of the building to a commercial operator, and $137,500 in cash to Tourism Hawkesbury.

In the current year the Council for the first time provided funds for the Hawkesbury Chamber of Commerce. There has been no specific purpose or outcomes provided by the Council for the funding.

The members of the Council are faced with the issue of how, and if, to distribute the funds, what value for money is derived from the allocation and how outcomes are determined and measured.

Determining the worth or impact of this variety of activities is often difficult due to lack of data or under developed skills to interpret the data and scientifically develop estimates. In today's climate of measuring accountability, efficiency and effectiveness it is essential that information for decision making in relation to all activities and at all levels is produced using techniques which make it as reliable and transparent as possible This is necessary particularly when investment of limited resources is being requested in projects which are required to be shown to be profitable in financial economic or environmental terms. It is a good project and risk management procedure to base decisions on a scientifically tested technique.

The number and type of techniques available to measure the activity are as broad as the benefits and costs of the elements of economic development. Typically methods used which measure the economic contribution of activities fall into three broad categories:

Technique	***Measurement Objective***
Input/Output Analysis	Economic activity generated in terms of: • Value added • Output • Employment • Household incomes known as the value in use of the factors of production
Benefit Cost Analysis	The value of the resources known as value-in-exchange of the factors
Compatible General Equilibrium Modes	Value-in-use for internally determined variable (endogenous variables)

In an ideal situation an economic development project would:

- Introduce new technology into the area
- Introduce new skills to the labour force
- Access new sources of demand
- Have little negative effect on existing businesses
- Produce a net increase in economic activity in the district
- Produce a net increase in employment in the district, and
- Produce a net increase in taxation revenue.

In the most general sense a project can be seen to have two broad impacts: direct impacts and indirect impacts. A full economic analysis includes both direct and indirect impacts.

There are a number of methodologies which can be used to quantify the economic impact of economic developments. The appropriate technique will depend on the nature and size of the project, however in many cases it would be appropriate to use a combination of two or more techniques to analyse a project. In the current circumstances the Council may consider that it is both uneconomical and/or impracticable due to time constraints to use any formal modelling techniques. For this reason the following check list of questions is provided for attempting an economic assessment of an investment decision. The determination is an investment decision from the Council's point of view in that the resources could be used elsewhere or not required to be collected as rates and therefore provide a direct saving to the rate payer.

A check list of evaluation questions:

1. Which priority need/aims and objectives of the organisation does this project cover?
2. What sectors of the local economy will benefit from the project and how?
3. Will the project generate income. If so, to what extent and what would the funds be used for?
4. When would the project be complete?
5. If the project is ongoing how is this to be funded and from where?
6. Is the proposal viable?
7. Will the project displace existing economic activity?
8. Has the base case been made for the project and specifically what outcomes will be achieved?
9. What are the direct impacts of the project and what area of benefit does the proposal have during its operational phase?
10. What are the strategic issues involved? That is will the project lead to beneficial or costly future developments and is the project consistent with Council and other Government policy.

Hawkesbury Skills have submitted specific details regarding individual projects with detailed costing that can be tested against the foregoing questions. It is understood they will indicate the difference between current similar projects and theirs in their presentation.

The Hawkesbury City Chamber of Commerce have sought global funding to fit within their budget. It is recommended that Council provide funding only for a project/projects where there are specific outcomes within the greater community interest that should derive community funding.

Tourism has undoubtedly some broader community benefit from the general operations of the Tourist Information Centre and specifically where information is provided about the district as a whole. Funding of that part of the function is seen as supportable and accountable. In terms of marketing if this is to take place then it would be recommended that only based on an objective of marketing the district and its benefits as a whole for economic development and this is undertaken directly by the Council following professional advice about the objective to be achieved.

The Hawkesbury Local Economic Advisory Board is a committee of the Council and their funds are sought for Council endorsed areas.

The Hawkesbury Farm Trails is a project that has been around for some time where there could be a significant degree of benefit, particularly in integrating local agriculture into the tourism market and the preparation of a business case for Council support is recommended.

RECOMMENDATION:

Council determine its funding priorities for economic development.

ATTACHMENTS:

There are no supporting documents for this report.

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