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City of Newcastle Classification for NSW Government Funding

Background Issues Paper

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EXECUTIVE SUMMARY

This report documents a number of inconsistencies in the eligibility for NSW government funds for the Newcastle LGA. It also reviews the evidence base and highlights continued uncertainty surrounding the status of the City of Newcastle, as either as a 'non-metropolitan' or regional as opposed to 'metropolitan';

The NSW Government currently classifies Newcastle as 'metropolitan' in many funding pools open to the City of Newcastle, and for many large regional grants. The classification effectively excludes the City of Newcastle from being eligible to submit applications to significant regional funding pools for key infrastructure. Further, NSW government eligibility criteria can differ depending on the regional grant.

While key NSW policy documents, such as the NSW Government's '*Making it Happen in the Region: Regional Development Framework*', firmly reference Newcastle and Wollongong within the context of regional NSW, the NSW government's working definition of 'regional NSW' for funding and grants purposes routinely excludes these two LGAs. **Examining state funding pools earmarked for regional NSW –we calculate there is \$5.85 billion allocated to regional NSW - for which the Newcastle LGA is ineligible to apply.**

Restart NSW was established to address whole-of-state development and critical infrastructure needs outside the metropolitan areas, 30 per cent of funding was reserved for non-metropolitan or regional areas, including mining-affected communities. The *2011 Act* defines regional or non-metropolitan NSW as areas outside the areas of Sydney, Newcastle and Wollongong. A number of those within and outside the Hunter region, including *Business NSW*, have expressed concern that under the current funding framework of *Restart NSW*, that "the major regional economic centres of the Hunter and the Illawarra are being underserved in terms of funding and delivery of projects"¹. *Business NSW* have proposed under *Restart NSW*, "NSW Government should develop a new definition of Major Regional Economic Centres to better recognise and support projects within the Hunter and Illawarra". **Our calculations suggest that the Newcastle LGA has received 0.06% of Restart NSW funds allocated to date, well below its share of the state's population (2.05%) and its share of Gross State Product (2.91%).**

A 2019 research collaboration between the University of Newcastle, Wollongong and Deakin University finds Geelong, Wollongong and Newcastle (which are '*Gateway Cities*'), occupy a significant place within the economy. However, they have been underestimated in public policy. The strategic capacity of these '*Gateway Cities*' is shown in their market interconnectivity, economic pull and retention, resilience and transformative capacity, economic integration and strength of the revenue base. As *Gateway Cities* these large regional cities have special role and significance with regard to the state economy and its

¹ *NSW Business Chamber (2018), NSW Government 2018-19 Pre-Budget Submission Budget – 'Recognition of Major Regional Economic Centres (Illawarra and the Hunter)'*.

sustained growth. These capital cities have potential to maximise returns on their assets and to act as a gateway for regional Australia.

The Newcastle LGA is also defined as metropolitan rather than regional for the purposes of the \$1.6 billion *Regional Growth Fund* for which it is ineligible. It is also ineligible to access a range of NSW government funding including the \$4.15 billion *Snowy Hydro Fund*. In contrast, the Newcastle LGA is eligible for regional funds within the *Resources for Regions* scheme, and a number of regional NSW state government funding schemes. Eligibility and ineligibility is summarised in *Table E.1* below²

Table E.1 Newcastle LGA's eligibility status, key regional funding sources NSW government

	Amount	Lake Macquarie LGA	Central Coast LGA	Newcastle LGA	Wollongong LGA
<i>Commonwealth's Building Better Regions Fund.</i>	\$10 million	✓	✓	✓	✓
<i>Regional Growth Fund</i>	\$1.6 billion	✓	✓		
<i>Resources for Regions</i>	\$50 million	✓	✓	✓	✓
<i>Stronger Communities Fund</i>	\$50,000 per project	✓	✓		
<i>Destination NSW - Regional Tourism Fund - Product Development stream.</i>	\$0.15 million	✓	✓	✓	✓
<i>Snowy Hydro Fund</i>	\$4.2 billion	✓	✓		
<i>Regional Sports Infrastructure Fund</i>	\$10 million	✓	✓		
<i>NSW Government - Office of Environment and Heritage - Restoration and Rehabilitation Program.</i>	\$0.1 million	✓	✓	✓	✓
<i>NSW Government - Transport for NSW - NSW Boating Now Program</i>	\$17 million	✓	✓	✓	✓
<i>Regional Cultural Fund</i>	\$25 million	✓	✓		
<i>Growing Local Economies Fund</i>	\$1 million	✓	✓		
<i>Regional Skills Relocation Grant</i>	\$10 million	✓	✓		

² <https://www.create.nsw.gov.au/funding-and-support/arts-and-cultural-funding-program/lga-multi-year/>

	Amount	Lake Macquarie LGA	Central Coast LGA	Newcastle LGA	Wollongong LGA
Commonwealth's Building Better Regions Fund.	\$10 million	✓	✓	✓	✓
Regional Growth Fund	\$1.6 billion	✓	✓		
Resources for Regions	\$50 million	✓	✓	✓	✓
Stronger Communities Fund	\$50,000 per project	✓	✓		
Destination NSW - Regional Tourism Fund - Product Development stream.	\$0.15 million	✓	✓	✓	✓
Snowy Hydro Fund	\$4.2 billion	✓	✓		
Regional Sports Infrastructure Fund	\$10 million	✓	✓		
NSW Government - Office of Environment and Heritage - Restoration and Rehabilitation Program.	\$0.1 million	✓	✓	✓	✓
NSW Government - Transport for NSW - NSW Boating Now Program	\$17 million	✓	✓		
Regional Cultural Fund	\$25 million	✓	✓		
Growing Local Economies Fund	\$1 million	✓	✓		
Regional Skills Relocation Grant	\$10 million	✓	✓		

The Newcastle LGA also has access to regional federal funding via the Australian Government's *Building Better Regions Fund*. The Australian Government's *Building Better Regions Fund* describes 'regional Australia' as being "all areas outside the major capital cities of Sydney, Melbourne, Brisbane, Perth, Adelaide and Canberra."³ The Australian Government provided regional funding in its 2018 *Regional Growth Fund*⁴ which was also

³ <https://www.regional.gov.au/regional/programs/building-better-regions-fund.aspx>.

⁴ <https://www.regional.gov.au/regional/programs/files/RGF-Program-Guidelines.pdf>.

available to all areas outside of the major cities of Sydney, Melbourne, Brisbane, Perth, Adelaide and Canberra to access.

This report also reviews the existing Australian evidence base regarding the classification of LGAs as either metropolitan or non-metropolitan in Australia. The review points to a number of contentious issues in definitively classifying the Newcastle LGA as ‘metropolitan’ i.e. within the same classification as LGAs within Australia’s major capital cities (Sydney, Melbourne or Brisbane). **In summary it points to the need for a mid-tier classification of Newcastle LGA as a major regional city, distinct from Australia’s major capital cities.** This aligns with the concept of *Gateway Cities* which are not the size or density of Australia’s major capital cities but which attain the necessary scale for economic, trade, logistical and social capital developmental responsibilities and impacts, and whose critical infrastructure services an outlying region. **A two part dichotomy of ‘metropolitan’ or ‘regional’ does not have the capacity to give LGAs of Newcastle and Wollongong their correct geographic classification, and denies these regionally servicing cities access to multiple regional funding streams.**

A Table summarising the results of this review is provided below:

Table E.2: Classification Summary – the Newcastle LGA

Document Title/ Author	Classification of Newcastle	Notes
Australian Bureau of Statistics (ABS); Section of State.	Major urban	Statistical classification
Australian Government, Department of Health (2020) – Modified Monash Model	Metropolitan	Geographical/statistical classification schema
Australian Classification of Local Governments	Regional – Urban, Regional Town, Very Large	Geographical classification schema
NSW Local Government Remuneration Tribunal	Major Regional City	Geographical classification schema
Office of Local Government (2013, p. 351)	Regional – Regional Town/City, Large	Geographical classification schema
Regional Australia Institute (2016)	Regional/Peri-Urban/Provincial City	Academic/research classification
Department of Infrastructure and Regional Development (2008, p. 142; 2015, p. 177);	Regional	Operational definition
NSW Department of Planning, Industry and Environment	Regional	Operational Definition

Document Title/ Author	Classification of Newcastle	Notes
(2016), Greater Newcastle Regional Plan 2036		
Create NSW (2015)	Regional	Operational Definition

According to the NSW Government's own NSW Remuneration Tribunals⁵, cities such as Newcastle are newly defined as non-metropolitan 'Major Regional Cities' distinct from the metropolitan LGAs of Sydney. They perform critical economic, social and environmental functions for their outlying regions. They possess significant trade, transport and public service infrastructure. They also have major residential, commercial and industrial areas, host government departments and contain anchor institutions (such as major tertiary education and health facilities), have significant transport and freight infrastructure and provide a full range of higher order activities and services *"including arts, culture, recreation, sporting and entertainment facilities to service the wider community and broader region."* (p.22)

Newcastle LGA's inability to access many streams of NSW Government regional funding is at odds with key documents produced by the NSW Government, where the City of Newcastle remains 'regional' and an integral part of the Hunter. This includes the 2015 *NSW Arts and Cultural Policy Framework* in which Newcastle is denoted at length as part of Regional NSW (p.16). It is also at odds with operational structure of a number of NSW government departments, such as the Department of Planning, Infrastructure and Environment. The NSW Government's Greater Newcastle Metropolitan Plan 2036, Hunter Regional Plan 2036 and the Department of Premier and Cabinet's 'Invest in New South Wales' website all clearly articulate a Newcastle city embedded within the Hunter region. The Greater Newcastle Metropolitan Plan positions Newcastle as the city at the centre of Greater Newcastle and the economic, service and administrative heart of the Hunter region.

As mentioned *'Gateway Cities'* such as Newcastle, possess critical infrastructure and assets that services outlying regional communities, and as such occupy a significant place within their local economy and broader region⁶. Available data on city to region linkages, including Census journey-to-work data, highlights Newcastle's role in providing critical services and

⁵ NSW Remuneration Tribunals, Local Government Remuneration Tribunal (June 2020), *Annual Report and Determination*. <https://www.remtribunals.nsw.gov.au/local-government/current-lgrt-determinations>.

⁶ Gateway Cities are able to attain the necessary scale for economic, trade, logistical and social capital developmental responsibilities and impacts. They possess critical infrastructure which services outlying regional communities these include: economic diversity, connectivity, global trade, critical infrastructure – including ports, rail, airports, roads, critical social infrastructure – including affordable quality housing, research and innovation, full-service health and education and early childhood facilities, cultural, artistic and sporting infrastructure. They also possess demonstrated economic resilience and adaptive capacity and long-standing regional economic linkages and community support.

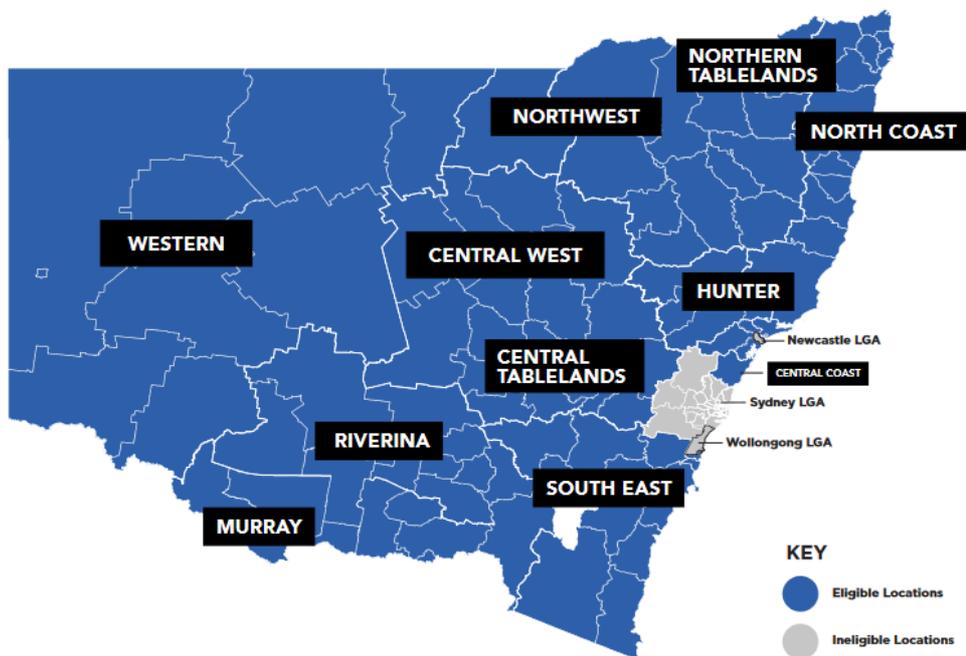
infrastructure to the broader Hunter region and beyond. This role in directly supporting regional NSW is not comparable to that performed by Sydney city LGAs.

BACKGROUND

NSW Government currently classifies Newcastle as ‘metropolitan’ in many funding pools open to the City of Newcastle. The classification of Newcastle LGA as metropolitan occurs in many large regional grants (such as the Restart NSW Fund).

The geographic demarcation used by NSW Government showing eligibility to the NSW *Regional Growth, Environment and Tourism Fund*, is mapped below in Figure 1. NSW Treasury have reportedly based this decision on being consistent with Australian Bureau of Statistics (ABS) classifications.⁷

Figure 1: Eligible and Ineligible Areas for Regional Growth, Environment and Tourism Fund



Source: NSW Government. <https://static.nsw.gov.au/nsw-gov-au/1550613079/rgetf-eligible-lgas-map2.pdf>

This classification effectively excludes the City of Newcastle from being eligible to submit applications to significant regional funding pools for key infrastructure. Further, NSW government eligibility criteria can differ depending on the regional grant. The City of Newcastle (the Client, CN) have indicated that they believe this classification unfairly disadvantages the City of Newcastle. The City of Newcastle have requested a review of the rationale and documentation of the impacts of the classification change to support advocacy for changes to this classification decision with NSW state government.

⁷ The NSW Government with regard to the ‘Regional Arts Quick Response’ and ‘Regional Arts Fund- Community Grants Program’ have noted that the City of Newcastle is not eligible as per note 1 of the guidelines: “A major city or metropolitan location is defined by the Department which currently uses the Modified Monash Model to determine the classification of the location. Under the Modified Monash Model, Regional Arts Fund funding cannot principally benefit a location classified as MMM Classification 1”.

OBJECTIVES AND METHOD OF THE PROJECT

The analysis contained in this report presents a short scoping study to support an argument for clearer, more consistent classification. To this end, the proposed study adopts the following stages:

1. **Gather evidence** –gather evidence on the funding classification, its rationale and its impacts.
2. **Document** - document classification of Newcastle LGA as either ‘metro’ or ‘regional’ across major state funding streams and any inconsistencies in these classifications, using the above gathered evidence. Examine relevant legislation and other state documentation for stated rationale (*or lack thereof*) of the ‘metro’ and ‘regional’ classification (such as the ABS definition of ‘Major Metropolitan Areas’).
3. **Highlight inconsistencies** - Document inconsistencies in the classification of Newcastle between state and federal government, in funding streams for which the City of Newcastle might apply. Discuss definitions employed by other key agencies where Newcastle is classified as regional (including the Regional Australia Institute). Document instances where City of Newcastle is ineligible to apply for funding streams in both metropolitan and regional funding pools.
4. **Describe and analyse implications** - Examine implications for City of Newcastle in accessing key funding streams, e.g. Arts funding.
5. **Document wider regional impacts** - Explore the role that Newcastle performs, as articulated in the *Greater Newcastle Metropolitan Plan* and in work of the *Regional Australia Institute*, as an anchor, hub or feeder region.
6. **Conclusions** - Conclude with summary and discussion of implications (regarding inequity of current funding classifications).

RESULTS AND ANALYSIS

INCONSISTENCIES IN ACCESS TO REGIONAL FUNDING SOURCES

Table 1 below shows key sources of regional funding provided by NSW government, and Newcastle LGA's eligibility or non-eligibility to apply to access these. Table 2 highlights the discrepancies in eligibility across four similarly classified large regional cities (see Table 6) within NSW.

Table 1: Newcastle LGA's eligibility status, key regional funding sources NSW government

Newcastle LGA, Eligible	Newcastle LGA, Not Eligible
<p>Commonwealth's Building Better Regions Fund. Funds of up to \$10m to support projects which involve the construction of new infrastructure, or the upgrade or extension of existing infrastructure that provide economic and social benefits to regional and remote areas. Community Investments (up to \$0.1m) to fund community activities, new or expanded local events, strategic regional plans, and leadership and capability strengthening activities.</p>	<p>Regional Growth Fund Combined with the \$300m to drive regional tourism through the Regional Growth: Environment and Tourism Fund this brings to \$1.6b the funding available for regional growth.</p>
<p>NSW Government - Resources for Regions A total pool of \$50m with funding to deliver improved local infrastructure and services to mining-affected communities such as by improving road and rail infrastructure, redeveloping hospitals, improving freight facilities, upgrading airports and town centres and other social infrastructure.</p>	<p>Stronger Communities Fund Local community groups will be able to apply for community grants of up to \$50k. Projects may include upgrades of club facilities, funding of sporting equipment, or providing tools and equipment to improve the delivery of community services.</p>
<p>Destination NSW - Regional Tourism Fund - Product Development stream. Up to \$0.15m for new accommodation projects that increase capacity for the region where there is a demonstrated need, infrastructure projects that demonstrate they will drive increased overnight visitation to the region, Visitor signposting (only when led by a council / tourism sector organisation to improve overall visitor experience and highlighting tourist activities and sector related experiences), and new attractions and experiences.</p>	<p>Snowy Hydro Fund NSW Government's \$4.2 billion Snowy Hydro Legacy Fund; an investment in regional NSW infrastructure focusing on five priority areas: water security in priority catchments, investing in digital connectivity, improvement in passenger road and rail, freight linkages and special activation precincts.</p>
<p>NSW Government - Office of Environment and Heritage - Restoration and Rehabilitation Program. Up to \$0.1m to enable government organisations to protect, conserve and restore the natural environment.</p>	<p>Regional Sports Infrastructure Fund Funding to foster the benefits of sport in communities. This fund will invest up to \$10m in new and existing facilities to improve the participation and performance in sports at all levels.</p>
<p>NSW Government - Transport for NSW - NSW Boating Now Program</p>	<p>Regional Cultural Fund Funding to ensure regional NSW receives its fair share of arts and cultural infrastructure</p>

<p>Funding of \$17m to towards priority regional boating projects and boat trailer storage to improve the boating experience and safety for the general NSW boating public.</p> <p>o</p>	<p>and the associated recreational and educational benefits. The Fund will invest up to \$25m to drive growth in arts, screen, cultural and heritage infrastructure for the social, cultural and economic benefit of communities in regional NSW.</p>
	<p>Growing Local Economies Fund Funding of a minimum \$1m to turbocharge new regional economic opportunities and enliven local economies and is designed to unlock growth in regional NSW by delivering the infrastructure that supports projects of economic significance. This could include road works, natural gas mains and pipelines, water supply, sewerage connections and telecommunications (including data networks).</p>
	<p>Regional Skills Relocation Grant Funding to assist with the relocation costs of eligible skilled workers they employ that move from metropolitan areas to regional NSW. Approved businesses reimbursed up to \$10,000 to assist with the relocation costs of eligible skilled workers The NSW Government has committed \$10 million for applications over the next four years. \$2.5 million will be available each year, providing 250 grants of up to \$10,000.</p>

Table 2 Newcastle LGA’s eligibility status, key dedicated regional NSW funds

	Amount	Lake Macquarie LGA	Central Coast LGA	Newcastle LGA	Wollongong LGA
Commonwealth's Building Better Regions Fund.	\$10 million	✓	✓	✓	✓
Regional Growth Fund	\$1.6 billion	✓	✓		
Resources for Regions	\$50 million	✓	✓	✓	✓
Stronger Communities Fund	\$50,000 per project	✓	✓		
Destination NSW - Regional Tourism Fund - Product Development stream.	\$0.15 million	✓	✓	✓	✓
Snowy Hydro Fund	\$4.2 billion	✓	✓		
Regional Sports Infrastructure Fund	\$10 million	✓	✓		
NSW Government - Office of Environment and Heritage -	\$0.1 million	✓	✓	✓	✓

Restoration and Rehabilitation Program.					
NSW Government - Transport for NSW - NSW Boating Now Program	\$17 million	✓	✓	✓	✓
Regional Cultural Fund	\$25 million	✓	✓		
Growing Local Economies Fund	\$1 million	✓	✓		
Regional Skills Relocation Grant	\$10 million	✓	✓		

One of the dominant sources of NSW government funding is via the *NSW Restart Fund*. *Restart NSW*⁸ was established in 2011 to enable funding and delivery for high priority infrastructure projects within NSW. Approximately \$33.2 billion has been deposited into the *Restart NSW* since 2011 as a result of the government’s asset recycling program and investment earnings, with \$23.7 billion of that now committed to infrastructure projects and programs across NSW.

In establishing the fund, projects to be funded were to include public transport infrastructure; roads infrastructure that addresses urban congestion and missing links; economic infrastructure to address the economic competitiveness of NSW, including freight, inter-modal facilities and water; local infrastructure in regional areas that are affected by mining operations; hospitals and health infrastructure; and improvements to workplaces for front-line workers including law and justice officers, teachers and nurses.

The Fund is governed by the *2011 Restart NSW Fund Act*.⁹As *Restart NSW* was established to address whole-of-state development and critical infrastructure needs outside the metropolitan areas, 30 per cent of funding was reserved for non-metropolitan or regional areas, including mining-affected communities. The 2011 Act¹⁰ defines regional or non-metropolitan NSW as areas outside the metropolitan areas of Sydney, Newcastle and Wollongong.

As of June 2019, the fund is equipped within \$33.3 billion (Figure 2)¹¹. At the time of writing, approximately \$24.8 billion has been allocated (Table 3).

⁸ *RESTART NSW FUND BILL 2011, Legislative Assembly Hansard – 22 June 2011.*

⁹ <https://legislation.nsw.gov.au/#/view/act/2011/32/full>

¹⁰ *Restart NSW Fund Act 2011 No 32*

¹¹ *The NSW Restart Fund also benefits in a small amount from the state’s ‘Consolidation Fund’, which is the account that all taxes, tariffs, excises, fines, fees, loans and income from Crown assets are deposited into. See: [https://www.parliament.nsw.gov.au/lc/proceduralpublications/DBAssets/wppbook/14%20NSW%20LC%20Prac%20Ch13%20\(press\).pdf](https://www.parliament.nsw.gov.au/lc/proceduralpublications/DBAssets/wppbook/14%20NSW%20LC%20Prac%20Ch13%20(press).pdf). In addition, funds are sourced from the sale of ‘Waratah Bonds’. See: <https://www.waratahbonds.com.au/html/>*

Table 3: Allocated Projects Restart NSW -2019-20 NSW Budget*Table 3.2: Restart NSW commitments*

	Commitments \$m
Commitments as at the 2018-19 Budget	22,422.4
Commitments approved since the 2018-19 Budget	
Safe and Secure Water Program ^(a)	539.5
Regional Road Freight Corridor	353.9
Hospitals Growth program ^(b)	320.0
Regional Growth: Economic Activation Fund ^(c)	290.1
New Intercity Fleet (previously Next Generation Rail Fleet)	180.0
Fixing Country Roads program	138.3
Future Focused Schools	111.9
Western Sydney Roads for Western Sydney Airport	82.6
Lismore Hospital Redevelopment	79.4
Fixing Country Rail	73.4
Housing Acceleration Fund (HAF 5)	57.8
North South Metro Rail Link	50.0
Dubbo Base Hospital Redevelopment	36.8
Redevelopment of Circular Quay	18.5
NSW Cycling Infrastructure Initiative	11.4
Bridges for the Bush	10.0
Water Security for Regions Program	8.8
Regional Growth Roads	8.7
Culture and Arts	5.5
Traffic Management Upgrades	5.0
Bus Priority Infrastructure (including B-Line)	0.1
Total commitments approved since the 2018-19 Budget^(d)	2,381.8
Total commitments as at the 2019-20 Budget	24,804.2

Source: NSW Budget 2019-2020; https://www.budget.nsw.gov.au/sites/default/files/budget-2019-06/3._The_Restart_NSW_Fund-BP2-Budget_201920..pdf.

As per regulations, 30% of funding is set aside for regional and rural local government areas (areas outside of the Sydney, Newcastle and Wollongong metropolitan areas), with the remaining 70% to metropolitan centres. In order to be successful, any potential project must have a benefit to cost ratio (BCR) which is larger than unity. The NSW Government provides a handbook for each program which details relevant information for prospective applications. In many instances, in addition to other criteria, there is a minimum grant amount which if projects fall below, they are ineligible to apply.¹²

The Newcastle LGA has received grants through *Restart NSW* (such as the Hunter Infrastructure Investment Fund – which has now ceased to exist). Table 4 below shows the amount of funds which have been allocated in addition to other local organisations until July 2018.

¹² For example, under the 'growing local communities' fund, the minimum grant amount is \$1 million.

Table 4: Major projects awarded City of Newcastle, via Restart NSW

Status	Program	Project	Funding Recipient	Year	Amount (millions)
Complete	Resources for Regions	Shortland Esplanade Upgrade	The City of Newcastle	2015	5.60
Works underway	Hunter Infrastructure and Investment Fund	Hunter Innovation Project Part A – NCC	The City of Newcastle	2015	4.98
Funding announced	Resources for Regions	Newcastle Beach Community Infrastructure Renewal Project	The City of Newcastle	2015/2016	5.00

Source: *Restart NSW Booklet*¹³, p. 21-22.

As noted in the above table, the total amount of funds that have been allocated to the Newcastle LGA via Restart NSW is approximately \$15.583 million. As a percentage of the total amount of funds which have been committed for projects via Restart NSW, this amounts to only 0.06%. However the Newcastle LGA's Gross Regional Product as a percentage of the state's Gross State Product equates to 2.91%.¹⁴ Moreover based on the population of the Newcastle LGA with that of NSW, then based on such an appraisal it would be entitled to receive approximately \$500 million (or 2.11%). These results (along with those for the LGA's of Lake Macquarie and the Central Coast) are summarised below in Table 5.

Table 5: Analysis of Funding Allocation via Restart NSW

LGA	Funds Awarded as a % of Restart NSW Commitments (%)	LGA Economic output as a percentage of GSP (%)	LGA population % of state population
Newcastle	0.06	2.91	2.05
Central Coast	0.12	2.29	4.6
Lake Macquarie	0.04	1.76	2.75

Author's calculation. Restart NSW Funds allocated to date=\$24.8B 1919-20 (Table 3). The amount of funds committed to each LGA through Restart NSW has been sourced from publicly available documents (see, for example: <https://www.nsw.gov.au/regional-growth-fund> <http://www.infrastructure.nsw.gov.au/media/2169/restart-booklet-july-2019-word-doc-final.pdf>). Population, GRP and GDP figures sources from REMPLAN 2019 economy-profile for Newcastle and Lake Macquarie LGAs and Id-consulting profile for Central Coast LGA.

Since classified as a metropolitan area, the City of Newcastle is unable to apply for funds through the 'Housing Acceleration Fund', even though the NSW Department of Planning,

¹³ http://www.insw.com/media/1497/restart_booklet_july18_final.pdf

¹⁴ Thus, in accordance with such a calculation, the Newcastle LGA should have received approximately \$700 million via Restart NSW.

Industry and Environment operationally includes the Newcastle LGA as part of the Hunter Region. The Newcastle LGA is also excluded from the 'Fixing Country Roads' fund.¹⁵

The Newcastle LGA is also defined as metropolitan rather than regional for the purposes of the \$1.6 billion Regional Growth Fund¹⁶, as such it is excluded from eligibility. It is also ineligible to access the NSW Government's \$4.2 billion Snowy Hydro Fund (see Table 6).

Furthermore, as a result of its metropolitan classification the Newcastle LGA is also ineligible to apply for grants through other NSW regional funds, which include: the '*Regional Sports Infrastructure Fund*'; '*Stronger Communities Fund*'; '*Regional Cultural Fund*'; '*Connecting Local Communities Fund*' and the '*Growing Local Economies Fund*' (see Table 6). It is also ineligible to apply for NSW Government's '*Regional Relocation Grant*', '*Safe & Secure Water Program*', '*Restart NSW – Fixing Country Roads*', '*NSW Regional Community Energy Fund*' and the '*Empowering Homes Program*'.

Additional to the above, the Newcastle LGA is also ineligible to apply for grants via other NSW government agencies, even though classified or denoted as a regional area according to their own operational criteria. For example, under Create NSW, the 'Quick Response Program',¹⁷ 'Country Arts Support Program',¹⁸ 'Community Grants Program' are not able to be accessed by the Newcastle LGA, however 'Create NSW' has denoted the Newcastle LGA as regional in its key policy framework. Its *NSW Arts and Cultural Policy Framework*¹⁹, refers to the LGA as regional: "The major regions of the Illawarra, Hunter and Central Coast are important centres of arts and culture. They are home to the Newcastle Art Gallery, Illawarra Performing Arts Centre, This is Not Art (TiNA) in Newcastle and training organisations such as the National Aboriginal Islander Skills Development Association (NAISDA)" (p. 16).

The financial impact of the above ineligibility to apply for what are in sum \$5.85 billion of ear-marked regional funding is examined below (Table 6). If Newcastle's share of these funds was in line with its share of Gross State Product in 2019, the region might have received or be receiving an extra **\$170.4 million in funds**.

¹⁵ Under the scheme, only Local Government Authorities may apply.

¹⁶ Announced in the 2018-19 budget the NSW Government invested an additional \$1.3 billion in regional infrastructure to support growing regional centres, activate local economies and improve services in communities, through the new Regional Growth Fund. It was combined with the \$300 million to drive regional tourism through the Regional Growth: Environment and Tourism Fund.

¹⁷ <https://www.create.nsw.gov.au/funding-and-support/arts-and-cultural-funding-program/small-project-grants/#:~:text=Small%20Project%20Grants%20support%20the,and%20%245000%20towards%20your%20project.>

¹⁸ <https://mgns.org.au/sector/funding/other-grants/regional-grants/country-arts-support-program-casp/#:~:text=The%20Country%20Arts%20Support%20Program,with%20diverse%20audiences%20and%20communities.>

¹⁹ <https://www.create.nsw.gov.au/arts-in-nsw/create-in-nsw/the-nsw-arts-and-cultural-policy-framework-create-in-nsw/>

Table 6 NSW Grants for which Newcastle LGA is Ineligible¹ and Newcastle Relative Share of Allocated Expenditure as % GSP

	Expenditure (a)	Newcastle's % share of (a)* (Gross Regional Product/State Regional Product)*
Regional Growth Fund	\$1.6 billion	\$46.6 million
Snowy Hydro Fund	\$4.2 billion	\$122.4 million
Regional Sports Infrastructure Fund	\$10 million	\$291,400
Regional Cultural Fund	\$25 million	\$728,500
Growing Local Economies Fund	\$1 million	\$29,140
Regional Skills Relocation Grant	\$10 million	\$292,000
Total	\$5.846 billion	\$170,367,440

*Author's calculation. ¹ Excludes the 'Stronger Communities Fund'.

Note: REMPLAN (2019) *Newcastle LGA Economy Profile*: <https://app.rempln.com.au/newcastle/economy/industries/gross-regional-product?state=gZ5wFkI30wPCROjWIY4G4DI393R5fdcrfZ3oU5fQfzIAPH3S2qP>

Gross Regional Product, Newcastle LGA=\$18.23B, Gross State Product, NSW=\$625.41B, GRP/GSP=2.91%.

In contrast, the Newcastle LGA is able to apply for a number of regional NSW state government funding schemes, such as the '*Regional Tourism Fund*' (Destination NSW), the NSW Government's Office of Environment and Heritage's '*Restoration and Rehabilitation Program*' and the '*NSW Boating Now Program*' through Transport NSW. It can apply for '*Arts and Cultural Funding Program*', as it is a local government authority²⁰, and for the '*Office of Responsible Gambling – Infrastructure Grants*', where City of Newcastle meets the eligible criteria of being an organisation with an ABN that is responsible for operating and/or maintaining the infrastructure.

The Newcastle LGA is also eligible for regional funds within the '*Resources for Regions*' scheme.²¹ The program is designed to provide funding for mining-related communities. To be classified as mining-related, a '*Mining Location Quotient*' is calculated, which provides a score comparing the proportion of mining industry related employment within a local government area, relative to the state-wide proportion. If the ratio is greater than unity, the community is automatically eligible to apply for funds.²²

The Newcastle LGA also has access to federal regional funding via the Australian Government's '*Building Better Regions Fund*'. The Australian Government's *Building Better Regions Fund* describes "regional Australia" as being "all areas outside the major capital cities of Sydney, Melbourne, Brisbane, Perth, Adelaide and Canberra."²³ The Australian Government also provided regional funding in its 2018 *Regional Growth Fund*²⁴ which Newcastle LGA could access. In this fund grants of \$10 million or more were made available for major transformational projects to support long-term economic growth and create jobs

²⁰ <https://www.create.nsw.gov.au/funding-and-support/arts-and-cultural-funding-program/lga-multi-year/>

²¹ <https://www.nsw.gov.au/improving-nsw/regional-growth-fund-eligibility/>

²² <https://static.nsw.gov.au/nsw-gov-au/1572410489/Resources-for-Regions-strategic-review.pdf>

²³ <https://www.regional.gov.au/regional/programs/building-better-regions-fund.aspx>.

²⁴ <https://www.regional.gov.au/regional/programs/files/RGF-Program-Guidelines.pdf>.

in regions, including those undergoing structural adjustment. The Australian Government excluded only the following geographies from eligibility to access the fund (p.9):

“Urban Centre and Locality (UCL) cities over 1 million people for Sydney, Melbourne, Brisbane, Perth and Adelaide as defined by the Australian Bureau of Statistics’ Australian Statistical Geography Standard. For the city of Canberra, the excluded area is only the part of the Canberra-Queanbeyan Significant Urban Area that is located within the Australian Capital Territory”.

RATIONALE FOR CLASSIFICATION: DOCUMENTING EVIDENCE

The below reviews the existing Australian evidence base regarding the classification of LGAs as either metropolitan or non-metropolitan in Australia. It commences with ABS statistical definitions and federal and state documentation to identify the various classifications of the Newcastle LGA. The review points to a number of contentious issues in definitively classifying the Newcastle LGA as ‘metropolitan’ i.e. within the same classification as Australia’s major capital cities (Sydney, Melbourne or Brisbane). It also provides some grounds for the inclusion of Central Coast and Lake Macquarie LGAs in the same grouping as the Newcastle LGA.

In summary it points to the need for a mid-tier classification of Newcastle LGA as a regional city (large), distinct from Australia’s major metropolises or capital cities. As *Gateway Cities* large regional cities have a special role and significance with regard to the state economy and its sustained growth. These capital cities have potential to maximise returns on financial, infrastructure and other forms of investment to act as a gateway for regional Australia.

Table 7 summarises the results of this review.

Table 7: Classification Summary – the Newcastle LGA

Author	Classification of Newcastle	Notes
Australian Bureau of Statistics (ABS); Section of State.	Major urban	Statistical classification
Australian Government, Department of Health (2020) – Modified Monash Model	Metropolitan	Geographical/statistical classification schema
Australian Classification of Local Governments	Regional – Urban, Regional Town, Very Large	Geographical classification schema
NSW Local Government Remuneration Tribunal	Major Regional City	Geographical classification schema
Office of Local Government (2013, p. 351)	Regional – Regional Town/City, Large	Geographical classification schema
Regional Australia Institute (2016, 2017, 2018, 2020)	Regional/Peri-Urban/Provincial City	Academic/research classification
Department of Infrastructure and Regional Development (2008, p. 142; 2015, p. 177);	Regional	Operational definition

NSW Department of Planning, Industry and Environment (2016), Greater Newcastle Regional Plan 2036	Regional	Operational Definition
Create NSW (2015)	Regional	Cultural Policy Framework

Geographical Classifications Schemas

There are several different geographical classifications to assist with the demarcation of Australian LGAs into a category of ‘metropolitan’ and ‘non-metropolitan’. These are reviewed below:

Australian Statistical Definitions of Metropolitan and Non-Metropolitan

The ABS does not provide a single authoritative classification to distinguish between what is and what is not a ‘metropolitan’ area.²⁵ However, one classification which has been suggested by the ABS for this purpose, is based on the ‘*Section of State*’ classification. This classification is created by grouping together *Urban Centres and Localities (UCLs)*²⁶ into broad classes based on population size. The Bureau creates a ‘*Major Urban*’ area by grouping all urban centres with a population of 100,000 or more.

Spatial analysis of the ABS ‘Major Urban’ classification and LGA boundaries shows a number of anomalies in a direct match with NSW Treasury demarcation in Figure 2.

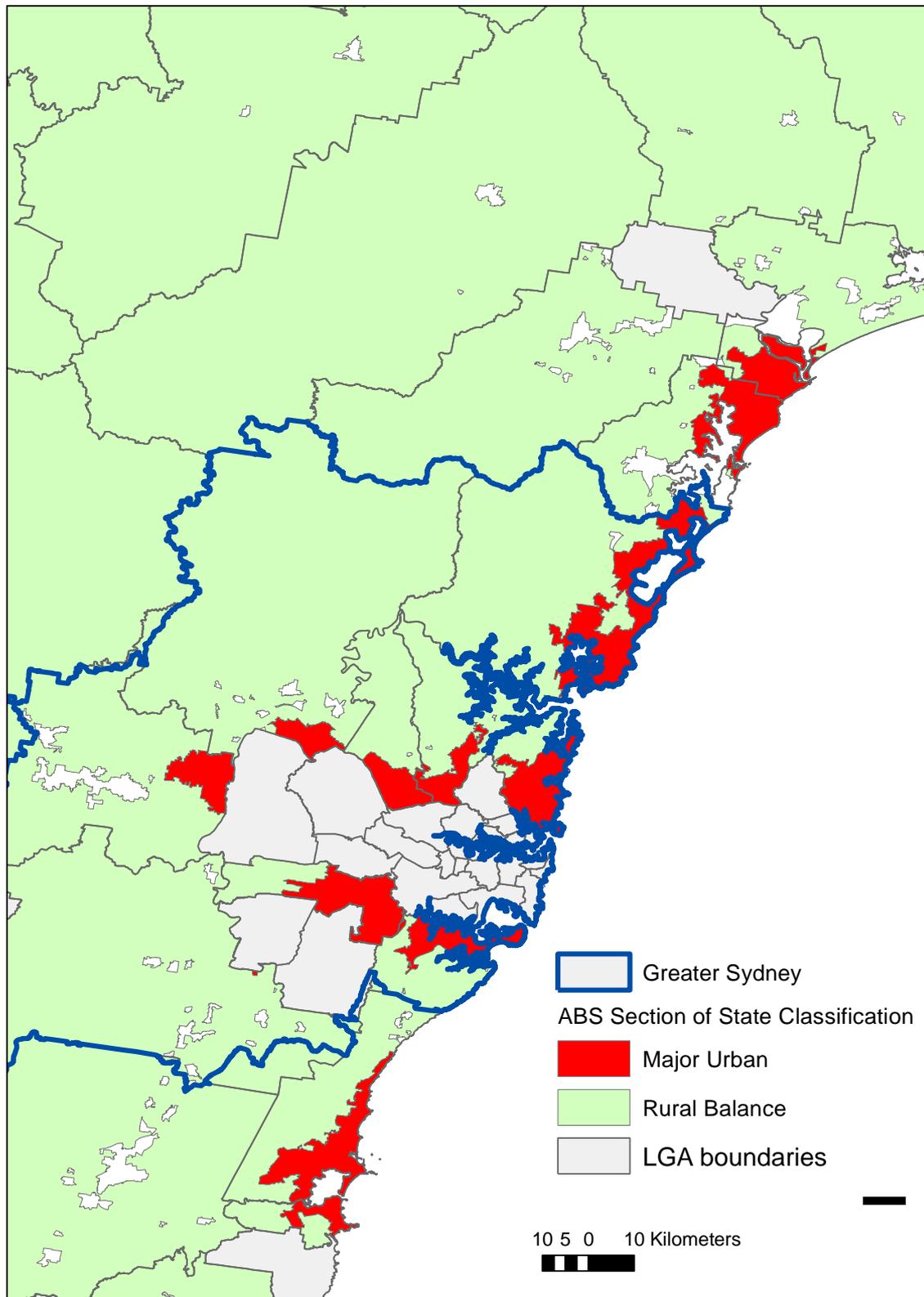
As Figure 2 below shows outside of the *Sydney Greater Metropolitan Area* plotted in blue,²⁷ most parts of the Newcastle and Wollongong LGAs fall in the category of ‘Major Urban’ (plotted in red) using the ABS *Section of State* classification. However so do parts of Lake Macquarie LGA, which is not considered metropolitan in Figure 1. The Central Coast LGA is considered to be part of Greater Metropolitan Sydney according to the ABS and also has some parts of its LGA classified as ‘Major Urban’ but is classified as regional NSW for funding purposes, see Figure 1. Parts of the Blue Mountains, Hawkesbury and Wollondilly LGAs within Greater Sydney Metropolitan Area are not defined as ‘Major Urban’ but are classified as metropolitan.

²⁵ See: <https://www.abs.gov.au/websitedbs/d3310114.nsf/home/frequently+asked+questions#Anchor11>

²⁶ Urban Centres are defined by grouping together adjacent SA1s that are considered to be ‘urban’ based on population, population density and dwelling density. SA1s that are adjacent to these ‘urban’ SA1s and contain substantial ‘urban infrastructure/ land use’, are also considered to be ‘urban’ SA1s. When a cluster of ‘urban’ SA1s has a total population of 1,000 persons or more it is defined as a separate Urban Centre. Clusters of ‘urban’ SA1s with total populations between 200 and 999 are considered to be Localities (see below).

²⁷ Defined using the ABS Greater Capital City Statistical Areas (GCCSAs) classification, which the ABS suggest as another possible ‘metropolitan’ versus ‘non-metropolitan’ classification.

Figure 2: ABS Classification, Urban Centres and Localities, Major Urban



Source: ABS, Census of Population and Housing 2016.

Australian Government, Modified Monash (MM) Model

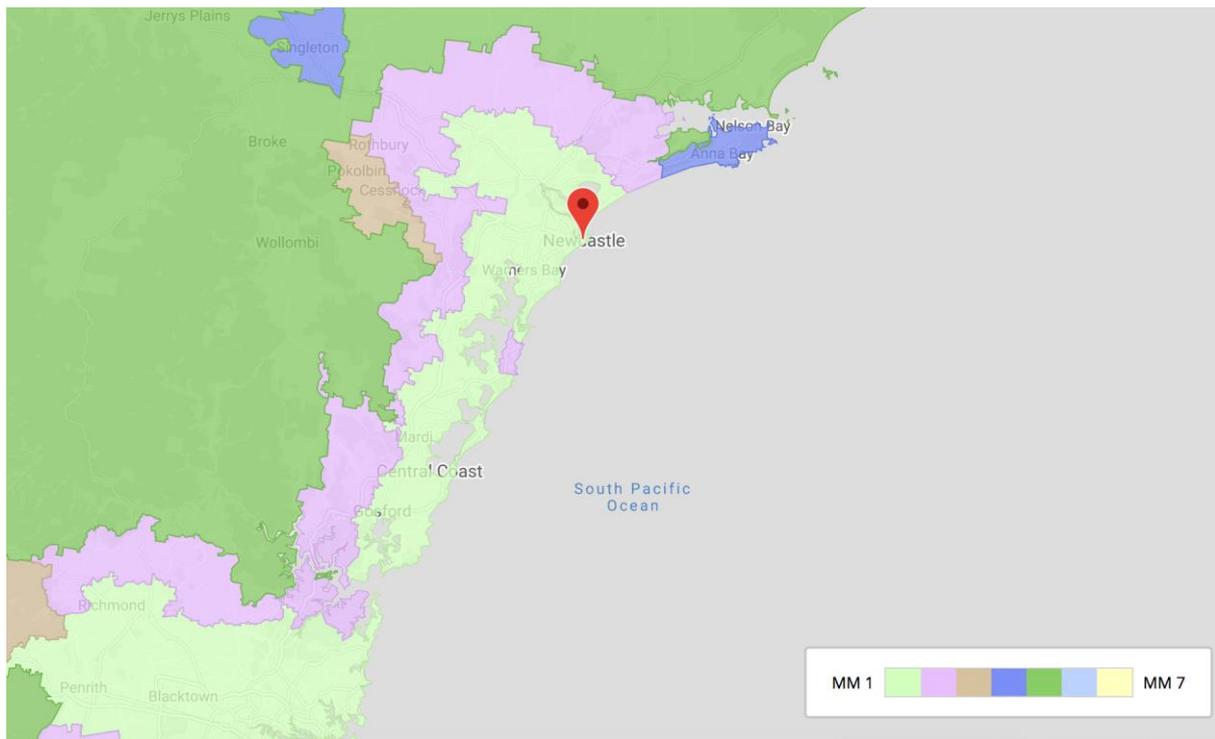
The Modified Monash Model²⁸ defines whether a location is city, rural, remote or very remote. It measures remoteness and population size on a scale of Modified Monash (MM) category *MM 1 to MM 7*, where MM 1 is a major city and MM 7 is very remote. Figure 3 shows the classification of the Newcastle LGA along with a large proportion of the east coast as a 'major city'. It is currently used by the Australian Government's Department of Health. The NSW Government refers to the MM Model as the criteria for determining eligibility for a number of NSW government grants.

MMM classifications have been devised specifically to help the Australian Government distribute the health workforce better in rural and remote areas. It was prompted by an increasing concern over a number of years about perceived difficulties faced by Australians living outside major metropolitan centres in accessing service (p. 1). The model categorises areas based on their remoteness and population size. Remoteness is defined using the 'Australian Statistical Geography Standard – Remoteness Structure' framework. Remoteness Areas divide Australia into 5 classes of remoteness on the basis of a measure of relative access to services. Access to services are measured using the *Accessibility and Remoteness Index of Australia (ARIA+)*, produced by the Hugo Centre for Population and Housing.

Using this method, the Newcastle LGA, the majority of the Central Coast are classified as major cities (MM1), areas mapped in light green in Figure 3. Also, Lake Macquarie and Wollongong LGAs are considered to be MM1. However, while the Central Coast and Lake Macquarie LGAs are classified as a 'major city' in Monash framework, the NSW Government considers these LGAs as part of 'regional NSW' for the purposes of *Restart NSW*.

²⁸ <https://www.health.gov.au/health-workforce/health-workforce-classifications/modified-monash-model>

Figure 3: Modified Monash Model Framework –Newcastle LGA



Source: Health and Workforce Locator²⁹

Australian Classification of Local Governments

First published in 1994, the Australian Classification of Local Governments³⁰ categorises local governing bodies across Australia using three steps, being the (1) population, the (2) population density and the (3) proportion of the populace which is classified as urban.³¹ Under this classification the following ways of demarcating urban LGAs emerge: ‘metropolitan developed’, ‘regional town/city’ and ‘fringe’ (see Table 8). In accordance with the classification system, the Newcastle LGA was found to be a ‘regional town city’. It is classified as urban (with a population > 20,000), regional (as the centre has a population < 1,000,000), but very large – Urban Regional Very Large “URV” (see p. 142). Likewise, Wollongong (p. 196), Lake Macquarie, in addition to Geelong in Victoria (p. 201), are also classified as “URV”.³²

²⁹<https://www.health.gov.au/resources/apps-and-tools/health-workforce-locator/health-workforce-locator>

³⁰ https://www.regional.gov.au/local/publications/pdf/Ignr_2007-08.pdf. For a more recent appraisal, see https://www.regional.gov.au/local/publications/reports/2014_2015/LGN_REPORT_2014-15.pdf (p. 177). In both reports, the classification of Newcastle is identical.

³¹ Local governing bodies which are included in the classification system are eligible to receive ‘general purpose financial assistance grants’ according to the *Local Government (Financial Assistance) Act 1995*.

³² Sydney is classified as ‘UCC’ – Urban Capital City (p. 196), with North Sydney denoted as ‘UDM’ – Urban Developed Medium (p. 177).

This classification would seem to provide support for a mid-tier classification for Newcastle and Wollongong, sitting between ‘metropolitan developed’ and ‘rural’.

Table 8: Australian Classification of Local Governments Methodological Steps

<i>Step 1</i>	<i>Step 2</i>	<i>Step 3</i>	<i>Identifiers</i>	<i>Category</i>
URBAN (U)				
Population more than 20 000	CAPITAL CITY (CC)	Not applicable		UCC
OR	METROPOLITAN DEVELOPED (D)	SMALL	up to 30 000	UDS
If population less than 20 000,	Part of an urban centre of more than 1 000 000 or population density more than 600 per square kilometre	MEDIUM	30 001–70 000	UDM
EITHER		LARGE (L)	70 001–120 000	UDL
Population density more than 30 persons per square kilometre	REGIONAL TOWNS/CITY (R)	VERY LARGE (V)	more than 120 000	UDV
OR	Part of an urban centre with population less than 1 000 000 and predominantly urban in nature	SMALL	up to 30 000	URS
90 per cent or more of the local governing body population is urban	FRINGE (F)	MEDIUM	30 001–70 000	URM
	A developing LGA on the margin of a developed or regional urban centre	LARGE (L)	70 001–120 000	URL
		VERY LARGE (V)	more than 120 000	URV
RURAL (R)				
A local governing body with population less than 20,000	SIGNIFICANT GROWTH (SG)	Not applicable		RSG
AND	Average annual population growth more than three per cent, population more than 5000 and not remote			
Population density less than 30 persons per square kilometre	AGRICULTURAL (A)	SMALL	up to 2000	RAS
AND		MEDIUM	2001–5000	RAM
Less than 90 per cent of local governing body population is urban		LARGE (L)	5001–10 000	RAL
		VERY LARGE (V)	10 001–20 000	RAV
	REMOTE	EXTRA SMALL (X)	up to 400	RTX
		SMALL	401–1000	RTS
		MEDIUM	1001–3000	RTM
		LARGE (L)	3001–20 000	RTL

Source: Australian Government, Local Government National Report, 2014-15.³³

Office of Local Government, Comparative Information on NSW Local Government, Council Type Classification

As part of reviewing the performance of NSW local governments, the Office of Local Government provides a variety of metrics which aim to measure and assess the performance of the local authorities, as well as a geographical classification schema.³⁴

As opposed to classifying councils into 22 categories as under the Australian Classification of Local Governments, the Comparative Information on NSW Local Government places NSW councils into 11 groups – ‘Office of Local Government’ (OLG) Groupings (Table 8).

³³ https://www.regional.gov.au/local/publications/reports/2014_2015/LGN_REPORT_2014-15.pdf

³⁴ <https://www.olg.nsw.gov.au/wp-content/uploads/NSW-Local-Government-Councils-Comparative-Information-2012-2013.pdf>

According to the report, the Newcastle LGA is classified as OLG Group No. 5 – it is (i) urban, a (ii) regional town, but (iii) very large (“URV”) (Table 9) but not a developed metropolitan area with a population over 1 million and a pop density of 600 per square kilometre.³⁵ Other similarly classified LGAs in NSW include Coffs Harbour, Maitland, Port-Macquarie Hastings, Shoalhaven, Tweed, Wollongong and Lake Macquarie.

Table 9: Classification of Local Government and OLG Group Members

Step 1	Step 2	Step 3	Category	Alpha	OLG group No.
URBAN (U)					
	Capital City (CC)	Not applicable	1	UCC	1
Pop. > 20,000	Metropolitan Developed (D) Part of an urban centre > 1,000,000 and pop. density > 600/sq km.	Small (S) up to 30,000	2	UDS	2
		Medium (M) 30,001-70,000	3	UDM	
		Large (L) 70,001-120,000	4	UDL	3
		Very large (VL) > 120,000	5	UDV	
or Pop. density > 30 persons per sq km	Regional Town/City (R) Part of an urban centre with population <1,000,000 and predominantly urban in nature.	Small up to 30,000	6	URS	4
		Medium 30,001-70,000	7	URM	
		Large 70,001-120,000	8	URL	5
		Very large >120,001	9	URV	
or >90% of LGA population is urban	Fringe (F) A developing LGA on the margin of a developed or regional urban centre.	Small up to 30,000	10	UFS	6
		Medium 30,001-70,000	11	UFM	
		Large 70,001-120,000	12	UFL	7
		Very large >120,001	13	UFV	
RURAL (R)					
	Significant Growth (SG) Average annual Population growth > 3%, population > 5,000 and not remote.	Not applicable	14	RSG	N/A
	Agricultural (A)	Small Up to 2,000	15	RAS	8
		Medium 2,001-5,000	16	RAM	9
		Large 5,001,-10,000	17	RAL	10
		Very large 10,001 to 20,000	18	RAV	11
	Remote (T) Situated in a remote locality.	Extra small Up to 400	19	RTX	N/A
		Small 401-1,000	20	RTS	N/A
		Medium 1,001-3,000	21	RTM	9
		Large 3,001 to 20,000	22	RTL	10
Note: For "Rural Agricultural Very Large" (RAV), "Rural Remote Large" (RTL), and "Rural Significant Growth" (RSG), 20,000 is the upper limit because beyond this number all local governments are deemed "Urban".					

Source: NSW Government³⁶

Both of the above definitions support Newcastle LGA being defined in a mid-tier classification between metropolitan and non-metropolitan, as a regional city (large).

NSW Remuneration Tribunal³⁷

The NSW Remuneration Tribunal’s *Local Government Remuneration Tribunal* has developed new criteria to categorise LGAs in its current determination 20 June 2020³⁸. There was broad support for the Tribunal’s proposal to create a new Non-Metropolitan category of *Regional Centre* and rename *Regional City* to *Major Regional City*. In this

³⁵ Sydney is denoted as OLG Group No. 1, whilst North Sydney is classified as OLG Group No. 2. Both these classifications are consistent with the Australian Classification of Local Governments (see above).

³⁶ Ibid (p. 349).

³⁷ Local Government Remuneration Tribunal (June 2020), Annual Report and Determination.

³⁸ Submissions from 20 councils and LGNSW supported the Tribunal’s proposal to create a new category of Regional Centre for the Non-Metropolitan group.

classification Newcastle and Wollongong are defined as non-metropolitan as opposed to metropolitan; most of Sydney’s LGAs are distinctly classified as metropolitan (Table 10)³⁹.

Table 10: Local Government Remuneration Tribunal classifications

Metropolitan	Non-Metropolitan
<ul style="list-style-type: none"> • Principal CBD • Major CBD • Metropolitan Large • Metropolitan Medium • Metropolitan Small 	<ul style="list-style-type: none"> • Major Regional City • Major Strategic Area • Regional Strategic Area • Regional Centre • Regional Rural • Rural

Source: NSW Remuneration Tribunal, Local Government Remuneration Tribunal – Annual Report and Determination, 2020, p. 9.

Newcastle City Council and Wollongong City Councils are categorised as a **Major Regional City**. According to the Tribunal these councils are similarly classified because they (p.22):

- *“are metropolitan in nature with major residential, commercial and industrial areas*
- *typically host government departments, major tertiary education and health facilities and incorporate high density commercial and residential development*
- *provide a full range of higher order services and activities along with arts, culture, recreation, sporting and entertainment facilities to service the wider community and broader region*
- *have significant transport and freight infrastructure servicing international markets, the capital city and regional areas*
- *have significant natural and man-made assets to support diverse economic activity, trade and future investment, and*
- *typically contain ventures which have a broader State and national focus which impact upon the operations of the council.”*

NSW Government Operational Definitions and Policy Frameworks

The classification of Newcastle as regional is at odds with several key policy and strategy documents produced by the New South Wales Government, where the City of Newcastle remains 'regional'. We have earlier documented the inconsistencies associated with access to regional arts funding via Create NSW, despite its own 2015 *NSW Arts and Cultural Policy* denoting Newcastle as part of ‘*Regional NSW*’ (p.16).

³⁹ The following Sydney LGAs are classified as metropolitan: Principal CBD City of Sydney, Major CBD City of Parramatta, Metropolitan Large: Blacktown, Canterbury-Bankstown, Campbelltown, Fairfield, Inner West, Liverpool, Northern Beaches, Penrith, Ryde, Sutherland and The Hills Metropolitan Medium: Bayside, Campbelltown, Camden, Georges River, Hornsby, Ku-ring-gai, North Sydney, Randwick, and Willoughby and Metropolitan Small: Burwood, Canada Bay, Hunters Hill, Lane Cove, Mosman, Strathfield, Waverley and Woollahra

Newcastle LGA is also variously operationally classified as *regional* across a number of state government reports and agencies.

In accordance with the *Hunter Regional Plan 2036*⁴⁰ as compiled by the NSW Department of Planning, Industry and Environment, the Newcastle LGA is referred to as both a metropolitan and regional area. For example, the report emphasises the Newcastle LGA ‘...as a connected metropolitan city where 95 per cent of residents live within 30 minutes of a strategic centre, including the new growth areas at Glendale and Broadmeadow’ (p. 7)⁴¹. However, on the next page, it is stated that Newcastle is ‘the leading *regional* economy in Australia’ (emphasis added).

The NSW Government’s *Greater Newcastle Metropolitan Plan 2036*,⁴² does not operationally segregate the Newcastle LGA from surrounding geographical areas such as Lake Macquarie, Port Stephens, Maitland and Cessnock: ‘*The Plan sets out strategies and actions that will drive sustainable growth across Cessnock City, Lake Macquarie City, Maitland City, Newcastle City and Port Stephens communities, which together make up Greater Newcastle*’ (p. 5). Similarly, the ‘*Invest in New South Wales*’ website administered by the Department of Premier and Cabinet encourages investment into the Hunter Region, noting the region is “*home to Newcastle, NSW’s second largest city, the Hunter region is the state’s largest regional economy*”⁴³.

The NSW Government’s ‘*Regional Development Framework*’⁴⁴ references Newcastle (on page 8 and page 10) in the context of regional NSW. The NSW Government states that the intent of the Framework will be based around a model of investment in regional NSW that:

1. Provides quality services and infrastructure in regional NSW – ensuring a baseline set of services across regional NSW
2. Aligns efforts to support growing regional centres, acknowledging the needs of areas with strong growth in population, jobs or both, and
3. Identifies and activates economic potential by looking across regional NSW for opportunities to change the economic outlook and activate local economies.

The Department of Planning, Industry and Environment’s *Metropolitan Housing Monitor*⁴⁵ - which provides data on property approvals, including detached, medium density and high-rise approvals classifies both the Newcastle and Wollongong LGAs as regional areas. Also, according to the Department’s *Regional Offices Overview*,⁴⁶ it is stated that ‘The

⁴⁰<https://www.planning.nsw.gov.au/~media/Files/DPE/Plans-and-policies/hunter-regional-plan-2036-2016-10-18.ashx>

⁴²<https://www.planning.nsw.gov.au/~media/Files/DPE/Plans-and-policies/greater-newcastle-metropolitan-plan-2018.pdf> (see p. 5).

⁴³ <https://invest.nsw.gov.au/why-nsw/nsw-facts>

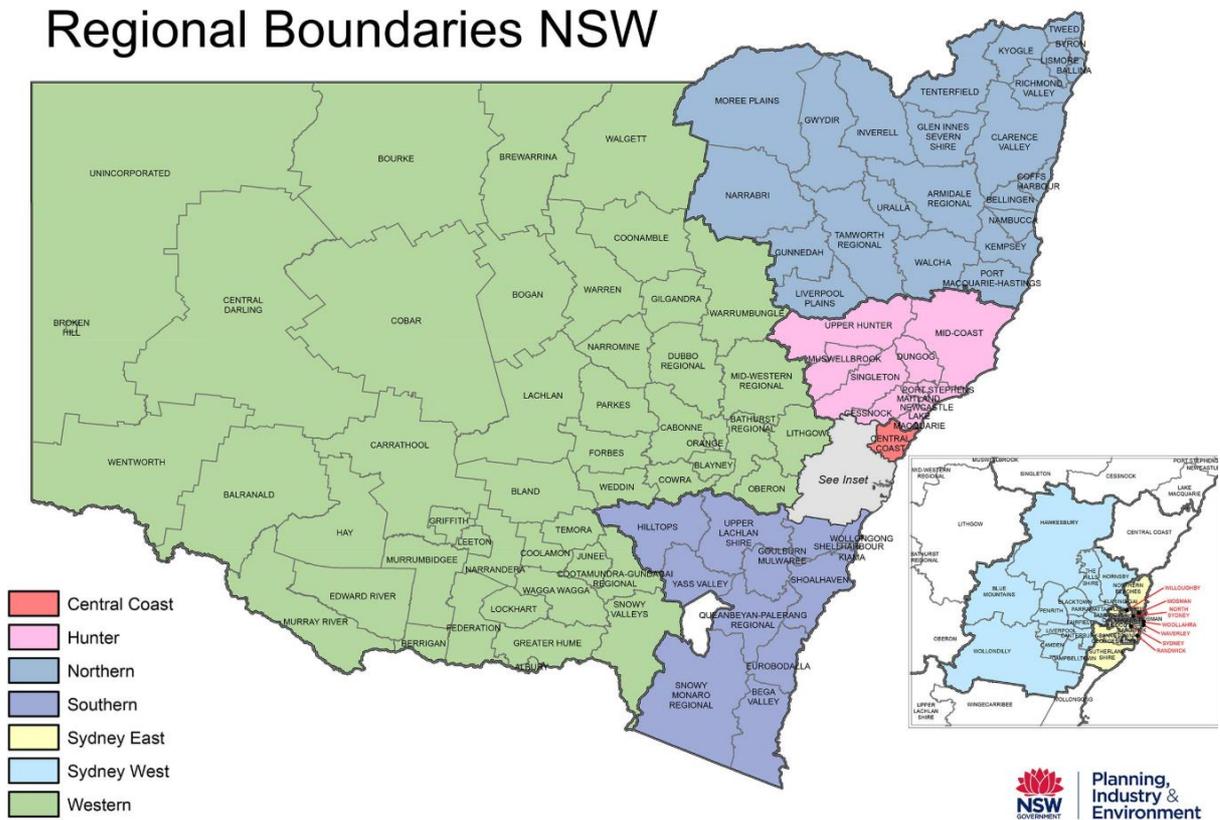
⁴⁴ <https://static.nsw.gov.au/nsw-gov-au/1520212431/Making-it-Happen-in-the-Regions-Regional-Development-Framework.pdf>

⁴⁵<https://www.planning.nsw.gov.au/Research-and-Demography/Metropolitan-Housing-Monitors/Metropolitan-Housing-Monitor>

⁴⁶<https://www.planning.nsw.gov.au/Plans-for-your-area/Local-Planning-and-Zoning/Regional-offices-overview>

Department is serviced in regional NSW and metropolitan Sydney by teams in the six regions across NSW as shown on the maps, which is shown below in Figure 4. The Sydney metropolitan area is segregated from the rest of NSW, which is considered to be regional.

Figure 4: Geographical Areas – NSW Department of Planning, Industry and Environment



Source: NSW Department of Planning, Industry and Environment.

Other Definitions

Other Australian research institutions, such as Regional Australia Institute (RAI), consistently include the Newcastle LGA in its research into regional Australia. Their research has consistently defined bigger regional centres such as Newcastle, Geelong and Wollongong, and even Gold Coast, Darwin and Hobart as part of regional Australia.

The Newcastle LGA is within the remit of RAI's research agenda, as opposed to Australia's major capital cities which it excludes.^{47,48} Newcastle or Greater Newcastle is described by the RAI as regional in the following publications:

- *'The Big Movers Population Mobility Report'*,
- *'Deal or No Deal Bringing Small Cities into the National Cities Agenda'* and
- *'Connecting Our Great Small Cities'*⁴⁹
- *'Australia's Small City Economies'* (uses the term 'regional city' and 'small city' interchangeably and identifies 31 cities that fit this description across Australia)⁵⁰
- *'The 2016 Australian Infrastructure Plan: What does it mean for Regional Australia?'* (Newcastle is also referred to as an 'east coast large city')
- *'Australia's Hidden Metropolis: The Future Role and Contribution of Regional Capitals to Australia'*⁵¹
- *'Blueprint for Investing in City Deals: Are you ready to deal?'*⁵²
- *'Lighting Up Our Great Small Cities: Challenging Misconceptions'*⁵³
- *'Great Small Cities data Tool'*⁵⁴

Interestingly, in the January 2015 publication 'Population Dynamics in Regional Australia' all 55 Regional Development Areas (RDAs) are identified (this covers capital cities). In this report Newcastle is not identified separately, but rather included as part of the RDA of 'the Hunter' and given a general geographic classification of Peri-Urban/Rural. Newcastle is referenced when discussing 'refugee settlement in non-metropolitan Australia' and referred to as a 'provincial city'.

⁴⁷ http://www.regionalaustralia.org.au/home/wp-content/uploads/2020/06/RAI_2020_The_Big_Movers_Population_Mobility_Report_vFinal3.pdf (p. 38, 40).

⁴⁸ The Regional Australia Institute classifies the Newcastle LGA as regional in other reports. See, for example, http://www.regionalaustralia.org.au/home/wp-content/uploads/2016/04/Deal-or-No-Deal-Bringing-Small-Cities-into-the-National-Cities-Agenda_April-2016_FINAL.pdf (p. 14).

⁴⁹ <http://www.regionalaustralia.org.au/home/connecting-great-small-cities/>

⁵⁰ <http://www.regionalaustralia.org.au/home/australias-small-city-economies/>

⁵¹ <http://www.regionalaustralia.org.au/wp-content/uploads/FINAL-Regional-Capitals-Submission-20150513.pdf>

⁵² http://www.regionalaustralia.org.au/home/wp-content/uploads/2017/06/Blueprint-for-Investing-in-City-Deals_Report.pdf

⁵³ http://www.regionalaustralia.org.au/home/wp-content/uploads/2017/06/Lighting-Up-our-Great-Small-Cities_Report.pdf

⁵⁴ <http://www.regionalaustralia.org.au/home/great-small-cities-data-tool/>

FURTHER CONSIDERATIONS – FUNCTIONAL LINKS TO OUTLYING REGIONS

The NSW Government's *Greater Newcastle Regional Plan 2036*⁵⁵ positions Newcastle as the city at the centre of Greater Newcastle and the economic, service and administrative centre for the Hunter region. The Greater Newcastle region comprises Cessnock City, Lake Macquarie City, Maitland City, Newcastle City and Port Stephens is the largest regional centre in NSW.

The plan recognises Newcastle LGA provides the most diverse mix of specialised services within the Hunter region, and is a significant employment, residential development and associated infrastructure with its reach extending across the broader region. The LGA also contains a number of the region's key anchor institutions - The University of Newcastle, Port of Newcastle, and the John Hunter Hospital. The plan articulates a future role for Newcastle city as an important catalyst for an internationally-facing broader region. It foresees improved connectivity for the LGA to global, national, regional and metropolitan destinations focused around the rail, road, port and airport networks.

The plan highlights the following functions which the Newcastle City currently performs, and which contribute to the overall function and performance of the Greater Newcastle Metropolitan Region and broader Hunter region:

- Newcastle LGA provides many of the health services for northern NSW via the John Hunter Hospital, specialised oncology services at the Calvary Mater Hospital, faculties at the University of Newcastle, and medical research leadership at the Hunter Medical Research Institute. It is one of the single largest sites of employment in the region and a key source of knowledge intensive jobs within the region.
- The Port of Newcastle is the largest exporter of coal in the world and the largest port on the east coast of Australia. Port of Newcastle is integral to the prosperity of the Hunter region and NSW, enabling businesses across the Hunter and state to compete in international markets. Its contribution to the Lower Hunter is valued at \$1.6 billion adding 9,000 local jobs per annum to the Lower Hunter⁵⁶. The Port of Newcastle is identified in the *NSW Future Transport Strategy 2056* as one of three ports critical to NSW's future \$1.3 trillion economy.
- The LGA is home to educational anchor institution of the University of Newcastle. The University is currently ranked 207th in the world by the QS World University Rankings. UoN recently opened a \$95 million precinct in the heart of Newcastle's CBD that harnesses the latest technology and innovation in teaching and learning. A further seven buildings are being planned for Newcastle CBD as part of UoN's Honeysuckle City Campus Development. The University occupies a critical position in the region's economy and has been increasing its local impact in research and innovation via the Integrated Innovation Network (I2N), which extends to Williamstown and the Upper Hunter. It draws a student population across the broader Hunter region, supports direct employment in the education sector, and knowledge-intensive employment growth across the region more broadly.

⁵⁵ <https://www.planning.nsw.gov.au/Plans-for-your-area/Greater-Newcastle-metropolitan-planning>.

⁵⁶ <https://www.portofnewcastle.com.au/about-our-port/>

- The LGA has significant workplace and employment linkages into the broader Hunter region, it is a significant site of employment. Around 18,900 Newcastle residents travelled to work within the rest of the Hunter region and around 45,000 residents living elsewhere in the Hunter region travelled into the Newcastle LGA for work, in 2016. Newcastle and Lake Macquarie LGAs are defined as a single local labour market using the ABS labour force geography (in recognition of their strong functional inter-linkages).
- TAFE NSW is located in the inner-city suburb of Tighes Hill. TAFE Newcastle is home to some of the most advanced equipment in Australia and the latest technologies. TAFE Newcastle provides a range of specialised services including Design Centre Hunter, Hunter Maritime College, Newcastle Knights Study Hub and the Regional Music Institute.
- Newcastle LGA also contains a number of Greater Newcastle's and the Hunter region's key cultural institutions including the Civic Theatre, Newcastle Regional Art Gallery and the Newcastle Museum, which service a regional population beyond its LGA boundaries⁵⁷.
- The region also hosts national sporting teams in rugby league and soccer at the Broadmeadow Sports Stadium and offers a wide range of recreational activities, including the significant natural and recreational assets of Newcastle's beaches and ocean baths.

Newcastle city's strong economic, social and cultural interconnections to outlying regional LGAs are evidenced above. This provides further rationale for a classification which recognises Newcastle LGAs distinct regional role, separate to many Sydney LGAs whose major institutions and functions do not service a non-metropolitan economy and community.

A 2019 research collaboration 'Australia's Gateway Cities: Gateways to Growth' between Deakin University, the University of Newcastle and the University of Wollongong has explored the untapped potential of Australia's major regional (non-capital) cities of Geelong, Newcastle and Wollongong⁵⁸.

It confirms the above:

"Geelong, Wollongong and Newcastle ('Gateway Cities') occupy a significant place within their local economy and broader region. Gateway Cities are able to attain the necessary scale for economic, trade, logistical and social capital developmental responsibilities and impacts. They possess critical infrastructure which services outlying regional communities these include: economic diversity, connectivity, including through global trade, availability of reliable and adequate supplies of

⁵⁷ It is estimated from 2017-2019 around 38% of Newcastle Regional Gallery visitors are not from the Newcastle LGA, while in 2015 80% of Newcastle Museum attendees were estimated to be from outside the Newcastle LGA.

⁵⁸ <https://committeeforgeelong.com.au/wp-content/uploads/2019/11/Australias-Gateway-Cities-Report-and-Appendices.pdf>. The report was launched in 2019 by Federal Minister for Population, Cities and Urban Infrastructure.

fresh water, Critical infrastructure – including ports, rail, airports, roads, critical social infrastructure – including affordable quality housing, research and innovation, including through university presence, full-service health facilities, full-service education options for school aged children, public administration governance, cultural, artistic and sporting infrastructure / presence, demonstrated economic resilience and adaptive capacity and long-standing regional economic linkages and community support.”

The national value and strategic capacity of these ‘Gateway Cities’ is shown through their:

- **Market interconnectivity** – Gateway Cities demonstrate a deep connection to broader markets including metropolitan capitals, the national economy and the global economy.
- **Economic pull and retention** – Gateway Cities can draw in capital, private investment and skilled labour, but also have the attributes and ability to retain them.
- **Economic resilience and transformative capacity** – Gateway Cities demonstrate a genuine economic and community resilience over a prolonged period and a capacity to adapt to exogenous shocks that challenge their economic and industrial base.
- **Demonstrated long term regional and national economic integration** – Gateway Cities have historical and ongoing importance to the economic and social development of their surrounding regions.
- **Strength of the revenue base** – Gateway Cities are net contributors to Gross Domestic Product [GDP] and have been net donors to Horizontal Fiscal Equalisation [HFE].

As the report highlights Australia is fortunate to have three globally-connected Gateway Cities, of which one is the city of Newcastle, demonstrating:

“remarkable resilience over generations as they have adapted and adjusted to the pressures of globalisation and technology driven structural change”. Such cities are important to Australia over the longer-term “as they provide solutions and sustainable pathways for policy makers and civic leaders in helping to address some of our most pressing economic, social and security challenges. It is especially critical that governments are willing and able to make the necessary long-term strategic investments in both physical and social infrastructure that will underpin not just regional growth but broader national interests.” (p.4).

CONCLUSION

A 2019 research collaboration between the University of Newcastle, Wollongong and Deakin University finds the cities of Geelong, Wollongong and Newcastle (*'Gateway Cities'*), occupy a significant place within the economy. However, they have been underestimated in public policy. The strategic capacity of these *'Gateway Cities'* is shown in their market interconnectivity, economic pull and retention, resilience and transformative capacity, economic integration and strength of the revenue base. As *Gateway Cities* these large regional cities have a special role and significance with regard to the state economy and its sustained growth. These capital cities have potential to maximise returns on their assets and to act as a gateway for regional Australia.

The NSW Government's *Greater Newcastle Regional Plan 2036*⁵⁹ positions Newcastle as the city at the centre of Greater Newcastle and the economic, service and administrative centre for the Hunter region. The Greater Newcastle region comprises Cessnock City, Lake Macquarie City, Maitland City, Newcastle City and Port Stephens is the largest regional centre in NSW. The plan recognises Newcastle LGA provides the most diverse mix of specialised services within the Hunter region, and is significant in its employment, services, residential development and associated infrastructure. The LGA also contains a number of the region's key anchor institutions. The plan highlights the following functions which the Newcastle City currently performs, and which contribute to the overall function and performance of the Greater Newcastle Metropolitan Region and broader Hunter region.

While key NSW policy documents, such as: the NSW Government's *'Making it Happen in the Region: Regional Development Framework'*, 2015 *NSW Arts and Cultural Policy Framework*, NSW Government's Greater Newcastle Metropolitan Plan 2036 and Hunter Regional Plan 2036, firmly reference Newcastle within the context of regional NSW, the NSW government's working definition of *'regional NSW'* for funding and grants purposes routinely excludes it. NSW Government currently classifies Newcastle as *'metropolitan'* in many funding pools open to the City of Newcastle. The classification of Newcastle LGA as metropolitan occurs in many large regional grants (such as the Restart NSW Fund). Further, NSW government eligibility criteria can differ depending on the regional grant.

Examining state funding pools earmarked for regional NSW –we calculate there is \$5.85 billion allocated to regional NSW - for which the Newcastle LGA is ineligible to apply. *Restart NSW* was established to address whole-of-state development and critical infrastructure needs outside the metropolitan areas, 30 per cent of funding was reserved for non-metropolitan or regional areas, including mining-affected communities. The *2011 Act* defines regional or non-metropolitan NSW as areas outside the areas of Sydney, Newcastle and Wollongong. Our calculations suggest that the Newcastle LGA has received

⁵⁹ <https://www.planning.nsw.gov.au/Plans-for-your-area/Greater-Newcastle-metropolitan-planning>.

0.06% of Restart NSW funds allocated to date, well below its share of the state's population (2.11%) and its share of Gross State Product (2.91%).

This report also reviews the existing Australian evidence base regarding the classification of LGAs as either metropolitan or non-metropolitan in Australia. The review points to a number of contentious issues in definitively classifying the Newcastle LGA as 'metropolitan' i.e. within the same classification as LGAs within Australia's major capital cities (Sydney, Melbourne or Brisbane). In summary it points to the need for a mid-tier classification of Newcastle LGA as a major regional city, distinct from Australia's major capital cities.

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Appendix

Table A.1: Newcastle LGA's eligibility status, key regional funding sources NSW government

Newcastle LGA, Eligible	Newcastle LGA, Not Eligible
<p>Commonwealth's Building Better Regions Fund. Eligible LGAs include: all LGAs outside the major capital cities of Sydney, Melbourne, Brisbane, Perth, Adelaide and Canberra.</p>	<p>Regional Growth Fund Eligible LGAs include: all LGAs outside of Sydney metropolitan area, Newcastle and Wollongong.</p>
<p>NSW Government - Resources for Regions Eligible LGAs include: Bland Shire, Council, Blayney Shire Council, Bogan Shire Council, Broken Hill City Council, Cabonne Council, Cessnock City Council, Cobar Shire Council, Gunnedah Shire Council, Lake Macquarie City Council, Lithgow City Council, Liverpool Plains Shire Council, Maitland City Council, Mid-Western Regional Council, Muswellbrook Shire Council, Narrabri Shire Council, Narromine Shire Council, Newcastle City Council, Orange City Council, Parkes Shire Council, Singleton Council, Upper Hunter Shire Council, Wentworth Shire Council, Wollondilly Shire Council and Wollongong City Council.</p>	<p>Stronger Communities Fund Eligible LGAs include: the 93 regional NSW councils (excluding Sydney LGAs, Wollongong and Newcastle); regional Joint Organisations of councils, the Lord Howe Island Board and the Unincorporated Far West groups.</p>
<p>Destination NSW - Regional Tourism Fund - Product Development stream. Eligible LGAs include: all LGAs outside of Sydney.</p>	<p>Snowy Hydro Fund⁶⁰ Eligible LGAs include: all LGAs outside Sydney, Newcastle and Wollongong.</p>
<p>NSW Government - Office of Environment and Heritage - Restoration and Rehabilitation Program. Eligible LGAs include: all NSW councils.</p>	<p>Regional Sports Infrastructure Fund Eligible LGAs include: 92 regional local government areas, Lord Howe Island and the Unincorporated Far West from eligible applicants.</p>
<p>NSW Government - Transport for NSW - NSW Boating Now Program Eligible LGAs include: Formal applications are invited from local and state government authorities, community groups, the private sector and other boating partners that submitted registration of interest forms in December 2019.</p>	<p>Regional Cultural Fund Eligible LGAs include: local councils or joint organisations of councils outside of Sydney, Newcastle and Wollongong.</p>
	<p>Growing Local Economies Fund Eligible LGAs include: local councils or joint organisations of councils outside of Sydney, Newcastle and Wollongong.</p>
	<p>Regional Skills Relocation Grant Eligible LGAs include: 'regional NSW' is defined as all of NSW excluding Greater Sydney, Newcastle and Wollongong.</p>

⁶⁰ Snowy Hydro Fund Act 2018 No 38.