Economic Evaluation

Small Business Friendly Approvals Program

Small Business Development Corporation

GOVERNMENT OF WESTERN AUSTRALIA

Message from the Small Business Commissioner

Small Businesses make a major contribution to the health and vitality of the WA community. Local government authorities (LGAs) play a significant part in their local small business' lifecycle and success, because they regulate many business licences and approvals, as well as undertaking economic development and creating destinations that customers want to visit. For these reasons, the local government sector has long been a key partner for the Small Business Development Corporation (SBDC).

At the height of the COVID-19 Pandemic in January 2021, the SBDC was funded by Streamline WA to undertake a $2.2 million Small Business Friendly Approvals Program. We invited 20 LGAs to partner with us to design reforms to improve the small business customer experience in the application and approvals process. Through the program, our partners collectively designed nearly 500 reforms to help small businesses start, grow or relocate in their communities.

With delivery completed in early 2023, nine of the participating LGAs were invited to contribute to an independent economic evaluation of the program undertaken by ACIL Allen Consulting. The review undertook to measure the value and return on Streamline WA's investment.

Conservative estimates by ACIL Allen indicate that program learnings and the roll-out of individual Action Plans, will collectively deliver a net benefit of $73.8 million over the next ten years.

With nearly nine dollars ($8.94) of benefits projected from every dollar invested, the Small Business Friendly Approvals Program represents an all-encompassing win for small businesses, LGAs, local communities, and Western Australia.

I commend and thank all of the program participants for their commitment to helping small businesses thrive, and look forward to our continued partnership moving forward.

It is with great pride that I share the current and projected investment benefits of the program in this report summary.

David Eaton
Small Business Commissioner

[1]Value of small business to WA economy is an estimate using a revised model based on previous work undertaken by ACIL Allen using ABS data. All figures are in nominal (i.e. in 2019-20 dollars).

[2]Streamline WA is a whole-of-government initiative to make it easier to do business in WA by improving regulation and regulatory practice.

Introduction

As part of the Western Australian Government's COVID-19 response and in line with the Premier's Charter to make it easier to do business through better regulation, Streamline WA funded the SBDC to build on two highly successful pilots undertaken with the Cities of Canning and Stirling in 2019, to deliver a *Small Business Friendly Approvals Program* to 20 local government authorities (LGAs). The intent of the program was to assist LGAs to identify reforms to application and approvals processes to support small businesses to start, relocate or grow in their communities.

Following the completion of the program in early 2023, the SBDC commissioned ACIL Allen Consulting, Australia's biggest independent economics, public policy and strategy advisory firm, to undertake an independent economic evaluation of the program. The analysis sought to understand the extent to which the program is changing the application and approvals environment, and how this in turn impacts small business and the Local Government sector.

ACIL Allen engaged with nine of the LGAs that participated in the program, utilising a Cost Benefit Analysis (CBA) to assess the actual and expected impact of reforms in the years ahead.

The themes of these reforms included:

- providing better information up-front
- introducing business support functions to guide small businesses to meet regulatory obligations
- fast-tracking/automating low risk approvals, and
- streamlining internal processes that contribute to reducing approval timeframes.

Every $1 invested results in $8.94 of benefits

Cost benefit analysis – overall program

The Small Business Friendly Approvals Program is expected to deliver a net benefit of $73.8 million in present value terms (7 per cent discount rate) over the next ten years. The **benefits** primarily accrue in the form of **reduced time in assessing applications and granting approvals,** which in turn results in **additional direct economic activity in the business sector.**

The net benefit of **$73.8 million over the next ten years** represents a Benefit Cost Ratio (BCR) of 8.94. That is, for every dollar of economic, financial and social investment incurred to deliver and participate in the Program, some $8.94 of benefits can be expected to be achieved through reform implementation.

Projected total net benefit over ten years $73.8 million

Benefit to date

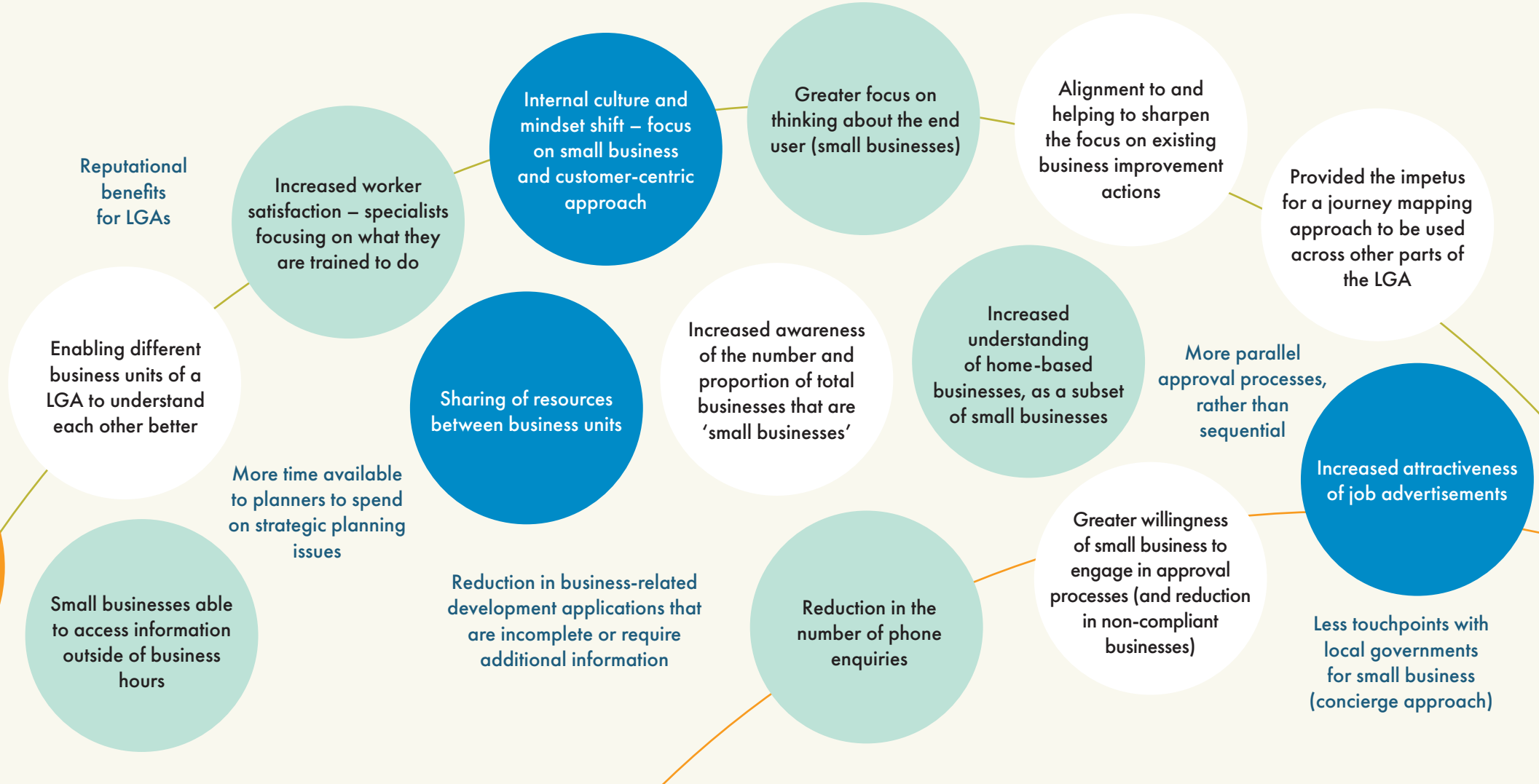
Whilst the vast majority of benefits are projected as LGAs implement and embed reforms, benefits measured between 2020 and 2022 indicate that $3.5 million has already been returned against Streamline WA's $2.2 million investment.

These short-term benefits remain positive at 1.60 – implying that for every $1 of investment $1.60 of benefits have been realised.

Qualitative benefits

While the primary purpose of stakeholder engagement was to assist in the development of the quantitative framework, a range of qualitative insights and other matters raised during these meetings proved relevant to establishing the extent of the value derived from the program's unique methodology.

It is evident from the insights provided by stakeholders there are many benefits and positive impacts stemming from the program which are hard to directly observe and measure. ACIL Allen believes these qualitative benefits and impacts should be weighted **as highly** as the quantitative evidence when assessing the program and its merits. The following qualitative benefits have been realised by LGAs through their participation in the program.



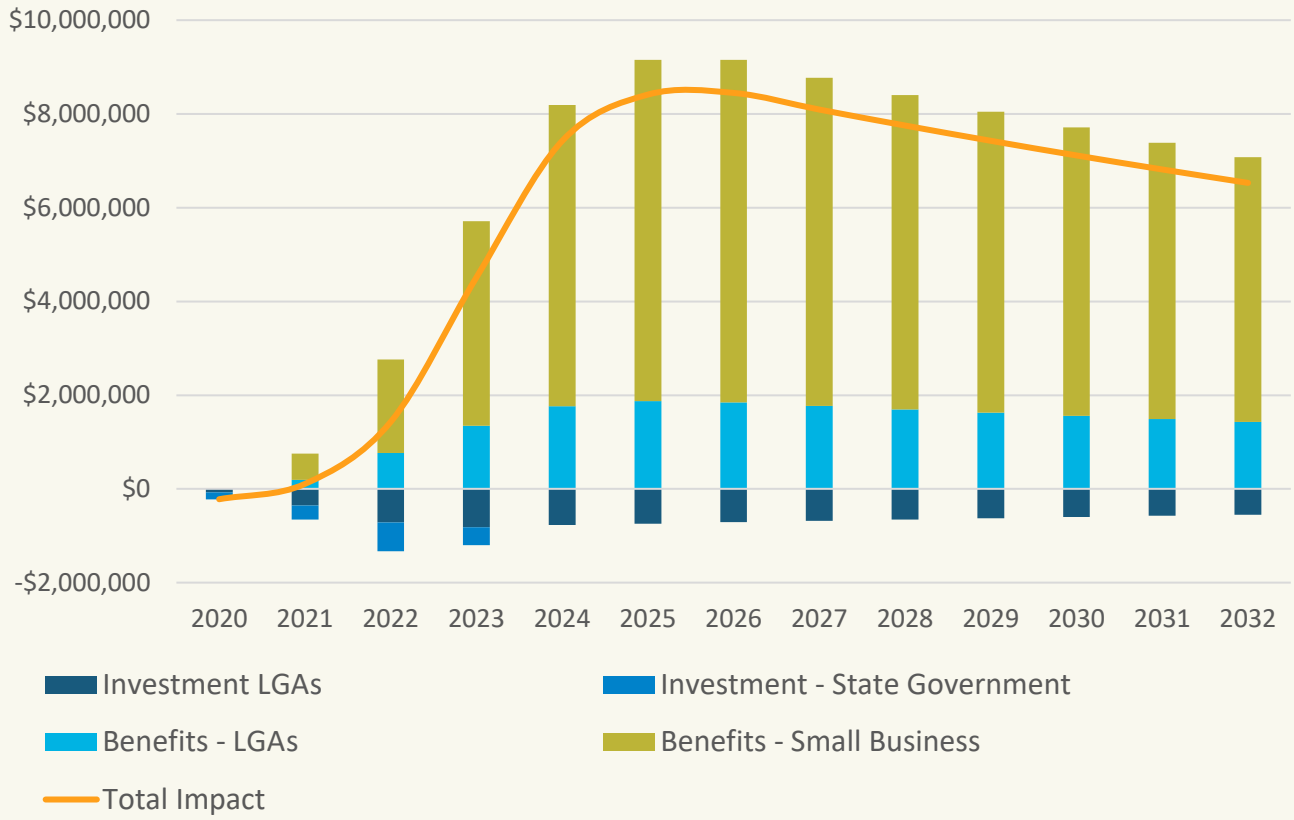
Impact summary - overall

Program CBA: Overall Impact - to date and projected, $M in present value terms (7% discount rate)

	To date (2020-2022)	Projected (2023-2032)	Total
Benefits			
Small Business:			
Reduced time granting approvals	$2.3m	$53.0m	$55.3m
Reduced information search time	$0.2m	$8.2m	$8.4m
Reduced applications rework	$0.0m	$1.8m	$1.8m
Reduction in fees & charges	$0.0m	$0.2m	$0.2m
LGAs:			
Resource re-allocation	$1.0m	$16.4m	$17.4m
Total Benefit	**$3.5m**	**$79.6m**	**$83.1m**
Investment			
State Government:			
Financial investment of participation*	$1.1m	$0.4m	$1.5m
LGAs:			
Time investment of participation	$0.4m	$0.1m	$0.5m
Time investment of implementation	$0.7m	$6.4m	$7.1m
Opportunity cost of financial investment	$0.1m	$0.0m	$0.1m
Lost fees and charges	$0.0m	$0.2m	$0.2m
Total Investment	$2.2m	$7.1m	$9.3m
Net Benefit (investment) Overall	$1.3m	$72.5m	$73.8m
BCR	1.60	11.21	8.94

*Funded by Streamline WA excluding project management and SBDC costs

Program CBA: Overall impact by benefit/investment stream



CBA summary

The benefits of the program are not expected to be evenly distributed across LGAs that participated in the program. This is due to the relative size of each LGA, the number of small businesses, the level of business application and approvals activity and/or current relative performance of assessment and approvals system.

Overall findings are based on a quantification methodology and critical assumptions used by ACIL Allen to undertake the CBA of the program.

Quantitative inputs and assumptions used include:

- the investment by the State Government to deliver the program
- investment by the LGA to participate and implement reforms
- daily average small business sales (ABS and ACIL Allen estimates)
- CPI escalation (RBA cash rate target) and
- the 7.0% p.a. discount rate (standard modelling assumption).

ACIL Allen has measured the benefits of the program at $83.1 million over the assessment period (the initial three years of observed impacts, and 10 years of projected impacts).

Overall assessment

ACIL Allen's analysis demonstrates that the reforms and change improvements fostered by the program are achieving outcomes for small business that exceed the cost of the program today. These benefits are expected to grow as more reforms are progressed across the sector.

The benefits primarily accrue in the form of reduced time for assessing and granting approvals, which in turn results in additional direct economic activity in the small business sector and within the communities in which they are located.

Overall, the CBA suggests that the program yields a net benefit of $73.8 million, with a Benefit Cost Ratio of 8.94. This means for every dollar of economic, financial, and social investment incurred to deliver reform outcomes, some $8.94 of benefits can be expected to be achieved. This is a strong result against the relatively low cost of delivery, combined with the positive impact across the LGAs that have participated in the program.

Benefits to the LGA sector itself are still to be fully realised, in line with the feedback provided by stakeholders during the consultation process.

However, over time and based on the results of reform implementation to date, the ongoing continued focus by program partners on the development of Action Plans will strengthen the alignment with Streamline WA's whole-of-government objective to make it easier to do business by improving the way we develop and apply regulation in WA and contribute to creating and supporting robust small business sectors within communities.

"In ACIL Allen's opinion, the Small Business Friendly Approvals Program is a cost-effective, fit-for-purpose approach to identifying and progressing reforms which benefit both small business and the Local Government sector. The Program's disaggregated design and approach to building engagement across LGAs through a multidisciplinary team has clearly acted as a catalyst for individual organisations to investigate and implement reforms to their systems and processes that may not otherwise have taken place."

Appendix

Methodology

Cost benefit analysis

ACIL Allen worked with the SBDC to develop a CBA framework to review the reforms developed by LGAs that participated in the program. The CBA is based on an assessment of the program from 2020 to 2022 and a projection over a ten-year period from 2023 to 2032. All modelling is undertaken over financial years, with the stated year reflecting the end date (i.e. 2032 is 2031-32, with an end date of 30 June 2032).

Desktop research, interviews and data collection

ACIL Allen reviewed regular six-monthly Action and Implementation Plan Reports submitted by partnering LGAs to the SBDC, used a series of structured questions provided to the proponents in advance of the consultation phase, and followed up with a request for information to collect real data to inform the CBA.

Engagement overview

ACIL Allen met with a sample of participating LGAs to gather feedback and evidence to assist in the development of the CBA. An important component of the stakeholder consultation meetings was understanding the extent to which the program has or is expected to change the approvals environment for small business, and how this in turn impacts on businesses and the local government sector. Stakeholder meetings were held with:

City of Armadale	City of Bunbury
City of Canning	Shire of Esperance
City of Kwinana	City of Joondalup
City of Stirling	Town of Victoria Park
City of Wanneroo	

Qualitative benefits

During the consultation process, ACIL Allen recorded an unanticipated positive response regarding the qualitative benefits realised by the LGAs owing to their participation in the program. These benefits are either attributable to identification by the program itself, or by the impetus provided to other regulatory reform initiatives within the LGA.

Data limitations

The CBA is based on ACIL Allen's best estimates of the future impact of the program that has been informed by the data provided by stakeholders and extrapolation of impacts which have been realised by LGAs that participated in the pilot projects or early stages of the funded program. These estimates are prepared on a Best Available Information basis, noting this information is not necessarily available for LGAs that have been through the program in the last 12-18 months.

It is important to note that the CBA does not take into account funds allocated within the $2.2 million investment for project management and SBDC costs.

Summary and findings

ACIL Allen developed a set of findings identified through the CBA and stakeholder consultation. ACIL Allen's overall assessment of the program is based on a blend of the quantitative and qualitative analysis, observations and insights gleaned throughout the process.

The CBA framework has considered what has been achieved to date and what is expected to be achieved in the future.

Program CBA framework

The logical framework introduced below observes benefits where they have arisen from the pilot and early program delivery and projects these out to the remainder of the partners that have participated in the program, to realise the benefits and impacts of reform implementation.

To build the CBA, ACIL Allen linked the Action Plans developed by partnering LGAs to one of four thematic areas where positive changes have been made as a result of, or prompted by, the program. These are:

1. Providing better information upfront.
2. Introducing a business support function.
3. Identifying low-risk approvals that can be fast-tracked/automated.
4. Streamlining internal procedures to improve application and approval processes.

Each LGA received a rating (1, 0.5 or 0) against each of these four thematic areas based on their Action Plan, to represent the extent to which reforms are designed to realise positive changes against these themes. A link was then created between one or more of the thematic areas and the five channels of impact, which are calculated as part of the CBA modelling itself.

An individual LGA's potential maximum impact is calculated, and then multiplied by a weighting that reflects the composite thematic area score for the thematic areas assigned to the impact channel, noting a thematic area can be assigned to more than one impact channel.

The various impact channels are contextualised based on the:

- size/population of the LGA (ABS),
- number of small businesses (ABS),
- baseline number of approvals and time to process these on average (data provided pre-program).

Where possible, ACIL Allen relied upon direct observations and data provided by participating LGAs. This is particularly important for the measurement of impacts on small business and LGA resource allocation.

The impact channels, and the thematic areas used to weight the maximum impact, are introduced in the table below. These are then compared to the investment in the program, across financial and labour dimensions, to estimate the net impact of the program.

@	Benefit	1	2	3	4	Description observations
A	Reduced approval times					Time saved by business between the commencement of an approvals process and its completion. This is then measured and monetised as additional days of revenue earning potential, conservatively adjusted lower to reflect that approvals may not be the only determining factor to when a business opens.
B	Reduced information search time					Time saved by small business searching for information they require from an LGA to meet regulatory obligations. This is measured and monetised assuming an hourly rate of administration is avoided.
C	Reduced applications/rework					Time saved through a reduction in reworking applications through better information and early intervention by LGAs. This is monetised assuming an average hourly rate of administration time.
D	Reduction in fees and charges					Money saved by small business due to reduced requirement for application fees to be paid, either through automation of processes or adjustment to Local Policy/Laws. This is offset by reduced revenue to LGAs in the overall CBA.
E	Resource re-allocation					Labour time saved through the streamlining of assessment, and adjustment to approvals processes which allows labour resources to be deployed to alternative tasks. This is monetised using an average hour rate for labour in the LG sector.

About ACIL Allen

ACIL Allen Consulting is Australia's biggest independent economics, public policy and strategy advisory firm, specialising in how policy decisions can translate into socio-economic outcomes.

The firm has built a reputation for quality research, credible analysis, and innovative advice on economic, policy and strategic matters over a period of more than 20 years. ACIL Allen operates across a select range of industries and provides specialist advice to companies, governments, regulators, and industry associations.

About the Small Business Development Corporation

The Small Business Development Corporation (SBDC) is a State Government agency dedicated to unleashing Western Australians' enterprising business spirit.

Our services to the small business sector include a free and confidential business advisory service, business skills workshops, a dispute resolution service, subcontractor support, outreach services, online resources and more.

We publish the latest updates and advice for Western Australian small business owners on our website, advocate for a fair operating environment, and work with partners including the local government sector to make it easier for small businesses to start well, survive and thrive in our state.

- FINAL IMPLEMENTATION PLANS
- PITCH
Your Voice
PITCH
SLIDES
ACTIONS

Economic Evaluation

Small Business Friendly Approvals Program

AUG23/002

Contact Us

Level 2, 140 William Street

Perth, Western Australia 6000
(Access from William Street)

Business advisory service
(Western Australian based businesses only):
133 140

Call our office: (08) 6552 3300

Opening hours: 8.30am - 4.30pm, Monday to Friday.

Printed on recycled paper

GOVERNMENT OF WESTERN AUSTRALIA

Small Business Development Corporation