



An Economic Framework for Local Government in Western Australia

Updated December 2023



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Background

Introduction

In response to Local Government's growing focus on economic development, the Western Australian Local Government Association (WALGA) embarked on a project to research the role of Local Government in Economic Development and develop a conceptual framework to help Local Governments to both understand their role and have a practical resource to assist them in developing their economic development strategies.

The first edition of this Framework, published in 2019, was developed through research, including bespoke Western Australian industry research, input from stakeholders and guidance from an Industry Reference Group.

This second edition of the Framework considers recent economic shifts, including the after effects of the COVID-19 pandemic. It also refers to contemporary thinking about the role of Local Governments in community wealth building.

This Framework recognises that Local Governments have different approaches to their economic development activities, which is often influenced by their organisational capacity and local economic conditions.

Importantly, this Framework is not intended to be prescriptive or definitive. Local Governments are encouraged to be aspirational in the development of their economic development strategies and activities within their local constraints and opportunities.

Economic Development Aims

Although there is no consistent definition of economic development, most definitions refer to the process of building the economic capacity of an area to deliver better social and environmental outcomes.

There is often confusion between economic development and economic growth. Economic development is a sub-discipline of economics and while related to economic growth, is quite different. Economic development is usually transformative and focuses on job and wealth creation to improve quality of life outcomes. Economic growth however focuses on growing the size of an economy. The two are not necessarily mutually exclusive.

In simple terms, economic development focuses on quality outcomes while economic growth focuses on the *quantity* of outcomes.

Sustainable development has a greater focus on intergenerational equity and achieving a balance between economic and environmental outcomes. The United Nations defines sustainable development as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. This reinforces the need to maintain economic advancement and progress while protecting the environment.

The importance of the economy to deliver better community outcomes is also reflected in the United Nation's Sustainable Development Goal, in particular Goal 8 which focuses on 'Decent Work and Economic Growth'. The goal aims to develop the economy in a way that will create quality jobs without environmental harm, and while eliminating poverty and inequality.

Broadly speaking Local Governments deliver two distinct but related functions to support economic development. Firstly, they themselves provide, or commission others to provide, services which are directly consumed by local businesses. These include traditional local government services to keep business districts clean, collect and recycle waste and maintain roads. Where resources permit, Local Governments may also support local businesses with destination marketing, training and events and festivals.



Local Economic Development is a way to build up the economic capacity of an area in order to improve quality of life."

World Bank

The second economic development function of local government is to create a vision for the ongoing prosperity of the municipality and the strategies required to achieve this. This function recognises that Local Government does not have all the powers and resources necessary to achieve the economic vision. Other parties, including State and Commonwealth agencies as well as private sector and not for profit organisations will have a part to play, and Local Government's role may be that of broker, partner, advocate and coordinator. Local Governments will also look to ensure that its allied services, regulatory obligations and policies such as those to do with planning approvals and rates are properly harmonised with adopted economic development goals.

Sustainable Development meets the needs of the present without compromising the ability of future generations to meet their own needs.

United Nations

CATEGORY 1

BUSINESS SUPPORT SERVICES

- Training / skills development (customer service, e-commerce etc)
- Business networking and mentoring
- Industry cluster facilitation / brokerage of business partnerships
- Local branding campaigns
- Staging events and festivals to promote local spending
- Business incubation
- Investment attraction / business site brokerage
- Development facilitation
- Street cleansing / waste management for commercial and industrial precincts
- Regulatory services including planning, health and building

CATEGORY 2

ECONOMIC POLICY AND STRATEGY

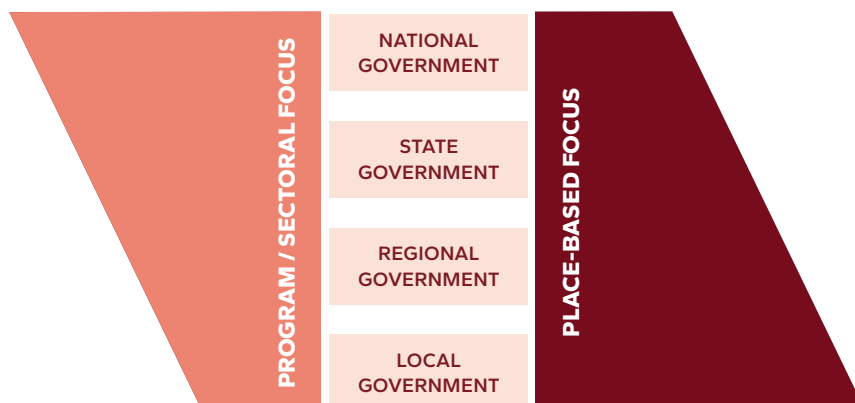
- Economic development vision and strategy
- LGA-wide marketing and promotion
- Advocacy / lobbying on behalf of the whole LGA



While WA Local Governments typically have limited resources and legislated responsibilities, they can generate great value for their communities through the second of the above functions. Other tiers of government are mandated to deliver services like health, education and policing to a broadly consistent standard regardless of location and community characteristics. This supports scale efficiencies but can also lead to working in silos. Meanwhile, local government is defined by its place based focus. It is often in a better position than other spheres of government to spot local priorities, under-used assets and partnership opportunities that can enable State and Commonwealth agencies to get better value from their regular outlays.

Successful economic development is a joint responsibility of all three tiers of government. Local Governments cannot, by themselves, orchestrate all the required ingredients for healthy local business formation and jobs. By the same token, their contribution ought not be underestimated.

There are several key ingredients to local economic development –



Geographical Area

Economic development usually occurs within a defined geographical area with a similar economy, not necessarily restricted to a Local Government boundary. This affects how a Local Government acts, whether in isolation or with others. A defined geographical area usually includes a range of markets and economic interaction, from local to global.

Increasingly economic development is being planned between economies with economic synergies, rather than economies that simply share geographical borders. This involves the use of Functional Economic Regions (FERs) which instead of grouping Local Governments on a geographic regional basis, group Local Government areas together based on their economic linkages, such as the forestry and timber products industry.

Local Assets and Resources

Economic Development usually focuses on:

- The comparative advantages of an area and its economy (see page 14)
- The competitive advantages of local businesses and industries (see page 14)
- Its relationship to the national and global economy

Collaboration

Local Governments usually align and collaborate with other local governments and other key stakeholders within a geographical area, including other levels of government. In regional Western Australia, Local Governments frequently collaborate as part of formal and informal regional groups of Local Governments and work closely with Development Commissions (State) and Regional Development Australia (RDA) Committees (Commonwealth).

Local Governments often help local businesses achieve a collaborative advantage through sharing resources, capabilities and capacity to manage or respond to shared opportunities or constraints – this is called ‘coopetition’.

Coopetition

Achieving collaborative advantage through sharing resources, capabilities and capacity to manage or respond to shared opportunities or constraints

Economic Development In Western Australia

An Economic Development Framework for Local Government

Building safe, sustainable and thriving communities is at the heart of what Local Governments do. While each community is unique and will have its own needs and priorities, common features of sustainable communities include a healthy environment, strong social fabric, and a robust economy.

WALGA's research tells us that Local Governments in WA believe economic development is a growing focus and that they have an important role in driving economic development outcomes. However, it is clear approaches and capacity differ across the sector, and there is scope for the sector to do more to support positive economic outcomes.

The research also shows that a key barrier for Local Governments is a lack of consensus about their

role in economic development. Learning about best practice economic development activities in other Local Governments was also highlighted.

This document provides a conceptual framework that will assist Local Governments understand their role in economic development while also providing some practical suggestions about activities that might be relevant to their local communities and economies.

Local Government's Role in Economic Development

Business is the driver of economic development through the creation of wealth, jobs and other opportunities and Western Australia is home to 242,000 businesses that actively contribute to the State's economic wellbeing.

While Local Government recognises the role of the private sector and other levels of government in driving economic development, increasingly the sector understands that Local Government's normal activities, together with other proactive interventions, can contribute significantly to economic outcomes.

Although economic development is not a mandated activity through the *Local Government*

Act 1995, the sector plays an active role in driving economic development outcomes in their local communities. Local Government is a significant player in the economy, employing more than 22,000 workers and spending more than \$4 billion on services to the community each year. Local Governments also manage assets worth more than \$48 billion, including responsibility for more than 88% of the public road network. Particularly through the planning, infrastructure and service delivery functions, Local Governments have a direct impact on economic activity, but can also influence the economic environment through the creation of vibrant and liveable communities.

WALGA's research identified the following key themes about Local Government's role in economic development –

- **Enabling and facilitating** – Local Governments should focus on addressing areas of market failure, not competing against businesses
- Economic development activities should form part of a **larger, integrated strategy** which is aligned to the broader regional context and is linked to a community's unique competitive advantages
- **Collaboration** between different levels of Government, business and the community is critical to the success of local economic development initiatives
- Economic development should **not be undertaken in isolation** - it is a lens for all Local Government activities
- Local Governments should foster a **Business friendly environment** – encouraging **competition and productivity**

While Local Governments often take a deliberate and proactive role in driving economic outcomes in their community, it is also important to recognise that decisions made by Local Governments influence the local economy and business environment - even if they do not intend to. Some examples of the activities and functions that can indirectly affect the local economy are as follows:

- Finance, fees and ratings
- Planning and zoning regulations and procedures
- Environmental regulations
- Health regulations
- Signage
- Parking
- Public facilities

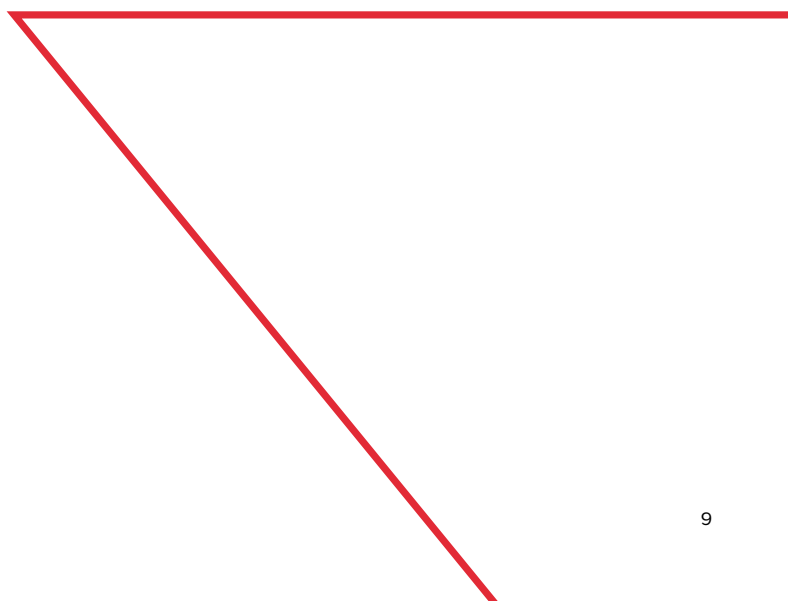
In this regard, it is important that Local Governments are mindful of their impact and look to understand and assess the costs and benefits of all its decisions on the local economy and business community to ensure these are well understood and do not have adverse or unintended consequences. Central to local economic development activities should be a focus on creating a positive and enabling local business environment.

While all Local Governments have a strong planning and collaborative role focusing on creating a business friendly environment, a Local Government's impact over their economy changes in line with its geographical location and the size of its business community and local population.

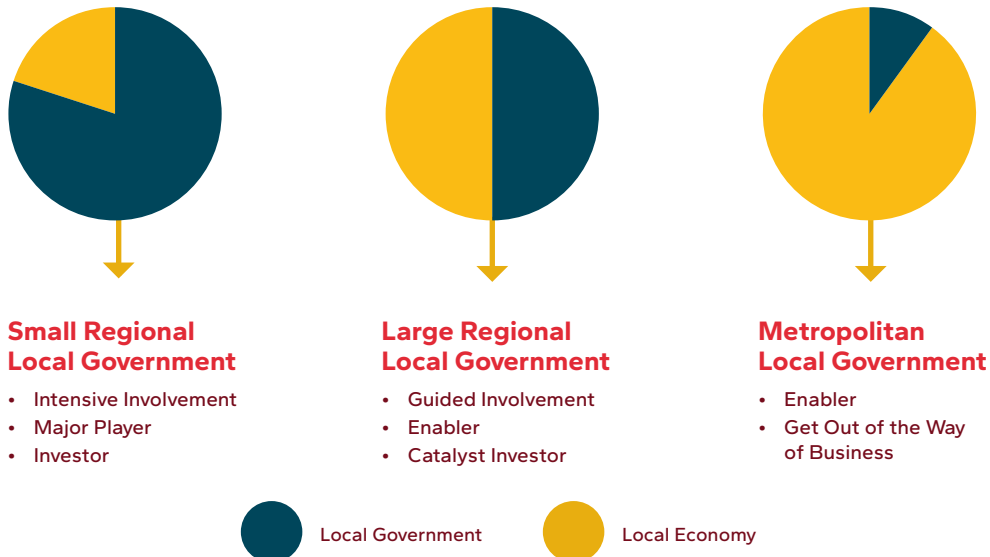
Generally, smaller Local Governments in regional areas tend to have greater influence on their local economy due to their geographic isolation and smaller markets. As these areas are often more isolated, there is a greater role for Local Governments as a driver of economic activity. Local Governments in these types of areas are often focussed on filling gaps in the market and ensuring the sustainability of their local economy.

The greater size of the business community in larger regional Local Governments and in the more populous metropolitan areas mean that Local Governments in these areas have less direct impact on the economy through service provision and are better placed to be catalysts and enablers for growth and diversification. While Local Governments in larger regional areas still play an important role in addressing the market failures that are brought about as a result of their geographic location, metropolitan Local Governments, irrespective of their size and capacity, essentially see their role as an enabler of business, and through its planning and activities allow the local economy to flourish.

The following model attempts to demonstrate the level of influence a Local Government has over its economy depending on its capacity, the size of the market and its location –



Local Government's Role in Economic Development



WALGA's research shows that business generally understands the role of Local Government in economic development with feedback highlighting that -

- Local Government is considered to be a leader in local economic development, with a role to create a favourable business environment
- Most businesses were not aware whether their Local Government had an economic development strategy
- The types of support preferred were a dedicated officer for businesses, local procurement, new investment attraction and business friendly policies.

sustainability approach (triple/quadruple bottom line) for aligning their resources and activities across *social, environment, economic* and *governance* outcomes.

Increasingly, local governments are articulating how they will support the local economy through an Economic Development Strategy, developed as an important informing document in the business planning process. Critical to this process is economic analysis and forecasting, and the development of metrics to measure the impact of activities on the economy.

Strategic Community Planning

Local Governments in Western Australia have a legislative responsibility to plan for the future of their communities using the Integrated Planning and Reporting Framework as their guide. They do this through the development of a long-term Strategic Community Plan where their communities' future wellbeing expectations are expressed in a Vision statement.

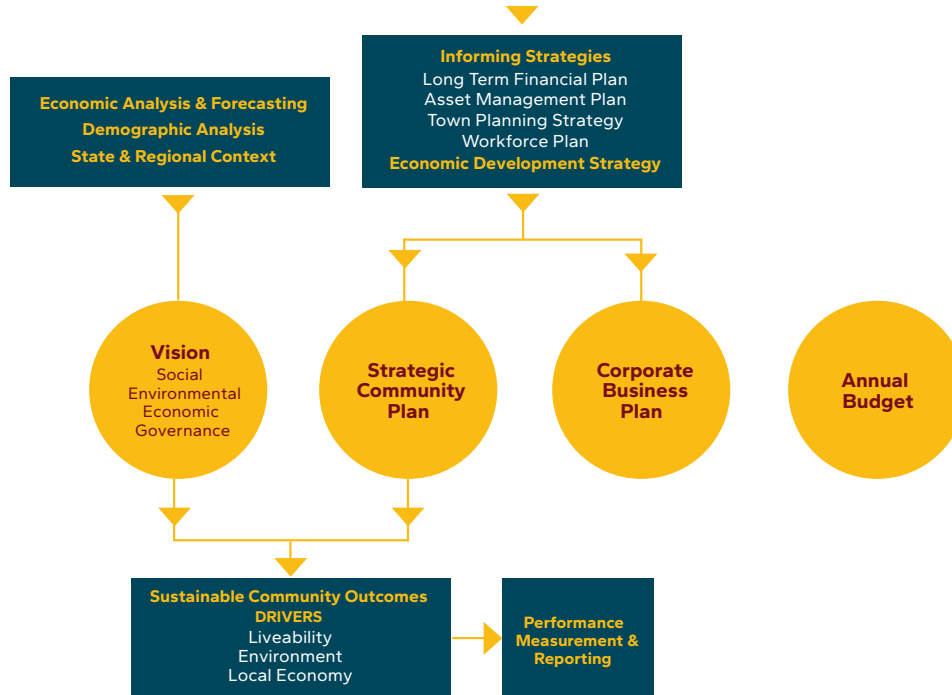
Strong local and regional economies are critical for delivering these Visions and economic development is usually embedded in Strategic Community Plans. Many Local Governments use a



Brookton is a well-recognised business and agricultural hub, a flourishing stop-over destination, and a celebrated place to live"

Shire of Brookton Vision by 2027

Integrated Planning & Reporting



Some Local Governments instead choose to apply an economic development 'lens' over all its activities rather than developing a specific economic development strategy.

As part of its planning, it is important Local Governments discuss the focus of their economic development activities, and the role they wish to perform. Some of the issues that should be taken into consideration are:

The capacity and capability of the Local Government - consideration of what resources are available to undertake economic development activities, including financial capacity as well as the skills and availability of suitably trained staff and opportunities to collaborate or partner to build scale and capacity.

External Factors – a range of factors can impact local economies and can include global economic trends, technology, changing consumer preferences, policy and legislative changes, and demographic trends.

Local Assets and Resources - the strengths of the local area and the opportunity to leverage these, as well as the competitiveness of the local business community will be important drivers of local economic development.

Community Preferences - the extent to which economic development is a priority for the community and the willingness for Local Governments to participate in these activities including consideration of the trade-offs and the Council's and community's appetite for risk.

Business Friendly Culture

For Local Governments it is important to remember that economic and community development are not conflicting objectives but are in fact closely aligned. A strong and thriving business sector creates significant benefits for the local community through job creation, activation and the creation of vibrant places.

Central to local economic development activities should be a focus on creating a positive and enabling local business environment.

No matter what approach is taken, at the centre of local economic development must be a positive mindset and willingness to facilitate and enable activities that will support the region's economy.

This means economic development must be integrated into a Local Government's 'business as usual' activities and have support from the whole organisation - including Elected Members. Economic development should not be seen as a new activity, but rather as a key outcome of the normal business of a Local Government and integrated across planning and service delivery.

Collaboration

Critical to the success of economic strategies is working in genuine partnership with the community – including businesses – to support grass roots and 'bottom up' approaches.

Communities should be empowered to take a leadership role in driving economic development initiatives in their communities. Local Government

has an important role to support these initiatives and can look to innovative ways to encourage development by creating a favourable operating environment, establishing partnerships and setting a clear direction for the future.

It is also important to note that economic development is not limited by a Local Government's boundaries but can benefit from a regional approach. Rather than compete against neighbouring areas, the increasingly interconnected nature of the economy means considerable benefits can be achieved by working in a collaborative way with surrounding areas and other regional players. Such an approach will also allow communities to share resources and work together to deliver initiatives which may not otherwise occur.

Local Government in Western Australia has several regional cooperative vehicles for resource sharing, regional planning and the delivery of regional projects. These include Regional Local Governments, Voluntary Regional Organisations of Councils (VROCs) and a range of alliances and associations. Legislation for the establishment of Regional Subsidiaries is providing groups of Local Governments with a more effective regional governance structure for regional cooperation and service delivery. Under consideration is the introduction of legislation to enable the establishment of Beneficial Enterprises for one or more Local Governments keen to conduct arm's length commercial activities where market failure exists.

These regional governance mechanisms all provide useful vehicles for Local Government to plan regionally, align with other regional stakeholders including Commonwealth and State agencies, secure funding and deliver on regional economic development projects

Economic Development Activities

While there is no standard Local Government approach to local economic development, WALGA's research shows that overall the sector **enables** and **facilitates** economic outcomes aiming to:

- ✓ Attract new business
- ✓ Retain existing business
- ✓ Encourage the growth of existing business
- ✓ Attract investment
- ✓ Diversify the economy
- ✓ Improve community outcomes through job creation, training and education
- ✓ Enhance infrastructure
- ✓ Grow the population
- ✓ Attract visitors
- ✓ Reduce impediments to commercial activity

They do this by focusing their attention on a range of activities that include both traditional local government functions and more targeted interventions that can be broadly categorised as:

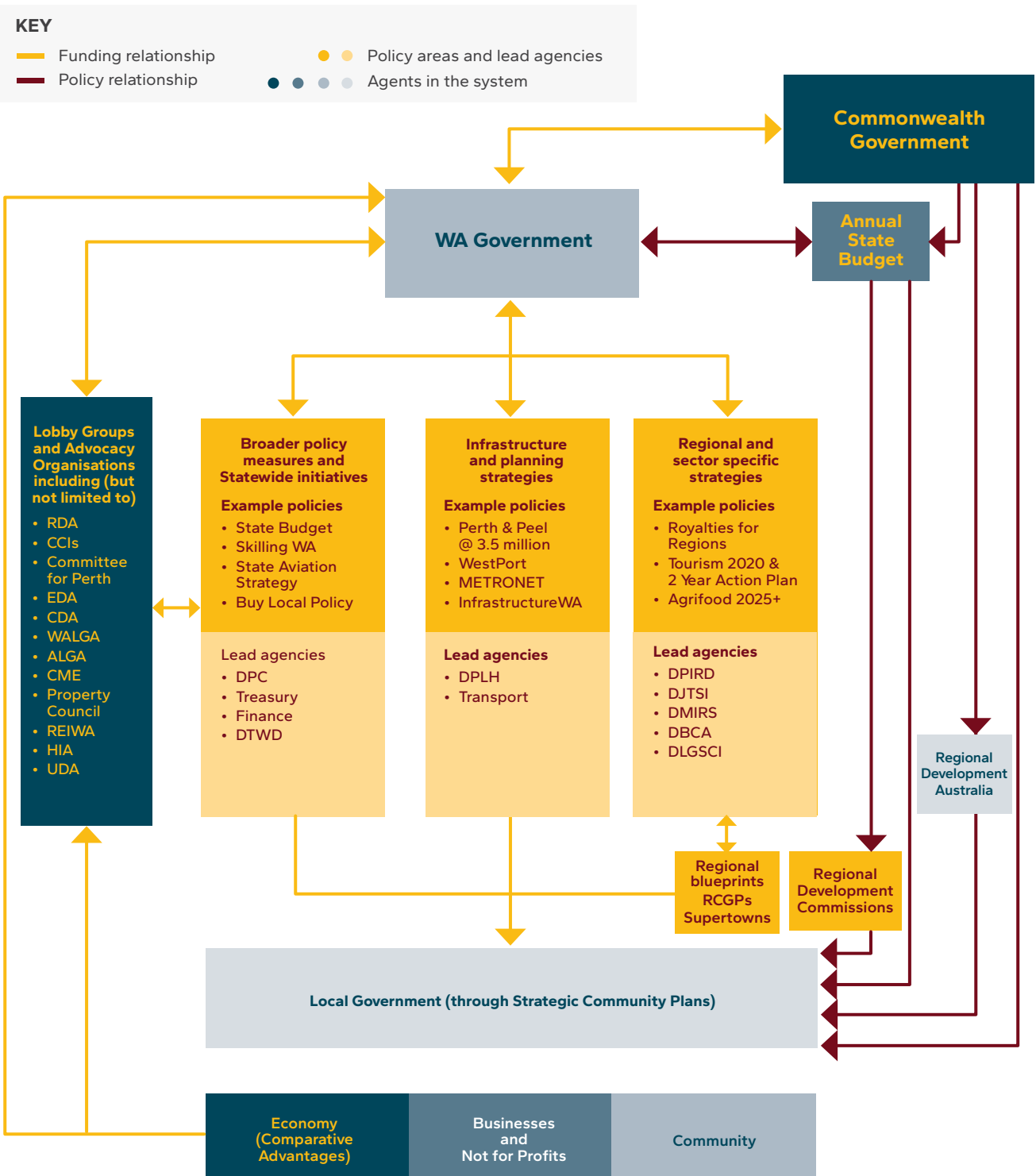
- Strategic Planning
- Policy and Regulation
- Supporting Business to Succeed
- Cooperation and Partnerships
- Promotion and Attraction
- Customer Service
- Direct Service Delivery
- Infrastructure Provision
- Advocacy

Local Governments are often very proactive in the way they undertake their economic development activities, seeing themselves as important catalysts for the economy. They do this in a variety of ways including through partnerships and cooperation, public-private joint partnerships, leveraging existing assets owned by the Local Government, undertaking borrowings for intergenerational infrastructure investment, undertaking land development, providing non-traditional Local Government services, providing seed funding to businesses, providing housing, and providing services where there is market failure.

These Local Governments should always undertake a cost benefit and risk assessment analysis as part of their business planning for what might be considered non-traditional Local Government activities to ensure ratepayer dollars are used wisely and that any activities will deliver genuine benefits for the community.

The Economic Development Ecosystem in Western Australia

The Western Australian economic development ecosystem is complex with many stakeholders impacting Local Government. Local Governments need to be aware of their stakeholders and work to develop positive and cooperative relationships that support shared outcomes through aligned projects and leveraged funding. The diagram below provides an overview of the policy and funding relationships between the State Government, Commonwealth Government, Local Government and key stakeholders.



Economic Development In Practice

Economic Development Considerations for Local Government

Comparative and Competitive Advantages

Understanding the characteristics of the local economy is a critical step for local economic development to ensure resources are targeted towards activities that will deliver the greatest benefit to the community.

Each community has its own unique advantages and disadvantages which form an important context for any economic development strategy to make the most of emerging opportunities and to be prepared for any challenges.

In creating economic development strategies, Local Governments should look to leverage their areas of strength – their comparative and competitive advantages – to ensure they are in the best position to compete for mobile investment in an increasingly competitive environment and make the most of their existing resources. These strengths are the areas where they are relatively more efficient at producing than others (comparative advantage), or the attributes that gives the region an advantage over others (competitive advantage).

The types of factors that can contribute to comparative and competitive advantages include endowments of natural resources, land area, infrastructure, population and skills.

Appendix A includes a statistical profile of each of the 10 regions in WA. By identifying key exports, leading industries by employment and output and the relative size of these industries versus the average State representation, these profiles assist in identifying regional comparative advantage. The following table includes principal elements from the regional profiles.

A location quotient (LQ) analysis is shown in the following figures. LQ provides insight into some of the competitive strengths and weaknesses of the region's economic structure. The LQ score for a sector is given by its proportional representation in the region divided by its proportional representation in Western Australia. The higher the LQ, the higher the specialisation of that industry in the region. An LQ of 1 denotes that this industry is as prevalent in the region as in Western Australia.

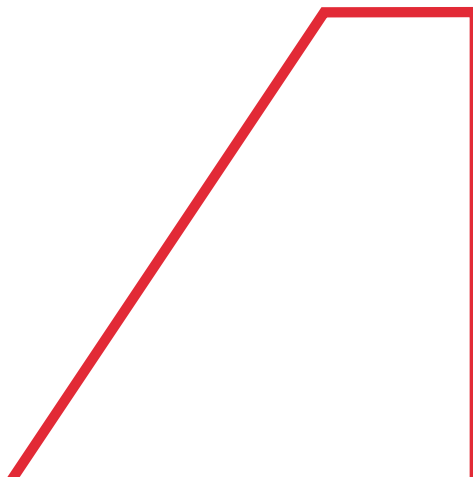


Table 1 Regional Profiles – Principal Elements

Region	Top 3 Industries by Gross Value Added	Top 3 Industries by Location Quotient	Top 3 Industries by exports	Average annual population growth rate (2001-2021)
Perth	<ul style="list-style-type: none"> Healthcare & social assistance (\$14.6b) Professional, Scientific and Technical services (\$14.4b) Construction (\$13.6b) 	<ul style="list-style-type: none"> Financial and insurance services (1.25) Professional, Scientific and Technical services (1.24) Information Media and Communications (1.17) 	<ul style="list-style-type: none"> Iron Ore Mining (\$34.4b) Oil and gas extraction (\$28.5b) Non Ferrous Metal Ore Mining \$7.6b) 	1.9%
Peel	<ul style="list-style-type: none"> Mining (\$5.8b) Manufacturing (\$999m) Construction (\$559m) 	<ul style="list-style-type: none"> Manufacturing (1.69) Retail trade (1.44) Accommodation and food services (1.37) 	<ul style="list-style-type: none"> Basic Non-Ferrous Metal Manufacturing (\$5.6b) Non Ferrous Metal Ore Mining (\$2.3b) Iron Ore Mining (\$536m) 	3.4%
South West	<ul style="list-style-type: none"> Mining (\$7.3b) Manufacturing (\$2.5b) Construction (\$1.3b) 	<ul style="list-style-type: none"> Agriculture, forestry and fishing (2.68) Manufacturing (1.68) Electricity, Gas, Water and Waste services (1.51) 	<ul style="list-style-type: none"> Basic Non-Ferrous Metal Manufacturing (\$2.8b) Non Ferrous Metal Ore Mining (\$892m) Coal mining (\$892m) 	1.9%
Great Southern	<ul style="list-style-type: none"> Agriculture, Forestry and Fishing (\$1.1b) Manufacturing (\$413m) Education and Training (\$297) 	<ul style="list-style-type: none"> Agriculture, Forestry and Fishing (6.58) Manufacturing (1.15) Retail trade (1.15) 	<ul style="list-style-type: none"> Sheep, Grains, Beef and Dairy Cattle (\$1.1b) Meat and Meat product Manufacturing (\$446m) Ownership of Dwellings (\$115m) 	0.9%
Wheatbelt	<ul style="list-style-type: none"> Mining (\$5.2b) Agriculture, Forestry and Fishing (\$2.3b) Manufacturing (\$374m) 	<ul style="list-style-type: none"> Agriculture, Forestry and Fishing (11.75) Wholesale Trade (1.37) Public administration and safety (1.16) 	<ul style="list-style-type: none"> Sheep, Grains, Beef and Dairy Cattle (\$2.5b) Iron Ore Mining (\$1b) Non Ferrous Metal Ore Mining (\$927m) 	0.2%

Region	Top 3 Industries by Gross Value Added	Top 3 Industries by Location Quotient	Top 3 Industries by exports	Average annual population growth rate (2001-2021)
Goldfields-Esperance	<ul style="list-style-type: none"> • Mining (\$3.8b) • Manufacturing (\$577m) • Agriculture, Forestry and Fishing (\$465m) 	<ul style="list-style-type: none"> • Mining (4.68) • Agriculture, Forestry and Fishing (1.85) • Transport, postal and warehousing (1.05) 	<ul style="list-style-type: none"> • Non Ferrous Metal Ore Mining (\$9.6b) • Exploration and Mining Support Services (\$2.4b) • Basic Non-Ferrous Metal Manufacturing (\$2.1b) 	0.1%
Mid West	<ul style="list-style-type: none"> • Mining (\$1.3b) • Agriculture, Forestry and Fishing (\$601m) • Construction (\$343m) 	<ul style="list-style-type: none"> • Agriculture, Forestry and Fishing (3.28) • Mining (2.12) • Transport, Postal and Warehousing (1.14) 	<ul style="list-style-type: none"> • Non Ferrous Metal Ore Mining (\$2.1b) • Iron Ore Mining (\$1.7b) • Sheep, Grains, Beef and Dairy Cattle (\$538m) 	0.6%
Gascoyne	<ul style="list-style-type: none"> • Mining (\$858m) • Agriculture, Forestry and Fishing (\$123m) • Transport, Postal and Warehousing (\$105m) 	<ul style="list-style-type: none"> • Agriculture, Forestry and Fishing (4.81) • Accommodation and food services (2.12) • Administrative and support services (1.58) 	<ul style="list-style-type: none"> • Iron Ore Mining (\$165m) • Other Agriculture (\$133m) • Non Metallic Mineral Mining (\$85m) 	-0.1%
Pilbara	<ul style="list-style-type: none"> • Mining (\$93.8b) • Manufacturing (\$1.5b) • Construction (\$772m) 	<ul style="list-style-type: none"> • Mining (6.46) • Construction (1.12) • Electricity, gas, water and waste services (1.02) 	<ul style="list-style-type: none"> • Iron Ore Mining (\$51.8b) • Oil and gas extraction (\$6.2b) • Ownership of Dwellings (\$3.2b) 	1.9%
Kimberley	<ul style="list-style-type: none"> • Mining (\$2.2b) • Education and training (\$264m) • Transport, Postal and Warehousing (\$232m) 	<ul style="list-style-type: none"> • Agriculture, forestry and fishing (2.29) • Public administration and safety (1.53) • Education and training (1.50) 	<ul style="list-style-type: none"> • Iron Ore Mining (\$785m) • Ownership of Dwellings (\$265m) • Non Ferrous Metal Ore Mining (\$171m) 	0.8%

Competition Principles

Within its areas of responsibility, Local Governments can at times participate in markets where there are, or there is the potential for, private sector providers. In undertaking these activities, an important consideration for Local Governments is competition policy.

Competition policy is a focus area for the Commonwealth Government to ensure the Australian economy can continue to benefit from open markets. Competitive markets generally serve in the best interests of the community by providing choice and driving down prices.

Particularly relevant to Local Government operations are the competitive neutrality principles which aim to encourage competition and the best use of the community's resources. Competitive neutrality seeks to create a level playing field by ensuring Government businesses do not gain any net competitive advantage over their private sector competitors as a result of their public ownership.

This is important because an uneven playing field may deliver poorer outcomes for communities by preventing private businesses from entering the market, and can lead to a poorer range of services, less economic activity, and fewer job opportunities.

While a National Competition Policy statement is no longer required in Local Governments' Annual Reports, WALGA's Local Law Making Guideline suggests that competition policy, and in particular the principles of competitive neutrality, should remain an important consideration for Local Governments in undertaking activities where this is, or there is potential for, a private sector provider.

Within this context, some Local Governments, particularly in regional Western Australia, embark on activities that address market failure where the private sector is absent, or where an intervention or incentives are required to attract the private sector.

Community Wealth Building

The CWB agenda has developed rapidly in the USA, UK and beyond in the last 10 years or so with the aim of creating fairer and more sustainable economies. So far it has been particularly embraced by local authorities with responsibility for communities and sections of the population which have endured industry and job losses as result of structural economic change. These include regions where the manufacturing base has come under pressure from lower cost offshore producers. However, the ideas behind CWB, including those to do with sourcing supplies locally, supporting local businesses to grow in skills and capability so that they might hold their own in trade exposed markets, and fostering of co-operatives and mutuals have relevance across all economic regions.

In the UK the Centre for Local Economic Strategies (CLES) has developed the Community Wealth Building movement and have defined it as about creating a fairer, more socially just economy. CWB has a practical focus, framed by five conceptual pillars relating to progressive procurement of goods and services, plural ownership of the economy, fair employment, socially productive use of land and assets and making financial power work for local places. This is a new people-centred approach to local economic development in Australia, which looks to redirect wealth back into the local economy, and place control and benefits into the hands of local people as far as possible.

Community wealth building Five principles



Fair employment and just labour markets

Anchor institutions have a defining impact on the prospects of local people. Recruitment from lower income areas, paying the living wage and building progression routes all improve local economies.

Progressive procurement of goods and services

Developing dense local supply chains of businesses likely to support local employment and retain wealth locally: SMEs; employee-owned businesses; social enterprises, cooperatives and community business.

Plural ownership of the economy

Developing and growing small enterprises, community organisations, cooperatives and municipal ownership is important because they are more financially generative for the local economy – locking wealth in place.

Socially just use of land and property

Deepening the function and ownership of local assets held by anchor institutions, so that financial and social gain is harnessed by citizens. Develop and extend community use – public sector land and facilities as part of 'the commons'.

Making financial power work for local places

Increase flows of investment within local economies by harnessing and recirculating the wealth that exists, as opposed to attracting capital. This includes redirecting local authority pension funds, supporting mutually owned banks.



Source: Centre for Local Economic Strategies (<https://cles.org.uk/community-wealth-building/what-is-community-wealth-building/>)

The CWB approach requires a sharp focus on 'localising' the supply chains of the major enterprises and institutions in a region. These include hospitals, universities, Local Governments themselves and large businesses that are tied in some way to the resource base of the region. Successful 'localisation' an intimate knowledge of how these anchor institutions source their inputs and their propensity to engage in initiatives to improve the competitiveness of potential local providers. It also requires active brokerage of partnerships between disparate commercial entities that might otherwise have little to do with each other. Another key ingredient is a trusted change agent that can advocate for the wider business community and bring some key resources to the table by way of land, buildings and community goodwill. For these reasons, Local Governments would generally be the natural catalysts for CWB action.

A 'local' economic area may well reach beyond the Local Government boundaries and a regional approach may be the most sensible one. Decision around 'localisation' must take into account the mutual benefit to economies of trade and should balance this with the benefits of 'localisation'.

Local Government Capacity

Approaches for supporting economic development will be different in each area and will be determined by the overall context in which the individual Local Government operates. There may be a need for a different approach in urban settings, rural areas and regional centres.

There is no 'one size fits all' approach to economic development and individual Local Governments need to develop a strategy or approach that is appropriate to their own environment and community priorities. While each Local Government has different capacity to focus on economic development, financial resources do not need to be a barrier. There is a range of tools and instruments that can be used by Local Governments to encourage local economic development, many at no cost.

An analysis of the capacity of Local Governments in Western Australia shows they can be broadly categorised as Small, Medium or Large based on their population, workforce and financial capacity. WALGA's research shows that Local Governments within these categories have the following general characteristics regarding their economic development activities:

Capacity	Description	Characteristics
<p>Small</p>	<ul style="list-style-type: none"> • Small organisations, generally in rural and regional areas but also small metropolitan Local Governments • Small population base (on average less than 4,000 residents) • Small Local Government workforce (less than 10 up to 60 FTEs) • Negative Operating Surplus Ratio • Low revenue base (average \$11 million per annum) • Below average or declining economic growth 	<ul style="list-style-type: none"> ✓ Generally, describe their economies as satisfactory or weak ✓ Expect their economies to remain the same or grow stronger ✓ Most do not have an Economic Development Strategy ✓ Most do not measure how their activities contribute to the economy ✓ Some attempt to align their economic development activities to Regional Plans developed by Regional Development Commissions ✓ See Local Government as leading economic development, followed by Regional Development Commissions and voluntary groups of Local Governments ✓ Over half allocate dedicated resources to economic development activities ✓ Chief Executive Officer tends to undertake most economic development activities ✓ Most Local Governments have either increased or maintained the same levels of resourcing to economic development activities over the past 5 years ✓ The majority expect resourcing to remain the same in the next 5 years, while a significant proportion expect it to increase ✓ Aim of economic development activities primarily: <ul style="list-style-type: none"> <i>Supporting new and existing businesses</i> <i>Attracting new business</i> <i>Diversifying the economy</i> <i>Improving community outcomes</i> <i>Tourism</i> ✓ Focus on information provision, business friendly policies, reducing red tape and business networking ✓ Would like to do more new investment attraction and provision of business incubators ✓ Main collaboration is with other Local Governments, VROCs and Regional Development Commissions ✓ Greatest barriers are funding constraints and lack of qualified staff

Capacity	Description	Characteristics
Medium	<ul style="list-style-type: none"> • Diverse range of organisations, with relatively low populations (averaging around 27,400 residents) • Typically, small metropolitan Local Governments, large agricultural areas and medium regional Local Governments. • Local Government workforce ranges from medium to large (50 to 200 FTEs) • Neutral to slightly positive Operating Surplus Ratio • Moderate revenues (average \$44 million per annum) • Economic growth below State average 	<ul style="list-style-type: none"> ✓ Generally, describe their economic conditions as satisfactory or getting stronger ✓ Expect their economic conditions to get stronger ✓ Majority have an Economic Development Strategy ✓ Nearly half measure and report on their economic development strategy ✓ Most don't measure their contribution to the economy ✓ While some attempt to align their strategy to regional strategies (RDCs and RDAs) most don't ✓ Most see Local Governments leading economic development followed by local Chambers of Commerce & Industry ✓ Most allocate dedicated resources to economic development ✓ On average have a higher number of dedicated resources ✓ Most likely to have a dedicated Economic Development Officer to lead economic development activities ✓ Have the same or higher allocation of resources compared to 5 years ago ✓ Expect to increase the allocation of resources in the next 5 years ✓ Aim of economic development activities primarily: <ul style="list-style-type: none"> <i>Retaining and encouraging growth of existing businesses</i> <i>Enhancing infrastructure</i> <i>Attracting new businesses</i> <i>Growing resident population</i> <i>Seeking investment</i> ✓ Mainly provide information and create business friendly policies and reduce red tape ✓ Would like to focus more on investment attraction and business incentives ✓ Mostly collaborates with other local governments, local Chambers of Commerce & Industry and the Small Business Development Corporation ✓ Main barriers are funding constraints, lack of support from other levels of government and lack of understanding of role in economic development

Capacity	Description	Characteristics
<p>Large</p>	<ul style="list-style-type: none"> • Large organisations in the inner metropolitan area, metropolitan fringe, or large regional centres • Large population base (on average more than 100,000 residents) • Local Government workforce is large with 200 to 800 FTEs • Positive Operating Surplus Ratio • High revenues (average \$118 million per annum) • Above average economic growth 	<ul style="list-style-type: none"> ✓ Generally, describe their economic conditions as satisfactory ✓ Expect their economic conditions to remain the same or get stronger ✓ Most have an economic development strategy which they measure and report on ✓ Some report on their contribution to the local economy ✓ Only some alignment to State and regional level strategy, mainly alignment to State Budget ✓ See local government, local Chambers of Industry and the Small Business Development Corporation as key leaders in economic development ✓ All allocate resources dedicated to economic development activities ✓ All allocate more than 1 FTE with some allocating 4 or more FTEs dedicated to economic development activities ✓ Dedicated Economic Development positions and Chief Executive Officer have leading roles in economic development ✓ Majority are increasing resources and expect them to increase or stay the same in the next 5 years ✓ Aim of economic development activities primarily: <ul style="list-style-type: none"> <i>Attracting new business</i> <i>Encouraging growth of existing business</i> <i>Retaining businesses</i> <i>Seeking investment</i> <i>Reducing impediments to commercial activity</i> <i>Improving community outcomes</i> ✓ Focus on business networking and information provision ✓ Would like to focus more on reducing red tape, improving the regulatory environment and provide a greater range of business support services ✓ Mostly collaborate with other Local Governments and VROCs, local Chambers of Commerce and the Small Business Development Corporation ✓ Main barriers are funding constraints and lack of support from other levels of government

Best Practice Principles

Research has identified four best practice principles to guide economic development strategies.

Regional Collaboration

Local areas have sought opportunities to collaborate with other local governments by lending support to regional networks and associations. Businesses are active participants in local government business development. Local stakeholders have been consulted in the development of a local economic development strategy.

Strategic Alignment

Local level economic development strategy has a clearly defined role within a given local government's overarching strategic framework. It also aligns with Federal, State and broader regional policy priorities.

Functional Integration

Local level government incorporates a focus on understanding their core responsibilities as part of a local level economic development strategy. Economic development is ingrained in the way a local authority conducts itself. Economic development activities should be delivered in a cost-efficient manner, and leverage external funds.

Current and Emerging Competitive Advantage

Local level government structures its economic development strategy in order to leverage their current and emerging competitive advantages, and the strengths of their local industries.

Source: ACIL Allen Consulting, December 2018

Economic Development Framework

The following Framework provides guidance on the economic development planning process, including categories of activities used to develop local and regional economies. Examples are provided to demonstrate the range of Local Government activities that can be used to positively impact local business and the local economy.

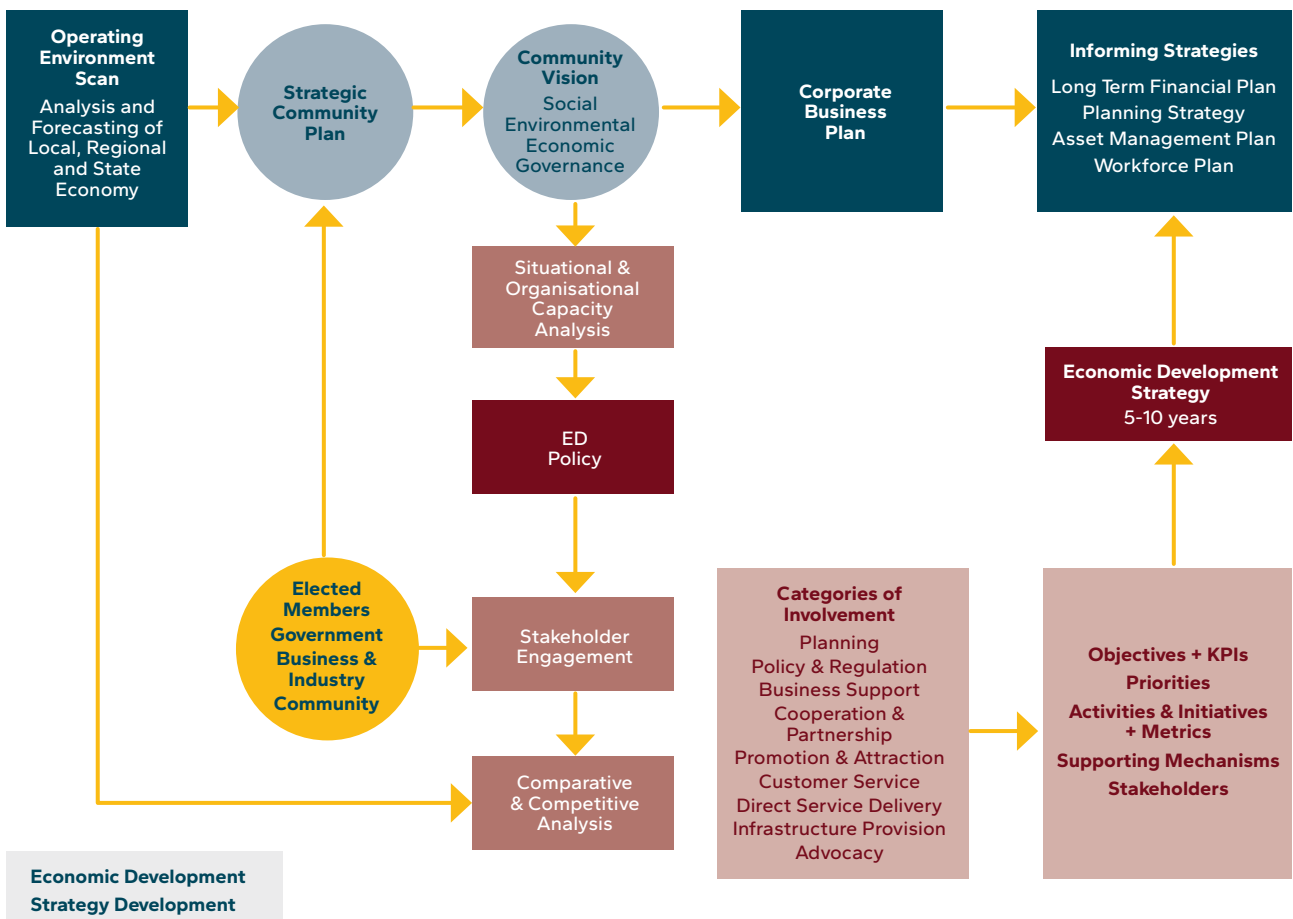
It is important to remember that 'one size does not fit all' Local Governments. This list of examples is not intended to be exhaustive or prescriptive, with each Local Government needing to consider their organisational capacity, local constraints and opportunities.

The Economic Development Strategy Planning Process

The following diagram explains the integration of the economic development strategy development process within the overarching Local Government Integrated Planning and Reporting Framework.

Critical components include:

- Economic analysis and forecasting at the beginning of the Strategic Planning process
- a community vision that expresses community wellbeing outcomes
- engagement with government, business, industry and community stakeholders
- consideration of the regional context
- identify the economy's strengths and weaknesses
- consideration of organisational capacity
- integration into organisational business planning
- measurement and reporting against the economic strategy
- Business Friendly Policy which captures commitment to creating a business friendly culture



Though they vary greatly in structure, language, detail and depth, a local economic development strategy typically addresses 7 themes:

- 1. About the Economic Development Strategy**, outlining the purpose and scope of the strategy and explaining how it fits in with Council's other plans and policies
- 2. Profiling the economy**, providing a snapshot of the structure and recent performance of the economy
- 3. Forces shaping the economy**, surveying the high level conditions such as technological and structural market shifts, and State and Commonwealth policy settings, within which the local economy must work
- 4. Competitiveness and community wealth potential**, auditing the strengths, weaknesses, opportunities and threats facing the local economy
- 5. The ambition**, describing Council's vision and associated goals and objectives for the local economy
- 6. Strategies to deliver the vision**, setting out what needs to change if the adopted economic development goals and objectives are to be achieved
- 7. The plan into action**, breaking down the strategic responses to the vision into a schedule of time bounded actions, with resource requirements and assignment of lead, partnership and support roles.

Depending on local community aspirations, Local Governments may wish to anchor their EDSs in a particular economic theory, framing or value set. These can include framings around the 'doughnut economy'¹, the 'circular economy'² and 'smart specialisation'³ amongst others.

The adopted framing will likely reflect the fact that 'economic development' usually entails different imperatives for local Elected Members than it does for State or Commonwealth policy makers.

Broadly speaking, economic policy at the state and national levels focusses on productivity and the rapid transition of labour and capital into sectors where better returns can be generated. The aim is to grow the income cake for the state or nation as a whole, and then apply the tax and transfer system to assist adversely affected households and sectors adjust to the new market realities. Creation of a dynamic economy like this implies policies to improve competition and efficiency in markets, including reduction in red tape, anti-monopoly measures and the privatisation or commercialisation of public assets.

Higher level economic policy therefore looks to foster the smooth flow of resources into and out of sectors and geographies. Meanwhile, the priority at the local level is often on continuity and stability, as well as dynamic growth, in jobs and investment opportunities. To this end, local EDSs may emphasise local sourcing of business inputs, protection or pro-active development of economic drivers and local ownership and control of key businesses and institutions. As noted, this represents a 'community wealth building' perspective on economic development.

EDSs will generally have a 5 year time frame, but set within a longer term vision, perhaps stretching to 10 or 15 years.

Local Governments could deploy the 'planning to three horizons' concept⁴. Derived from a long-standing model in strategic management, the three horizons approach postulates that successful businesses (and regions and communities) need to simultaneously;

- **protect** their current core markets
- look for **diversification** opportunities which leverage current operations; and
- Actively explore **transformation** based on existing competencies but reaching into entirely new markets, products and services.

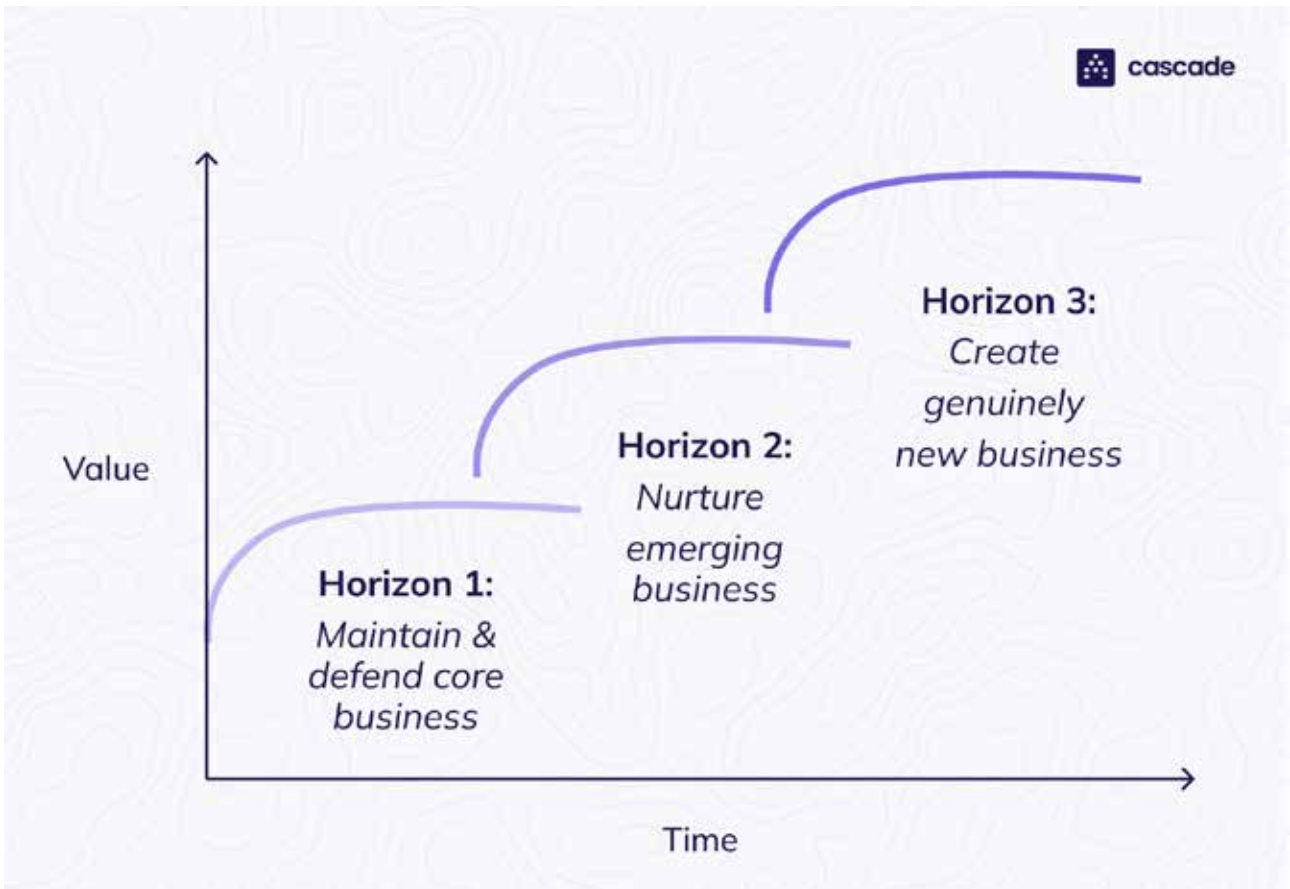
1. <https://doughnuteconomics.org/about-doughnut-economics>

2. <https://www.globalaustralia.gov.au/industries/net-zero/circular-economy>

3. <https://www.oecd.org/sti/inno/smartspecialisation.htm>

4. <https://www.cascade.app/blog/mckinseys-three-horizons-of-growth>

Three horizons model of strategic planning (after McKinsey)



Source: Cascade Strategy (<https://www.cascade.app/blog/mckinseys-three-horizons-of-growth>)

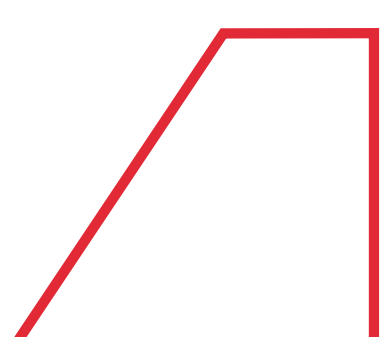
Economic Development Categories and Activities

The following table provides examples of activities that impact economic development outcomes. Local Governments should apply an 'economic development lens' to identify opportunities and barriers that impact local business and the local economy across all its activities, including identifying 'quick wins' that can have significant positive impacts on local business. These could include activities such as:

- ✓ reviewing fees and charges
- ✓ streamlining approvals processes
- ✓ providing a point of contact for business
- ✓ reviewing payment terms to local suppliers
- ✓ adopting the Local Government Small Business Friendly Program

Functions	Objectives	Supporting Activities & Documents
Strategic Planning	<ul style="list-style-type: none"> • Sustainable economic development outcomes are considered and integrated into future plans and strategies • Local business is considered a key stakeholder in all planning activities • Impacts on the local economy and economic development outcomes are taken into consideration in all Council plans, strategies, policies, decisions and activities • Metrics are developed for measuring economic development outcomes 	<ul style="list-style-type: none"> ✓ Strategic Community Plan ✓ Economic Development Strategy ✓ Town Planning Strategy and Scheme ✓ Economic impact assessment on all Council agenda items ✓ Stakeholder Engagement with business
Policy & Regulation	<ul style="list-style-type: none"> • Policies are developed that articulate Council's support for Local Business • Policies take into consideration the impact on local business and local economy – reducing red tape • A risk-based approach is applied to regulation that impacts local business • Increase transparency of policies, fees, processes and decisions 	<ul style="list-style-type: none"> ✓ Town Centre Strategy ✓ Buy Local Policy ✓ Payment Terms for Local Business Policy ✓ Parking Local Law ✓ Activities in Thoroughfares, Public Places and Trading Local Law ✓ Policies for activities such as: <i>Town Planning</i> <i>Signage</i> <i>Bed & Breakfast Accommodation</i> <i>Home Businesses</i> <i>Parking</i> ✓ Approvals Self-assessment ✓ Licence fees ✓ Local Laws harmonisation ✓ Rates incentives ✓ Local Government regulations
Business Support	<ul style="list-style-type: none"> • Local businesses are proactively supported • New and prospective businesses are supported 	<ul style="list-style-type: none"> ✓ Local Government Small Business Friendly Program (SBDC) ✓ Grants programs ✓ Incubator/co-working spaces ✓ Information and networking sessions ✓ Regular business engagement ✓ Business workshops ✓ Events and Expos ✓ Dedicated Economic Development Officer ✓ Local business awards ✓ Support for local business networks and associations ✓ Packaged information for prospective business operators ✓ Information on upcoming works ✓ Seed funding to emerging or start up local businesses ✓ Business Surveys

Functions	Objectives	Supporting Activities & Documents
<p>Cooperation & Partnerships</p>	<ul style="list-style-type: none"> • Partnering with neighbouring local governments for regional economic development is viewed as critical for supporting local economies • Collaborating with State Government and Federal Government is viewed as critical for delivering economic outcomes through integrated planning and funding • Partnerships and collaboration with key stakeholders including academic institutions, industry and landholders are actively developed 	<ul style="list-style-type: none"> ✓ Voluntary Regional Councils and Alliances ✓ Regional Economic Development Strategies ✓ Regional Tourism and Destination Marketing ✓ Research Projects with Tertiary Institutions ✓ Joint Venture land developments ✓ Business Mentoring Programs ✓ Regional Infrastructure projects ✓ Regional Subsidiaries ✓ Beneficial Enterprises
<p>Promotion & Attraction</p>	<ul style="list-style-type: none"> • Comparative and competitive advantages are identified • Comparative and competitive advantages are promoted locally, regionally, nationally and internationally • New business is actively encouraged • Competition is acknowledged as important for economic growth • Amenity improvements contribute to community wellbeing and attract visitors and tourists 	<ul style="list-style-type: none"> ✓ Investment Prospectus ✓ Hosting investors ✓ Regional business and industry conferences ✓ International Investment Attraction Strategy ✓ Business Directory ✓ Place Activation ✓ Support for local markets ✓ Pop up business opportunities ✓ Marketing Plans ✓ Communication Plans ✓ Social Media Campaigns ✓ Tourist Trails
<p>Customer Service</p>	<ul style="list-style-type: none"> • The needs of local business are considered when developing customer service standards • The needs of local business are considered in all communications • The needs of local business are considered when dealing with applications and approvals 	<ul style="list-style-type: none"> ✓ Concierge/One Stop Shop for local business ✓ Communication – website, social media, newsletters ✓ Customer Service Charter ✓ Customer Service Standards and Complaints Management ✓ Approvals and payments ✓ Fees and charges



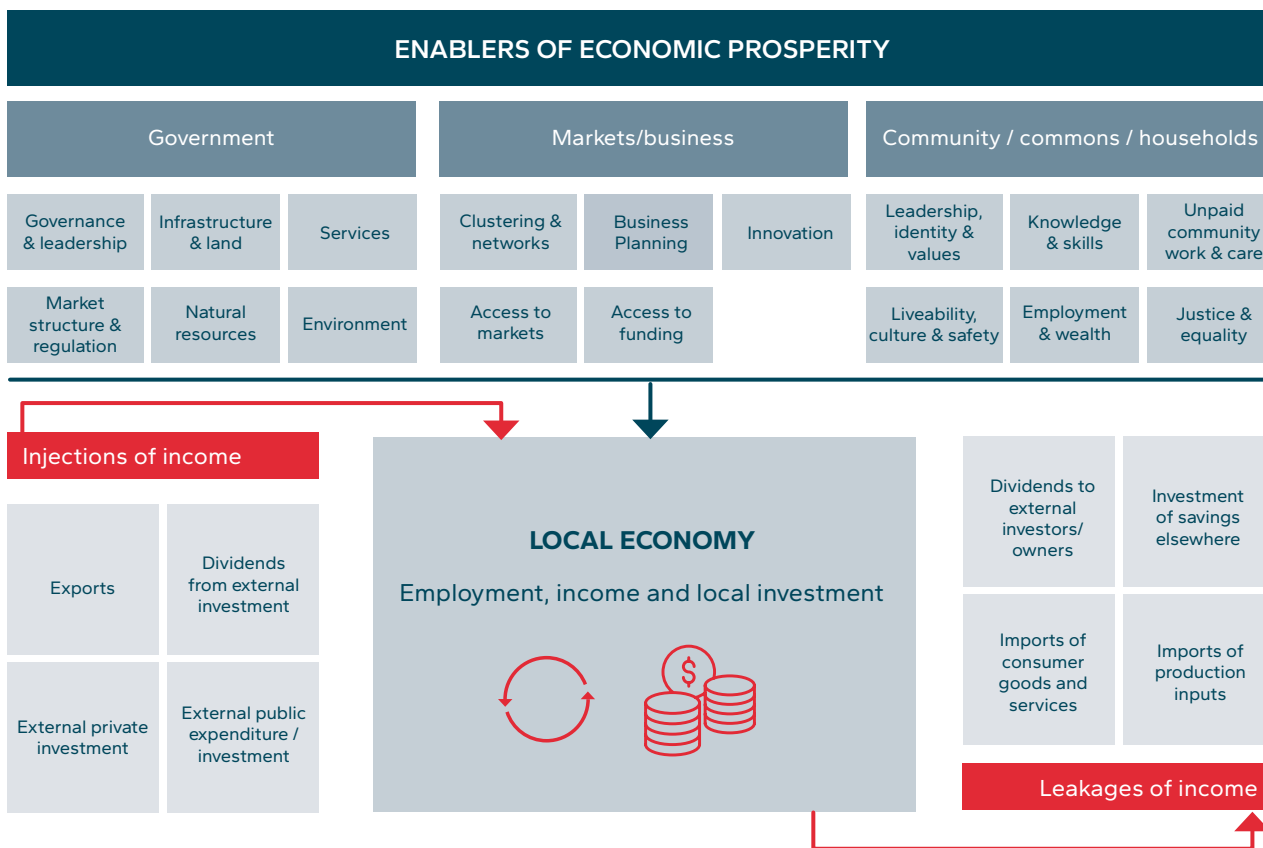
Functions	Objectives	Supporting Activities & Documents
Direct Service Delivery	<ul style="list-style-type: none"> Essential Local Government facilities, services and programs contribute to economic development outcomes Services are provided that respond to market failure 	<ul style="list-style-type: none"> ✓ Library services ✓ Community Resource Centres ✓ Recreation facilities and services ✓ Visitor Centres ✓ Medical and allied health services ✓ Internet services ✓ Housing ✓ Aged accommodation ✓ Regional airports and ports ✓ Caravan Parks and RV friendly program ✓ Community partnerships to operate cafés and supermarkets
Land & Infrastructure	<ul style="list-style-type: none"> Infrastructure contributes significantly to local and regional economies Land is developed to facilitate industry or housing development 	<ul style="list-style-type: none"> ✓ Asset Management Plans ✓ Capital Works Programs ✓ Land development public/private partnerships ✓ Borrowing for intergenerational infrastructure provision ✓ Leveraging existing assets
Advocacy	<ul style="list-style-type: none"> Local Governments advocate to other levels of government for support and funding for economic development projects Local Governments work in collaboration with other Local Governments to advocate to other levels of government for support and funding for economic development projects 	<ul style="list-style-type: none"> ✓ Business Cases ✓ State and Commonwealth Funding programs ✓ Lobbying local Members of Parliament ✓ Delegations to Parliament and Government agencies ✓ WALGA Zones and State Council ✓ Advocating to State Government agencies for services

In identifying where Local Governments might best direct their efforts to improve business and employment formation and community wealth building, an economic audit method based on three pillars – market, government and community can be applied (see figure below).

This method starts by identifying and measuring the principal income injections into the local economy, from inter-regional exports, inward investment and the like. These drive local employment and business income multipliers. That is, enterprises which succeed in expanding sales to customers outside the municipality or region will lift their orders to local input suppliers which, in turn, will generate more business for their own suppliers, and so on. This supply chain effect typically boosts job numbers and the additional household spending that comes from this supports still further business and employment growth in sectors like retail, hospitality and other personal services.

Meanwhile, household and business expenditure leaks out of the LGA or regional economy due to local exporters sourcing their inputs from outside suppliers and local household similarly choosing to direct their consumption spending to external retailers and destinations. This will dilute local multiplier effects from income inject, though the audit process might also note that some business imports are crucial to the export performance of the host economy and cannot be realistically substituted with local suppliers due to the enduring competitive advantage of external providers.

The audit approach then postulates that the economy's capacity to boost income injections and stem unnecessary multiplier sapping leakages depends on a set of enablers grouped under the three pillars. The process of considering opportunities to improve the effectiveness of each enabler in turn will generate an initial agenda for action by Council and other parties interested in local economic development.



Conclusion: What makes for a good local economic development policy?

Effective local economic development policies and strategies will build a stronger, inclusive and prosperous community where residents and visitors have excellent access to quality services and businesses have great opportunities to invest and grow.

In delivering on this potential, Local Governments needs to keep a sharp eye on the agency which they have in economic development. While many things in the macro and regional economies will be outside local government’s influence, Local Governments can play a key role in multiple ways.

Local Governments are uniquely placed to prepare a vision for the local economy that a range of partners – business, community, State Government and Commonwealth Government can get behind. A well-articulated vision – which distils the essence of the municipality’s offer to businesses, workers and households - provides the logic and principles around which collaborative efforts can form. It would provide a basis for a consistent and compelling pitch to private and public investors alike.

A non-negotiable is that Council delivers excellent municipal services to its ratepayers in the business community. Enterprises and institutions in activity centres and employment districts will expect that Council gets the basics right in terms of cleansing, waste, public realm curation, traffic and parking management, food safety and the like. They would also appreciate leadership from Council on matters that might support their shared locality brands and business prospects including, for example, circular economy initiatives, cultural programming and access to training services. Likewise, prospective investors – both those new to the municipality and those already holding assets in the area – will want Council to run a welcoming and efficient approvals environment.

Local Governments are well placed to play a key role in driving economic development outcomes for the benefit of their community.





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