



WALGA

WORKING FOR LOCAL GOVERNMENT

Local Economic Development

Research findings
and future directions
May 2019

Introduction



The economic downturn has hit Western Australians hard. With our economy falling into recession for the first time in over 20 years, many workers have faced job losses or had their hours cut back in recent years.

While there are now signs that the economy is starting to improve, we still need to take a proactive approach to make sure that WA is on track for prosperity in the future, and that our quality of life continues to improve.

While there are many agencies from all levels of Government that are undertaking activities to support WA's future economic development, there are some issues with the current environment that mean that we may not be setting ourselves up for success.

Role of Local Government in ED

Although economic development is often considered to be the realm of Commonwealth and State Governments, Local Governments can also make an important contribution to improving the economy.

Often Local Governments are simply thought of in terms of their responsibilities for 'roads, rates and rubbish', but in fact the sector has a significant impact on the economic landscape. It has a broad range of responsibilities and functions which affect the economic and business environment, and oversees hundreds of local laws which influence the behaviour of businesses and consumers.



How Local Governments can influence the economy

- **Public goods** – Local Governments have significant responsibility for the provision of public goods and services, such as roads, bridges, footpaths, drainage, waste collection and management, parking, child-care, aged care and accommodation, community care and welfare services.
- **Merit goods** – The sector directly provides and encourages the consumption of merit goods, such as arts and cultural activities along with sport and recreation facilities including parks, sports fields and stadiums, golf courses, swimming pools, sport centres, halls, camping grounds and caravan parks.
- **Infrastructure** – Local Governments have a role as a direct provider of monopoly services and infrastructure such as waste management, airports, ports and marinas.
- **Regulation** – Many local regulations exist in order to minimise the impact of negative spill over effects on the community as a result of an activity. The key Local Government activities in this area include public health regulations and inspections such as water and food inspection, noise control and animal management. Local Governments also provide activities that encourage positive outcomes for the broader community such as immunisation services.
- **Incomplete or missing information** – Local Governments play a key role in encouraging the flow of information with business and the public to minimise information symmetry that may see consumers disadvantaged. Key examples of these types of activities include building services such as inspections, licensing and certification; and planning and development approval.

Significance of the WA Local Government sector's economic footprint in 2016-17

WA Local Government managed more than

\$48 billion

worth of assets



WA Local Government was responsible for more than

88%

of the public road network

WA Local Governments collected

\$976m

in fees and charges



\$2.2b

in rates revenue in order to fund community services



WA Local Governments spent

\$4.1b

on important services for the community



What Local Governments are doing to support their local economies?

Local Governments can and do undertake a range of activities to proactively support their local economy.

As each local community has different needs and priorities, there is no consistent approach. The types of activities that are being undertaken differ between metropolitan and regional Local Governments, depending on the size and capacity of each.



80%

of respondents to WALGA's Local Government survey consider the sector plays a key role in supporting local economic outcomes.



70%

of Local Governments allocated dedicated resources to economic development activities.



80%

of Elected Members Surveyed "usually" or "always" considered the impact of decisions on business and the economy.



56%

of Local Governments do not have in place an economic development strategy. This was particularly the case in regional WA (70%) and for those Local Governments which have limited financial and other resources (68%).

There are a wide range of activities being undertaken across the sector, with WALGA's Local Government Survey results showing that the most common activities include:

The provision of information through website and newsletters

80%



Business friendly policies

57%



Business networking events

60%

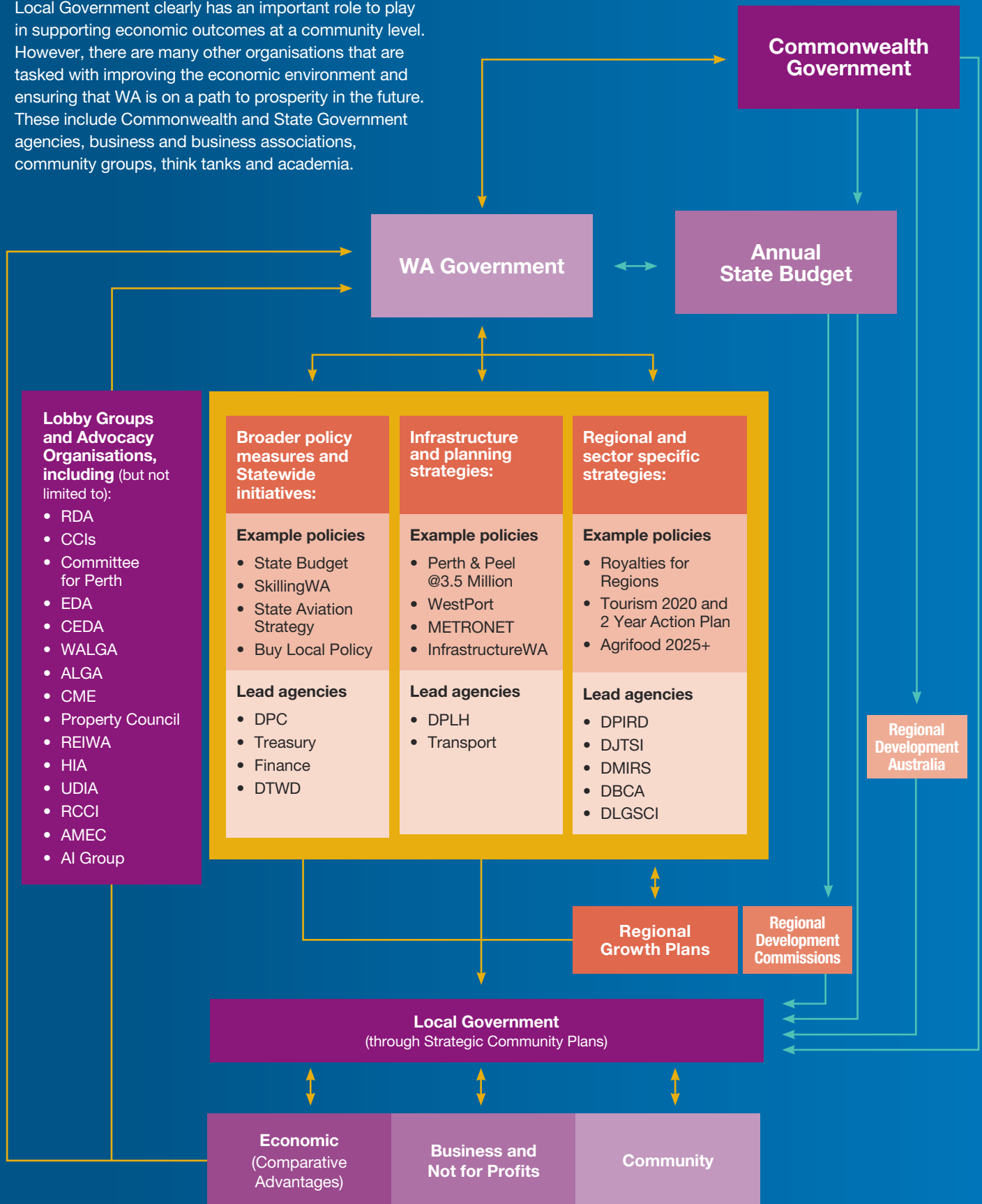


New investment attraction activities

39%

Economic Development Landscape

Local Government clearly has an important role to play in supporting economic outcomes at a community level. However, there are many other organisations that are tasked with improving the economic environment and ensuring that WA is on a path to prosperity in the future. These include Commonwealth and State Government agencies, business and business associations, community groups, think tanks and academia.



KEY:

- Policy area and lead agencies
- Agents in the system
- Funding relationship
- Policy relationship

Economic Development Landscape

While a range of activities are under way to support WA's future economic development, the current environment is not consistent with best practice.

PRINCIPLE:	WA ASSESSMENT:												
<p>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 activities. Local stakeholders have been consulted in the development of a local economic development strategy.</p>	<p>While collaboration is occurring between key stakeholders, this is often ad hoc or piecemeal, and in some cases collaboration is not occurring at all.</p> <p>LG collaboration with key agencies:</p> <table><tr><td>Other Local Governments</td><td>Local Chambers of Commerce and Industry</td><td>Regional Development Australia (RDA)</td></tr><tr><td>83%</td><td>55%</td><td>40%</td></tr><tr><td>Department of Primary Industry and Regional Development (DPIRD)</td><td>Department of Jobs, Science, Tourism and Innovation (JTSI)</td><td>70% of regional Local Governments are collaborating with Regional Development Commissions (RDCs)</td></tr><tr><td>23%</td><td>13%</td><td></td></tr></table>	Other Local Governments	Local Chambers of Commerce and Industry	Regional Development Australia (RDA)	83%	55%	40%	Department of Primary Industry and Regional Development (DPIRD)	Department of Jobs, Science, Tourism and Innovation (JTSI)	70% of regional Local Governments are collaborating with Regional Development Commissions (RDCs)	23%	13%	
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<p>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.</p>	<p>WA has no overarching State Economic Development Plan, no central agency responsible for the State's economic development, and no minister charged with the development and implementation of an economic development strategy. Local Government authorities are tasked with bringing together a disparate range of State Government policy directions and sources of funding as a means of crafting their own local area economic development strategy.</p>												
<p>Current and Emerging Competitive Advantage: Economic development strategies are structured in order to leverage their current and emerging competitive advantages, and the strengths of their local industries.</p>	<p>There isn't a consistent approach to the development of existing regional strategies and framing them around regional competitive advantages. The focus for economic development in WA in recent times has been centred on potential advantages, rather than building on the state's existing strengths.</p>												

As well as the broader systemic challenges, Local Governments have reported that there are a number of barriers that prevent the sector from doing more.



Addressing these issues will be important to place WA on a path to future success.

Reform Options

We need to be more strategic and ensure that all levels of Government, business and the community are working towards a common goal for our economic future.

To overcome these issues, WALGA has identified a number of reforms that the State Government should undertake to improve the economic development landscape in WA and free up Local Governments to deliver on their role in supporting local economic outcomes.

- **State Economic Development Strategy:** A State Economic Development Strategy should be developed, in consultation with Local Government and other key stakeholders. This will be an important tool to coordinate economic development activities, set out a clear direction, and make sure that all stakeholders are working towards common goals.

A State Economic Development Strategy should:

- Be based off a shared vision for the state's future, developed in consultation with key stakeholders and the community.
 - Consider a long term time horizon.
 - Build on the State's existing industry base and comparative advantages to capture the benefits from existing and emerging industries.
 - Include measurable targets and allocate responsibility for achieving these.
 - Align with the national policy agenda.
- **Structural review of Economic Development Functions:** A structural review of State Government economic development functions is needed to examine the existing functions, governance, skills and resourcing arrangements of agencies involved in economic development to reduce areas of duplication and overlap,

and ensure that these services are being delivered in the most efficient manner. This should be undertaken with a view to moving towards the best practice approach, including a single agency responsible for coordinating economic development at a State and Local level, and an Act of Parliament which vests responsibility to a Minister for Economic Development.

A structural review of State Government economic development functions should:

- Examine the role of the Regional Development Commissions (RDCs) and the current approach to regional planning, funding and program delivery.
 - Investigate options to align regional boundaries with functional areas targeting WA's competitive and comparative advantages rather than strict geographical boundaries.
 - Embed Local Government in the broader economic development ecosystem by formally recognising its responsibilities in the *Local Government Act 1995*.
- **Remove barriers for Local Governments:** Amendments to the *Local Government Act 1995* are needed to provide Local Governments the flexibility and autonomy to undertake economic development activities in an efficient way that will meet their community's needs and expectations. Amendments should focus on removing impediments to Local Governments' ability to raise revenue and recover costs; ability to borrow; and engage in flexible and innovative service delivery models.
- **Develop a policy agenda to support the future growth and development of the WA economy:** Such an agenda must focus on improving the productivity and competitiveness of existing industries through reforms that will create a more enabling business environment, as well as providing support to encourage the development of new and emerging industries.



How WALGA is supporting Local Governments

While there are a number of reforms that must be driven by the State Government, the Local Government sector also needs support to deliver on its economic development responsibilities.

WALGA has created an Economic Development Framework to assist Local Governments to understand their

role in economic development and provide a practical resource to assist in the creation of economic development strategies.

The Framework can be found at: <https://walga.asn.au/Policy-Advice-and-Advocacy/Economic-Development/Economic-Development-Framework>

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