Promoting Local Economic Development: A Role for Metropolitan Local Councils

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The Local Government Association of SA

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Executive Summary

This study is by nature ‘an investigative study’ to consider the current and prospective role of councils in local and regional (and thereby, state) economic development. What do councils say they currently do? Should councils seek (i.e., choose) to play a far more active role in those sectors of the economy that have traditionally not been the concern of councils, but which are clearly the platform for economic and social development?

If we are correct (and we assert) that new economic approaches to local and regional development and new theoretical insights support that local development is dependent on local actors (i.e., leadership) who are striving to improve human capital in the region, achieve full and efficient use of local assets (i.e., schools, institutes, training, education, community resources) and are instrumental in the building and sustaining of business networks and collaborative partnerships then what are the critical spheres of local government activity?

Some 87 per cent of metropolitan councils consider economic development (as defined in Box E.1) is a core function of council and two-thirds of metropolitan councils have dedicated staff resources to economic functions.

Box E.1: Economic Development (specifically defined)

| Development: | In its broadest sense, economic development refers to the process by which economies evolve and change over time, with particular attention usually focussed on changes in economic structure, rate of technological change and overall rate of growth (or decline) of activity levels and employment opportunities. Understanding those processes and their outcomes provides the basis for economic development strategies. |
| Strategy:     | An economic development strategy is a deliberately planned, on-going process intended to strengthen the capacity of a (national, regional or local) economy to increase living standards through the growth of employment, incomes and wealth. |
| Key Lesson:  | Studies of economic development processes reveal that economic development is most often “path dependent”. That is, the future economic development of a region or locality is strongly shaped by the economic path it followed to where it is today. |
| Time:        | It is not that economic development strategies cannot make much of a difference, but rather than they take substantial periods of time to make a difference and need to be developed with the long term in mind and to be applied strongly and consistently in a sustained and strategic way. |

Local economies are small and also very open economies – a substantial volume of goods and services flow into them (imports) and out of them (exports).

Councils individually and through regional collaboration have a role to play in economic development which is integral to achieving the core objectives of enhancing community development. A “Regional Councils” approach\(^1\) offers the prospect of a wider regional vision in the face of changing economic circumstances, larger scale projects (hard and soft infrastructure), economies of scale and resource sharing, a greater and strategic capacity for advocacy and delivery of a range of services.

Strategic land use planning can have a substantial impact on business investment appeal of a local area. Local government are also, in effect, partners in the early stages of business development projects through their role in development approvals.

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Partnerships between local councils, businesses and community leaders are instrumental to the design and implementation of “bottom-up” strategies for local development (economic and social).

Councils appear to be the principal agent in establishing partnerships with other organisations to advance local and regional development. A core role for councils includes the delivery of business advisory services. Councils can help to ease the path to business start-ups (e.g., zoning, reduce compliance time and costs, small business incubators, information).

Councils are designated as responsible authorities for undertaking functions and providing services on behalf of other government and they undertake a number of functions and services jointly with other governments. However, there has not been a systematic review of the potential for local government to assume a greater role in the delivery of human services that would contribute to stronger communities and stronger local and regional economies.

There has been a gradual trend towards much greater local council involvement in community and human services although relative to other states the growth in involvement and employment has been slower. The South Australian local government sector (in 2011) employed approximately 1.2 per cent of the total workforce compared to an average of 1.4 per cent nationally.

Local government has the most diverse occupational distribution, except for two occupational groups. The principal group is ‘Community and Personal Service Workers (SA: 6.8 per cent; National average 11.4 per cent); ‘Health and Welfare Support Workers’ and ‘Carers and Aides’ are also underrepresented in local councils and over-represented in State government.

The functions of local government permit the “provision of services and facilities that benefits its area … including health, welfare or community services …”. That is to say, new ways of assisting individuals, families and communities through more local and responsive design and delivery of services – the building of personal relationships – is a critical agenda item in the C21st.

Strengthening communities is a platform for strengthening economic development. New approaches, new ways of thinking favour ‘localism’, place-based, people focussed regionally specific approaches to regional and local economic development. The new ‘place-based’ approach, involves promoting economic development through a bottom-up approach in which partnerships between, especially, community leaders, business leaders and governments collaboratively develop visions and strategies and oversee the development and implementation of plans and specific initiatives.

Local government and regional bodies have an instrumental role in designing and implementing ‘bottom-up’ development strategies and also acting as administrative facilitators to the much needed ‘place-based’ solutions. State and Federal governments also have to a significant part to play, to support and maximise the process of development, further illustrating the need for tripartite partnerships for economic development.
1. The Purpose of this Report and a Guide to its Contents

1.1 Terms of reference and project scope

This Report expands on an earlier report by the South Australia Centre for Economic Studies (SACES) “Providing Local Economic Stimulus and Promoting Local Economic Development: Possibilities for Councils in South Australia”. In that report thirteen councils were surveyed: two metropolitan and eleven non-metropolitan.

At the time of commissioning the earlier report SACES had completed a review of the contribution of local government to implementing economic stimulus projects funded by the Federal Government in response to the Global Financial Crisis (GFC). The review concluded, in part, that local government has an important role to play in the delivery of ‘stimulus projects’ because they possess project management and delivery capabilities with employment of engineering and technical specialists comparable to, or greater than, state and territory governments. The SACES report pointed to lessons learned; including, *inter alia*, that future stimulus funding in response to a general economic downturn, or in response to a negative regional shock should be delivered by scaling up existing programs where stakeholder relationships are already well known and to target funding to local authorities rather than rely on competitive grant applications.

Following the release of these reports the Local Government Association and SACES broadened the research agenda to include consideration of:

(i) in what ways, additional to purchases of goods and services, councils could provide a short-run economic stimulus to their local economies; and

(ii) how councils might most effectively promote the longer run economic development of their local economies, including, potentially, through the use of their procurement budgets.

Local economies, delineated by jurisdictional boundaries of local governments, are small to very small measured by the total value of economic activity that occurs within them. Local economies are not only small but also very open economies – in the sense that substantial volumes of goods and services flow into them (imports) and out of them (exports). A simple description of key elements of a local economy and its income and capital leakages (imports) and injections (exports) is summarised in Diagram 1.1.

With respect to discretionary economic stimulus measures, given that local economies are small and open and local governments’ expenditures on goods and services are small relative to the aggregate value of economic activity in their local economies, SACES (2013b) had earlier concluded that local governments have negligible capacity to provide effective economic stimulus (estimated between 0.4 and 0.6 per cent).

However, contemporary approaches to economic development strategies, the importance of ‘place-based’ approaches and new approaches to regional development that emphasise the development of human capital and the identification and mobilisation of local assets placed local government at the centre of economic development. Partnerships with government, businesses and community leaders to develop ‘bottom-up’ strategies were necessary for local development and were identified as a core role for local government”.

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2 Published in July 2013, commissioned by the Local Government Association of South Australia.

Diagram 1.1: Key Elements of a Local Economy and its External Linkages

THE LOCAL ECONOMY: KEY LOCAL ACTORS
- local businesses producing goods and services for final consumption locally and/or export;
- local businesses producing intermediate goods and services (business inputs) for local use and/or export;
- local residents as workers;
- local residents as consumers/shoppers;
- local government as purchasers of inputs and suppliers of infrastructure and services to properties and people;
- local agencies of other governments supplying public sector services.

Leakages of Incomes and capital from the local economy (Imports)
- purchases by local businesses of consumer goods for local selling produced elsewhere;
- purchases by local businesses and local government of inputs from elsewhere;
- incomes of workers commuting from outside areas (net of local spending);
- spending by local residents on goods and services elsewhere (shopping visits, online purchases);
- spending by local residents on visits/holidays elsewhere;
- profits/dividends paid to out-of-area owners/shareholders;
- savings of local residents;
- taxes paid to State and Commonwealth governments;
- investments elsewhere by local businesses and residents.

Injections of Incomes and capital from outside the local economy (Exports)
- sales elsewhere by local businesses of goods and services produced locally;
- sales to out-of-area shoppers by local businesses;
- sales of visitor/tourism services;
- incomes of local welfare beneficiaries/pensioners from Commonwealth and State governments;
- incomes (net of purchases elsewhere) of local residents working elsewhere;
- interest income paid to local residents and/or savings and withdrawals by them;
- investments locally by out-of-area businesses or people;
- borrowings by local business or residents;
- grants from State and Commonwealth governments.

Respondent Councils to SACES survey stated that one of the principal means by which they facilitate economic development is by partnering with stakeholders such as businesses, regional development organisations and state agencies.

Economic development objectives are also explicitly included in council’s strategic plans as summarised in Box 1.1
Box 1.1: Economic Development Objectives Specified in Strategic Plans

The types of economic development objectives specified by local government in strategic plans include one or more of the following:

- creating partnerships with business and industry to identify needs, potential barriers to growth and development;
- attracting new businesses, diversifying the local economy, providing business support to existing businesses;
- enhancing or growing the tourism industry;
- encouraging and facilitating population growth;
- providing services and infrastructure to residents and business;
- zoning to ensure adequate land supply and appropriate land use (e.g. protecting existing agricultural land);
- promotion and marketing of the region; and
- developing export opportunities.

As a result of SACES initial study into the role of councils in economic stimulus and economic development, the researchers concluded:

“In relation to the ability of local governments to enhance the long run economic performance of their local economies, we conclude that not only can they do so but also that it is important that they actually do so. They can do so because, for example, they have the power to make their localities attractive places to invest in as well as live and work in, can use their land use planning strategically to attract new business investment and can use a wide variety of other measures to stimulate additional investment by existing businesses and new business start-ups by local people and to attract new sources of business investment. By planning strategically rather than behaving opportunistically in seeking to promote local economic development, local governments can substantially enhance local economic performance and local economic prosperity.

We conclude that it is important that local governments do promote local economic development because it is integral to the achievement of the core purpose and objective of local governments – to build and enhance community development. In fact, economic development and community development are opposite sides of the same coin: each reinforces the other. It is also important because effective local economic development strengthens regional economic development which, in turn, strengthens state economic development. Overlooking the importance of local economic development risks the loss of substantial benefits to the state as a whole, as well as to local communities.” (SACES, 2013b, pp. 59-60)

Following from the conclusion (above) both SACES and the Local Government Association considered it worthy to explore still further the role of local councils in contributing to local and state economic development. In this project we confine our attention to metropolitan councils.

1.2 Defining economic development

In a series of public policy discussion papers SACES has encouraged a process of re-thinking the role of central government in the task of economic and regional development, structural adjustment and social policy and community development. 4

Economic development refers to the process by which economies evolve and change over time, with particular focus on changes in economic and industry structure, the rate of technological change and overall rate of growth of activity levels and employment opportunities. Understanding those processes and their outcomes provides the basis for economic development strategies.

The most recent paper (SACES 2013b) examined the role of local government in maintaining and enhancing the economic performance of their local economies and hence the prosperity of members of their communities. The research concluded that local government had the ability to enhance the long-run performance of their local economies through the application of economic development strategies and that it was important that they actively do so. It was important “because promoting economic

4 SACES, Economic Issue Paper Numbers: 28, 37, 38, 39 and 40.
development is integral to achieving the core objective of enhancing community development and because effective local economic development strengthens regional economic development which, in turn enhances state economic development.” (p. 1).

Critical to the effective promotion of local economic development by councils in South Australia are the lessons to be learned from evaluations of strategies that have been used elsewhere. These especially include that:

- achieving the potential benefits of implementing economic development strategies takes substantial periods of time: it involves hard work and strategies have to be applied in a consistent, sustained way, probably being adjusted (strengthened) from time-to-time to ensure that they continue having a significant influence;
- some of the most important policy measures for improving local economic performance are not themselves under the direct control of councils – local amenities are, but school completion rates and crime reduction are not – so it is important, arguably vital, that local governments seek and obtain the cooperative support of relevant state public sector agencies for economic as well as social reasons; and
- overall, the conclusions lend strong support to the particular importance of what might be termed “getting the foundations right”, whatever else councils might choose to do to attempt to strengthen the economic performance of their local economies.

There are strong prospects for enhancing local economic development for all councils and the evidence suggests that the prospects will be best realised by using a place-based approach. This involves councils empowering members of the business and education sectors, other local organisations and the community at large to be partners with councils in fully identifying the assets the local economy has that can be drawn on and strengthened, in the development of visions, strategies and plans for promoting a stronger economic performance and in monitoring the implementation and outcomes of initiatives undertaken.

### 1.3 Methodology

For the purposes of this report, eighteen metropolitan councils in South Australia were surveyed. Replies were received from fifteen councils. Participating councils are listed in Box 1.2. Walkerville and West Torrens councils were sent a survey but declined to participate; no communication was received from the City of Burnside.

**Box 1.2 Councils surveyed**

<table>
<thead>
<tr>
<th>Adelaide City Council</th>
<th>City of Playford</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adelaide Hills Council</td>
<td>City of Port Adelaide Enfield</td>
</tr>
<tr>
<td>Campbelltown City Council</td>
<td>City of Prospect</td>
</tr>
<tr>
<td>City of Charles Sturt</td>
<td>City of Salisbury</td>
</tr>
<tr>
<td>City of Holdfast Bay</td>
<td>City of Tea Tree Gully</td>
</tr>
<tr>
<td>City of Marion</td>
<td>City of Unley</td>
</tr>
<tr>
<td>City of Mitcham</td>
<td>Town of Walkerville (non-responding)</td>
</tr>
<tr>
<td>City of Norwood, Payneham and St Peters</td>
<td>City of West Torrens (non-responding)</td>
</tr>
<tr>
<td>City of Onkaparinga</td>
<td>City of Burnside (no communication)</td>
</tr>
</tbody>
</table>

Councils that decided not to participate in the project were asked to provide answers to two questions only: (a) whether they have an economic development unit, and (b) whether they have a community development unit? Neither had an economic development unit; one had a community development unit.
1.4 A guide to the report

The report is structured in the following manner.

Chapter 2 provides commentary on the role local governments in economic development. It provides an overview of local government in South Australia and the scope of activities in which local government engage. In order to understand the capacity of local governments to engage in economic development activities local government spending is also considered. This section then examines the role local government has traditionally played in economic development as a precursor to Chapters 3 and 4.

Chapter 3 provides a summary of responses to the survey. It broadly follows the structure of the survey:

- policy, economic development objectives, projects;
- units and council staff to support development objectives;
- partnering and advocacy;
- procurement, specific local initiatives;
- pockets of disadvantage, social exclusion; and
- ideas for the future.

We also introduce the role of Community Centres and their relationship with local councils and the local community, citing previous research. Some 16 of the 18 councils surveyed have a community centres within their council area.

Chapter 4 provides a summary and conclusion to the research. The study is by nature “an investigative study” to ascertain the thoughts, views, opinions, activities and priorities of councils and as such does not contain recommendations.

Notwithstanding, we point to some matters for considerations for the future. For example, should councils seek to play a far more active role in those sectors of the economy that have traditionally not been the concern of council, but which are clearly the platform for economic and social development? What really are those sustainable factors/elements in business decisions to locate and invest? Are those factors subject to influence of council?
2. Local Government: Roles, Functions and Association with Economic Development

2.1 The roles of local governments in their local areas and their local economies

All local governments in Australia, those in South Australian included, under State Local Government Acts nowadays have the authority to provide for “good governance” of their local community through powers of general competence conferred on them: that is, they are able to take on any role not precluded by other legislation. They also are designated as responsible authorities for undertaking functions and providing services on behalf of other governments and they undertake a number of functions and services jointly with other governments, most notably in health and social services.

In broad terms, the principal roles of local governments in Australia include:

- representation of local interests;
- governance and advocacy;
- planning and community development;
- regulation;
- provision of infrastructure; and
- delivery of property-related and community-related services.

They have legislative and regulatory functions defined in statutes that enable them to make and enforce local laws within their jurisdictional area. Particularly important for present purposes, local governments are also responsible for undertaking land-use and environmental planning decisions and for assessing and approving development applications – although in these regards their decisions can be shaped, or constrained, by planning legislation and other State-wide strategies and plans drawn up by State governments.

There are significant differences in the patterns of expenditures by local governments between States as well as within them, for a variety of reasons. The only structural difference between Australian States arises from the fact that in some parts of Queensland, Tasmania and New South Wales, local governments remain involved in the provision of sewerage and water supply services. Other differences arise from historical and geographic circumstances and choices made by States and their local governments about services to be delivered by local governments. For example, councils in Western Australia and Queensland are required to maintain a larger than average network of roads; the Brisbane City Council, covering the whole Brisbane Metropolitan area, provides urban public transport services; and a significant proportion of councils in Victoria provide some health and community services on behalf of both the national and Victorian governments.

As a general observation pertinent to this Report, there would seem to be little or nothing, resource constraints apart, that would preclude local government in South Australia (or indeed Australia) from taking on whatever role they might wish to play in promoting economic development within their local economies.

We now turn to examine the roles and functions that councils in South Australian have chosen to play and to attempt to identify what of their chosen roles might be considered to be directed at, or at least associated with, local economic development. A further sub-section provides a brief discussion of the differences in roles played by local governments overseas compared to those in Australia and what

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5 The introduction to this sub-section draws on Chapter 2 of the Productivity Commission’s 2008 Research Report Assessing Local Government Revenue Raising Capacity, which offers more extensive comparative and historical perspectives than are relevant for present purposes.
significance there might be in those differences in enabling or constraining local governments to promote local economic development.

2.1.1 The roles played by local governments in South Australia

While there is no need for our purposes to examine in detail the roles and functions of local governments in South Australia, some high-level facts and data, and observations based on them, will help to begin the process of pointing towards the roles local governments do play, can play and arguably should play in promoting local economic development.

Table 2.1 sets out the service delivery functions the South Australian Local Government Grants Commission (SALGGC) identifies as material to its assessments of how the Commonwealth’s General Purpose funding for local governments in South Australia should be distributed to achieve as high a degree of fiscal capacity equalisation as is possible with the quantum of funds available while providing all councils with a specified minimum grant as required by Commonwealth legislation. While it does not include all service delivery functions, it covers the major functions and provides a finer-grained picture than is available from the Australian Bureau of Statistics (ABS) Functional Classification of Government Outlays. Using what research undertaken by SALGGC has identified as the principal drivers of expenditure needs for each council for each type of service, the list has been sorted between “traditional” property-related services that have been the core business of local governments since their establishment and the social (people and community-related) services that have become an increasingly large part of the roles played by local governments since the mid 20th Century.

Table 2.1: Principal service delivery functions and operating expenditure drivers for councils in South Australia identified by the South Australian Local Government Grants Commission

<table>
<thead>
<tr>
<th>Service Delivery Functions</th>
<th>Principal Drivers of Operating Expenditure Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Related Services</td>
<td></td>
</tr>
<tr>
<td>• Waste Management Services</td>
<td>No. of residential properties</td>
</tr>
<tr>
<td>• Stormwater Drainage Maintenance</td>
<td>No. of urban properties¹</td>
</tr>
<tr>
<td>• Local roads, footpaths and kerbing, etc.; maintenance and</td>
<td>Kms of roads, footpaths and kerbing², etc.</td>
</tr>
<tr>
<td>renewal²</td>
<td></td>
</tr>
<tr>
<td>• Planning and Building Control</td>
<td>No. of new developments and additions</td>
</tr>
<tr>
<td>• Public Order and Safety³</td>
<td>Total no. of properties, all types</td>
</tr>
<tr>
<td>People/Community Related Services</td>
<td></td>
</tr>
<tr>
<td>• Aged Care Services</td>
<td>Population 65+ years</td>
</tr>
<tr>
<td>• Services to Families and Children</td>
<td>Population 0-14 years</td>
</tr>
<tr>
<td>• Community Support Services⁴</td>
<td>Adjusted residential population⁴</td>
</tr>
<tr>
<td>• Library Services</td>
<td>No. of library visitors</td>
</tr>
<tr>
<td>• Sport and Recreation Services⁵</td>
<td>Population 5-64 years</td>
</tr>
<tr>
<td>• Health Inspection</td>
<td>No. of establishments to inspect</td>
</tr>
<tr>
<td>Other Services (where applicable)</td>
<td></td>
</tr>
<tr>
<td>• Cultural and Tourist Services</td>
<td>Expenditure needs assessed to be either</td>
</tr>
<tr>
<td>• Environmental and Coastal Protection Services⁶</td>
<td>high, medium or low⁶</td>
</tr>
<tr>
<td>• Jetties and Wharves Maintenance</td>
<td>No. of jetties and wharves</td>
</tr>
<tr>
<td>• Bridge Maintenance</td>
<td>No. of bridges</td>
</tr>
</tbody>
</table>

Notes: ¹ All residential, industrial and commercial properties, including rates-exempt properties.
² For each council, expenditure categories are subdivided into (e.g.) sealed/unsealed, formed/unformed, built-up area/not built-up, and are also adjusted for soil type, rainfall, drainage and materials haulage, to reflect the different drivers of costs per km for maintenance and renewal of road and related infrastructure. Expenditures recorded in this category also include operating outlays on traffic management, bus shelters, car parks, street-cleaning, street-lighting and street-scaping.
³ Includes, among other things, emergency services, fire protection, crime prevention and dog and cat control.
⁴ Includes preventative and other health services, various uses of community centres and halls, and provision of community transport and/or town bus services, as well as broader community assistance and support. Population numbers of each council are adjusted by a SEIFA Index of Advantage/Disadvantage to reflect the likely differential effects of the socio-economic characteristics of council areas.
⁵ Includes maintenance of parks and gardens (and public conveniences) as well as use of indoor and outdoor sport and recreation facilities.
⁶ For these services, and a number of other cost-driving factors which differ significantly between council areas, SALGGC makes judgements about their likely influence on councils’ expenditure needs based on experience, evidence submitted to it and knowledge gained through Commission visits to council areas.

SALGGC does not publish the expenditure data it gathers from councils against each of these service delivery functions. However, data published by the Office of State/Local Relations, presented in Table 2.2, provides broad orders of magnitude for some of the largest groupings of functions, representing, in total, more than half ($957 million) of total operating outlays ($1,724 million) by local governments in South Australia in 2010-11.

Not surprisingly expenses for maintaining and renewing roads, footpaths and kerbing is by far the largest source of operating expenses, but other categories, notably sports and recreation and community services and public safety, are not completely dwarfed by it.

Sitting behind the provision of services to properties and to people is some $19.1 billion worth of physical assets (valued at depreciated replacement cost) owned and managed by local governments, not the least being the huge networks of roads, footpaths and stormwater drains. Table 2.3 identifies the principal forms of non-financial assets owned and/or managed by councils, while Figure 2.1 indicates the shares of different physical asset types in the total value.

Table 2.2: Total Operating Cost of Selected Council Services: 2010-11 (all councils combined)

<table>
<thead>
<tr>
<th>Selected Council Services</th>
<th>Total Operating Cost ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintaining and renewing roads, footpaths and kerbing</td>
<td>313</td>
</tr>
<tr>
<td>Recreation and sport</td>
<td>200</td>
</tr>
<tr>
<td>Community services and public safety</td>
<td>193</td>
</tr>
<tr>
<td>Waste recycling</td>
<td>143</td>
</tr>
<tr>
<td>Libraries and culture</td>
<td>108</td>
</tr>
</tbody>
</table>


Table 2.3: Principal forms of non-financial assets (i.e. infrastructure and other physical assets) held by councils

- Land constituting council reserves, including land held for real estate developments;
- Land improvements including, for example: footpaths; car park seal or pavement and kerbing; playground equipment; fencing on reserves; reserve furniture; sports courts/facilities; irrigation equipment reserves; landscaping reserves; and other structures;
- Infrastructure, especially roads and footpaths and stormwater drains;
- Buildings and other structures, including offices, libraries, sport and recreational facilities etc., and investment properties;
- Plant and Equipment;
- Furniture and Fittings;
- Library Books; and
- Inventories, including work-in-progress.

Source: various, including councils’ annual reports.

From the perspective of the role of councils in promoting economic development, several points can be made.

The first point is that the operating outlays and related services identified in Table 2.1 that SALGGC takes into account in assessing the appropriate distribution of Commonwealth General Purpose grants among councils does not include what might be termed Economic Development Services. In a methodology review undertaken by SALGGC in 2006-07 expenditures on Economic Development Services were identified and modelled to assess whether their inclusion in the Commission assessments would make a material difference. A decision was made not to include them, on the grounds that their inclusion would not make a material difference to SALGGC’s assessments.
That councils’ expenditures in aggregate across the State which are attributable to economic development services are, indeed, small is confirmed by data from the functional classification of outlays by local governments in South Australia, set out in Figure 2.2.

At only 3 per cent of total operating expenses by all councils of $1,724 million in 2010-11, spending on economic development amounted to only $51.7 million spread across 68 councils, with the large metropolitan councils likely accounting for a particularly substantial share.

However, this should not be taken to necessarily mean that economic development activities by councils are nugatory. The survey of metropolitan councils undertaken for preparation of this Report suggests that half maintain an economic development unit and certainly the largest of councils employ...
an Economic or Business Development officer (councils also support Business Development officers and functions through their contribution to RDA funding); that the costs of many of the economic development policies and initiatives they adopt will show up in other functional areas’ operating expenses rather than in a consolidated economic development budget (e.g., the cost of giving preferences to local suppliers in procurement decisions); and that the costs of some activities they undertake which probably do get recorded in economic development expenses are small to very small (e.g., promoting ‘buy local’ campaigns, providing information and marketing about their local economy and/or providing support for the provisions of business advice). Moreover, for relatively modest financial contributions to their regional RDAs, local governments benefit from the contributions of other governments in developing regional strategic plans and from the funding of initiatives in their regions from Commonwealth and State regional development grant funding, even if the initiatives are not geographically located in their area of jurisdiction. For particularly large strategies and initiatives, moreover, councils may be able to attract State (and possibly Commonwealth) financial and/or in-kind support: this is particularly likely when an area has suffered sustained adverse economic circumstances or where it is central to State government plans for, for example, population growth or promoting economic diversity or contributing to the seven State strategic priorities.

Equally important, if not more so, some of the most effective – and cost-effective – things local governments can do to help increase the economic health and prosperity of their local areas amount to focussing on doing better what they already do as part of their core function. For example, improved strategic planning, strengthened community and business engagement in the development of visions, strategies and plans, greater consultation with RDAs and other governments, making fuller use of their natural attributes and/or natural resources, providing more adequate and/or higher quality local infrastructure, services and amenities and more strategic and flexible zoning and streamlined development applications processes, among other things that “get the foundations right”, can help make their locality a more attractive place to live, work and invest in, irrespective of what more targeted economic development initiatives they might, or might not, pursue.

So, the bottom line so far as this first point is concerned is that small budgets specifically designated for economic development do not necessarily signify a lack of commitment to promoting local economic development and much can be achieved with relatively modest funding.

The second point to be made about the fact that councils currently appear to provide limited dedicated resources to local economic development, related to part of the first point, is that much of what councils do as part of their core functions will affect local economic activity, even if only incidentally to some other purpose.

At the broadest level, strategic land use planning, which is a significant responsibility of local governments, can have a substantial impact on the business investment appeal of a local area by ensuring that adequate and appropriate land is available for business and industrial development. Local governments are also, in effect, partners in the early stages of business development projects through their role in development approvals. And, of course, they provide the local infrastructure that facilitates business activity, especially roads, drains and the like.

Of more direct impact on local economic activity are local governments’:

- expenditures on goods and services for the provision and maintenance of services to residents (especially the extent to which supply contracts go to local rather than out-of-area businesses);
- expenditures on asset renewal/replacement and on new/upgraded assets (again, especially the extent to which supply contracts go to local rather than out-of-area businesses);
rate setting policies and fees and charges related to business activities, which can influence business activity levels and types of business activity;

planning and approvals processes, including especially land use and town planning and building approvals, which can influence whether and what types of business activity can occur in their local areas (commercial, industrial, etc), and whether and to what extent there is residential and/or other building and construction activity occurring in their local areas;

promotional activities of benefit to local businesses (e.g., tourism promotion through advertising, community festivals etc); and

whether and to what extent local governments themselves engage in commercial activities (e.g., land development, or running local airports, caravan parks, abattoirs or sale yards, or recycling etc.) which would not otherwise have occurred and which use local labour and other inputs.

It is also the case that local governments may be able to influence local economic activity levels to the extent that they are able to influence local spending by the Commonwealth or State governments for their own purposes – for example, capital expenditures on State or national roads or on school and police buildings that employ local inputs or where other governments’ agencies locate staff and purchase local inputs for service delivery purposes.

All that said, the fact that local governments’ local economies are typically only part of larger natural or functional economic regions dictates that they should participate in the development and implementation of economic development strategies and plans cooperatively at appropriate regional scale, and embed their local-area-specific strategies and initiatives within them, in order to achieve maximum effect. Regional organisations of councils and RDAs provide vehicles for doing so – differently for different purposes – and in the case of RDAs access to Commonwealth funding for infrastructure projects. Although not always seen to do so, the development of RDAs has arguably drawn local governments more firmly into economic development strategy and given greater prominence to the importance of localism as the foundation for economic development decision-making by central governments.

The decision of the South Australian State government to withdraw from core funding is, in our view, a retrograde step which flies in the face of modern thinking about and practice of local and regional economic development promoted by the OECD and other international expert authorities

2.1.2 The roles of local governments overseas

As measured by expenditures, local governments in Australia have a much more limited scale and scope of local activities than those in virtually every other part of the developed world. The ratio of aggregate outlays by local governments to GDP in Australia is about 2.5 per cent. In other mature federations (Canada, Germany, Switzerland and the USA), local government outlays range from about 6.5 per cent to about 10 per cent of GDP. Looked at in terms of taxation revenues, local government revenues in Australia constitute less than 3 per cent of total taxation revenues collected by all governments, compared with about 8 per cent in Canada and Germany and almost 15 per cent in the United States. In most developed economies with essentially unitary systems of government, the functions delegated to local government generally involve even larger ratios to GDP – for example, about 14 per cent in the United Kingdom and about 37 per cent in Denmark, with most somewhere in the teens (though note New Zealand as an outlier at only 4.5 per cent). The differences between Australia and elsewhere reflect the facts that:

• in other federations, local governments have some expenditure functions that are reserved to State level in Australia, most notably primary and secondary education, health including hospitals, police and justice services, and utilities, though variable across countries; and
• in unitary systems, local governments tend to be a hybrid, with even more of what are State level functions in most federations and sometimes even some of what are central government functions in most federations.

What makes the differences particularly significant from an economic development perspective is that, along with the quality of local amenities, the variables that have been demonstrated to most strongly and consistently explain differences in the economic prosperity of different localities are high school completion rates (high completion rates lead to higher economic prosperity) and crime rates (higher crime rates lead to lower economic prosperity). In other countries, local governments have a capacity to directly influence those important variables whereas in Australia localities rely almost entirely on State government agencies to achieve the desired outcomes. This is a matter of substantial significance where a cooperative place-shaped approach between local governments and the relevant State agencies in South Australia could have substantial pay-offs, State-wide.

On the revenue raising side, there are obviously related differences, too. However it is notable (though unsurprising) that a large part of the difference in scope and scale of local government expenditures between Australia and other countries is funded by larger grants from other levels of government. For example, while the best estimate of Commonwealth and State grants to local governments in Australia is that they represent about 17 per cent of local government total revenues (PC 2008), in the USA grants to local governments represent about 40 per cent of local government total revenues. The gap between own-source revenues relative to GDP in Australia and the USA is significantly smaller than the gap between own-purpose outlays relative to GDP (5 percentage points vs. 6 percentage points). At the same time, local governments elsewhere also sometimes have a wider range of own-source revenue-raising powers. Again, the difference between Australia and the USA is most notable among federal countries. In the USA over 13 per cent of local government own-source revenues are raised from sales taxes (over 10 per cent) and personal and corporate income taxes (about 3 per cent) compared with property taxes representing about 28 per cent of total revenues. This gives local governments in the US different ways of influencing local economic activity through revenue raising strategies and arguably more effective ways of doing so.

The greater capacity of local governments elsewhere to influence local economic development and growth does not derive from them having a specific instrument or set of instruments for doing so. Rather, like for central governments, it derives from them using their fiscal and regulatory powers to influence activity. Their influence is potentially greater than for local governments in Australia because of the size and scope of their fiscal and regulatory powers. Also, importantly, especially in recent years local governments elsewhere (in the UK and Europe in particular) have used partnerships between themselves, businesses and their communities to help develop and implement strategies to promote local economic development – similar in intent to what RDA Committees are attempting at a regional level in Australia. In some cases – particularly in larger cities – the partnership activities have been formalised and institutionalised through the establishment of local development agencies to implement the collaboratively agreed strategies, often with names (e.g., Invest Toronto) that reflect the essence of the strategy.

The increased use of partnerships including participation by the business sector as well as community representation reflects recognition of at least two facts. One is that mobilisation of endogenous local resources to enhance local economic development and growth requires participation by the business sector. The other is that, even if they have economic development officers and economic development strategies, business and economic development is not a core competence of local governments.
The latter point is a very important contextual matter. Local governments are democratically constituted entities charged with protecting and enhancing the lives, and representing the interests, of their constituents. Their principal roles and core competencies lie in:

- representation of the interests of their communities and accountability to them;
- service delivery and land use planning to meet community needs;
- management of the supply of amenities and services; and
- environmental management at a local level.

If local governments want to achieve objectives and outcomes that lie outside these core roles, they need to draw in and engage with those who have the competences that local governments themselves naturally lack – or at least have no comparative advantage in providing. This is especially the case with promoting economic development and growth where the principal actors with the required knowledge skills are businesses. Partnerships with the business community provide the vehicle through which local governments can have an effective influence on local economic development.

### 2.2 Scope of activities

Local Government South Australia are able by law to take on any role not precluded by any other legislation. The South Australian Local Government Act defines the functions of local governments as:

- to plan at the local and regional level for the development and future requirements of its area;
- to provide services and facilities that benefit its area, its ratepayers and residents, and visitors to its area (including general public services of facilities (including electricity, gas and water services, and waste collection control or disposal services or facilities), health, welfare or community services or facilities, and cultural or recreational services or facilities);
- to provide for the welfare, well-being and interests of individuals and groups within its community;
- to take measures to protect its area from natural and other hazards and to mitigate the effects of such hazards;
- to manage, develop, protect, restore, enhance and conserve the environment in an ecologically sustainable manner, and to improve amenity;
- to provide infrastructure for its community and for development within its area (including infrastructure that helps to protect any part of the local of broader community from any hazard or other event, or that assists in the management of any area);
- to promote its area and to provide an attractive climate and locations for the development of business, commerce, industry and tourism;
- to establish or support organisations or programs that benefit people in its area or local government generally;
- to manage and, if appropriate, develop, public areas vested in, or occupied by, the council;
- to manage, improve and develop resources available to the council;
- to undertake other functions and activities conferred by or under an Act.

This list of functions provides an indication of the breadth of activities which local governments are able to undertake. It provides the methods which local government are able to engage in economic development activities either individually or in concert with other councils and/or other organisations.

A snapshot of the range of services undertaken by councils includes, *inter alia*, the following:

- Waste management services;
- Stormwater drainage management;
- Local roads, footpaths and kerbing;
- Planning and building control;
- Public order and safety;
- Aged care services;
- Services to families and children;
- Community support services;
- Library services;
- Sport and recreation services;
- Health inspection services;
- Cultural and tourist services;
- Environmental and coastal protection services; and
- Jetties, bridges and wharves maintenance.

A number of these services are the traditional remit of local councils, while others result from the availability of (mostly) Commonwealth program funding and still others are the result of a combination of ownership of a facility, management, administration and funding directed towards a particular section of the community (e.g., provision of aged care accommodation).

There has been a gradual trend towards much greater local council involvement in community and human services although relative to other states the growth in involvement and employment has been slower. The South Australian local government sector (in 2011) employed approximately 1.2 per cent of the total workforce compared to an average of 1.4 per cent nationally. Compared to other tiers of government local government has the most diverse occupational distribution, except for two occupational groups. The principal group is ‘Community and Personal Service Workers’ (SA: 6.8 per cent; National average 11.4 per cent); ‘Health and Welfare Support Workers’ and ‘Carers and Aides’ are underrepresented in local councils and over-represented in State government.

A number of factors could contribute to this; the number and relative size of councils in South Australia; a unwillingness or lack of capacity to ‘move into’ this sector; the centralisation of State government employment and service delivery; inability or unwillingness of state service delivery agencies to tailor how services are delivered to communities (and how communities want them delivered).

The functions of local government permit the “provision of services and facilities that benefits its area … including health, welfare or community services …”. That is to say, new ways of assisting individuals, families and communities through more local and responsive design and delivery of services – the building of personal relationships – is a critical agenda item in the 21st. Strengthening communities is a platform for strengthening economic development.

Innovation in the ‘what and the way’ things are done locally are required with a strong focus on outcomes and long-term objectives. Fundamental re-thinking and new approach to the delivery of services is required in 21st.

With respect to spending on economic development SACES previously estimated that this constituted only three per cent of total operating expenditures for councils in South Australia. However other activities undertaken by councils although not specifically considered by councils to be economic development are likely to contribute to economic development of the area. For example spending on a
community centre (which in a number of metropolitan council areas are owned and funded by council) would be likely classified by councils as community development funding. However, community centres often have an economic development contribution in that they provide for the improvement of skills and hence employment prospects through such things as foundation skills programs, adult community education courses and childcare services.

Other activities – policies, practices, procurement, provision of services – can also support local economic development and councils indicate they attempt to do so through the following ways:

- provision for council tenders and contracts to be open to local suppliers of goods and services, sometimes for local suppliers to be given preference;
- policies specific for businesses for the setting of rates and fees;
- ensuring that planning and approvals processes encourage development proposals;
- advocating for State and Commonwealth government project contracts to be awarded to local suppliers of goods and services;
- promoting the area in ways which are beneficial to local businesses, e.g. through tourism festivals etc.; and
- engaging in commercial activities themselves.

2.3 Council spending

Metropolitan councils generally have higher operating costs than non-metropolitan councils. Total operating expenses for councils in South Australia amounted to $1.83 billion in 2012; of this metropolitan councils accounted for approximately 62 per cent of the total.

Table 2.4: Metropolitan councils: operating expenses (2011/12)

<table>
<thead>
<tr>
<th>Metropolitan Councils</th>
<th>Operating Expenses ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adelaide City</td>
<td>157,800</td>
</tr>
<tr>
<td>Adelaide Hills</td>
<td>35,969</td>
</tr>
<tr>
<td>Burnside</td>
<td>37,658</td>
</tr>
<tr>
<td>Campbelltown</td>
<td>32,069</td>
</tr>
<tr>
<td>Charles Sturt</td>
<td>88,828</td>
</tr>
<tr>
<td>Holdfast Bay City</td>
<td>50,023</td>
</tr>
<tr>
<td>Marion</td>
<td>63,877</td>
</tr>
<tr>
<td>Mitcham</td>
<td>48,252</td>
</tr>
<tr>
<td>Norwood, Payneham and St Peters</td>
<td>35,282</td>
</tr>
<tr>
<td>Onkaparinga</td>
<td>124,059</td>
</tr>
<tr>
<td>Playford</td>
<td>75,585</td>
</tr>
<tr>
<td>Port Adelaide Enfield</td>
<td>97,683</td>
</tr>
<tr>
<td>Prospect</td>
<td>19,812</td>
</tr>
<tr>
<td>Salisbury</td>
<td>95,984</td>
</tr>
<tr>
<td>Tea Tree Gully</td>
<td>71,641</td>
</tr>
<tr>
<td>Unley City</td>
<td>36,257</td>
</tr>
<tr>
<td>Walkerville</td>
<td>8,681</td>
</tr>
<tr>
<td>West Torrens</td>
<td>51,353</td>
</tr>
<tr>
<td>Total (18 Councils)</td>
<td>1,130,813</td>
</tr>
</tbody>
</table>

Source: Local Government Association of SA.
Figure 2.3 shows how operating expenses for metropolitan councils are broadly categorised. The distribution of operating expenses for rural councils is generally similar with employee costs constituting less and depreciation, amortisation and impairment constituting more.

**Figure 2.3: Metropolitan council operating expenses, 2012**

In terms of operating expenses per head of population Campbelltown had the lowest in the state, followed by Salisbury. Generally the councils with the lowest operating expenses per head are metropolitan with large populations suggesting that there are clear economies of scale available to metropolitan councils (e.g., Coober Pedy has the highest operating expenses per head at $8,437).

The economic impact on local economies of local governments' expenditures on purchases of goods and services, materials etc. depends on the magnitude of their expenditures relative to the total scale of economic activity within their local economies and on the degree of local content in the goods and services purchased as well as on the magnitude of the expenditure increase.

Table 2.5 provides a summary of the estimated expenditure by non-metropolitan councils, by category, and the extent of expenditure locally. The calculations and estimates of expenditure are more difficult to derive for metropolitan councils (and are perhaps less relevant) because a local economy does not conform to a jurisdictional boundary. A good illustration of this is that smaller, non-metropolitan councils were significant local employers with between 50 to 100 per cent of council staff residing in the council area. For metropolitan councils the figure is only 30 per cent of local council employees residing within the service area of the council for which they work.
Table 2.5: Estimates provided by councils including in economic stimulus survey* of local content of expenditure by category and per cent of local spend

<table>
<thead>
<tr>
<th>Categories of Expenditure</th>
<th>($) Dollars</th>
<th>% Spent locally (low – high)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital expenditure, Non-current assets – Property, plant and equipment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land improvements (1)</td>
<td>0 - 10,706,000</td>
<td>30 - 100</td>
</tr>
<tr>
<td>Buildings/structures</td>
<td>17,189 - 6,843,000</td>
<td>40 - 95</td>
</tr>
<tr>
<td>Infrastructure (2)</td>
<td>1,187,210 - 14,268,341</td>
<td>1 - 100</td>
</tr>
<tr>
<td>Plant, machinery and minor plant</td>
<td>280,000 - 2,287,583</td>
<td>0 - 90</td>
</tr>
<tr>
<td>Office equipment</td>
<td>$6,000 - 435,854</td>
<td>0 - 100</td>
</tr>
<tr>
<td>Library books</td>
<td>15,989 - 133,000</td>
<td>0 - 100</td>
</tr>
<tr>
<td>Other</td>
<td>3,163,498 - 28,310,618</td>
<td>0 - 60</td>
</tr>
<tr>
<td><strong>Employee costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary and wages</td>
<td>1,550,690 - 32,819,000</td>
<td>50 - 100</td>
</tr>
<tr>
<td><strong>Other materials, contracts and expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contractors</td>
<td>420,615 - 26,517,000</td>
<td>2 - 90</td>
</tr>
<tr>
<td>Maintenance</td>
<td>434,413 - 4,575,548</td>
<td>25 - 95</td>
</tr>
<tr>
<td>Legal expenses</td>
<td>13,365 - 556,513</td>
<td>0 - 11</td>
</tr>
<tr>
<td>Parts, accessories and consumables</td>
<td>330,505 - 3,883,538</td>
<td>8 - 90</td>
</tr>
<tr>
<td>Professional services</td>
<td>12,000 - 892,000</td>
<td>0 - 50</td>
</tr>
<tr>
<td>Other</td>
<td>60,228 - 10,243,000</td>
<td>22 -90</td>
</tr>
</tbody>
</table>

*Source: SACES calculations from data provided by surveyed councils.
3. A Framework for Economic Development

Theoretically the capacity of councils to provide for local economic development is only limited by the relevant Local Government Act and councils are permitted to take on any role not precluded by any other legislation.

In reality a number of councils are limited in their capacity to provide economic development. Although councils have a potentially unlimited list of roles they can take on to achieve local economic development they face budget constraints and staffing constraints in their capacity to take on these roles.

3.1 New understanding of the processes for local and regional development

Understanding the processes of economic development and their outcomes provides the basis for local and regional economic development strategies. Hence, it is therefore important that we understand the process of economic growth, and what drives growth and development in the long-term.

The 'old' theoretical and empirical findings that led to public policies to drive growth where based on the process of accumulation of exogenous capital (i.e., assets not pertaining to the region) within a spatial concentration. Public policies were largely ‘top down’, driven by central governments, often featuring the provision of financial and other incentives to attract business investment to lagging regions. Factors such as large scale infrastructure (Whyalla and shipbuilding) and attracting manufacturing industries (GMH: Elizabeth) to a region (manufacturing which contain both physical and technological capital) were pursued to create ‘growth poles’, the spark needed to ‘jump start’ the economy in lagging regions. However, such strategies proved unsustainable and costly.

The “old approach” is still evident in public policy formulation and program design and funding. The old approach reflects a desire for centralisation and administrative efficiency, but that is not the key limitation. The key limitation is that a significant number of programs and the administration of bureaucratic systems are based on “one size fits all” when clearly this can never be the case (for effective outcomes) and this approach has essentially failed to deliver outcomes that are sustainable and relevant to a region/provincial city/council.

New findings suggest that regional growth is driven from endogenous capital (i.e., assets from within the region). The core finding of the new theories of growth emphasises the particular role of endogenous human capital (i.e., local actors) as critically important. Better (i.e., skilled) local actors who are capable of using local assets more efficiently in response to market opportunities leads to innovation and ultimately drives growth within the region.

The primary economic drivers include:
- skilled people and high levels of human capital;
- entrepreneurship;
- innovation (both technological and non-technological);
- equipment embodying technology; and
- quality of other inputs/intermediate goods.

Then there are supporting socio-economic factors including:
- education and training, vocational skills (DECD, DFEEST, Skills for All);
- family and community services (now part of DECD);
health services;
- housing;
- recreation, sport, arts, culture, facilities and events; and
- land-use planning.

Supporting infrastructure includes
- transport (road, rail, shipping);
- communications such as NBN; and
- energy and water supply.

Consistent with the new approach is the understanding that existing businesses form the backbone of regional and local economies and shape the strength and resilience of the economies in which they operate. And further, that on average, some two-thirds of additional business investment in local and regional economies over time comes from existing local businesses and new start-ups by local people. Local start-ups reflect entrepreneurial spirit, bringing new lifeblood to local and regional economies and adding to the vibrancy of local communities. Supporting established businesses and creating a culture that encourages entrepreneurship (one of the primary economic drivers) are clearly central to an effective economic development strategy.

The new findings have given rise to new approaches, new ways of thinking to favour ‘localism’, place-based, people focussed regionally specific approaches to regional and local economic development that involve greater utilisation of endogenous resources, a greater emphasis on local actors (i.e., local government, RDAs) and understanding the uniqueness of each locality/region (e.g. support initiatives that come from the ‘bottom-up’).

The ‘place-based’ approach particularly emphasises that enhanced economic development and growth is possible in all localities if they take the lead (and are assisted to lead) in mobilising and strengthening their local assets (physical, human, financial and social) and their resources, and that their development and growth is likely to be stronger if they do so rather than relying on support from central government; that human capital is the single most important factor in enhancing economic development and growth, with reducing the proportion of people with low skills appearing to be more important than increasing the proportion with high skills; and that innovation capabilities and activities and adequate and strong infrastructure also play an important role.

The new ‘place-based’ approach involves promoting economic development through a bottom-up approach in which partnerships between, especially, community leaders, business leaders and governments collaboratively develop visions and strategies and oversee the development and implementation of plans and specific initiatives.

3.1.1 Local government: support local economic development

Development needs to start locally. The drivers of economic growth are embedded locally (i.e., endogenous assets) of which the most effective of them are local actors (i.e., human capital). Hence, strategies for economic growth and development need to start from the ‘bottom-up’. Differentiated needs of local council jurisdictions and regions (i.e. the heterogeneity of regions) suggest that practical ‘place-shaped’ solutions/ methods/techniques are needed and will necessarily differ between areas.

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Given the special characteristics of localities and the fundamental role of local assets to drive growth, local government and regional bodies have an instrumental role in designing and implementing ‘bottom-up’ development strategies and also acting as administrative facilitators to the much needed ‘place-based’ solutions. State and Federal governments also have to a significant part to play, to support and maximise the process of development, further illustrating the need for tripartite partnerships for economic development.

It is important to note here that governments, local, state and national, themselves do not drive growth – business investment, innovation and entrepreneurship drive growth – but governments and importantly regional authorities/associations are enablers of economic development and can facilitate and enhance it. For instance, the economic performance of local economies will be influenced by the vitality of social networks and linkages (its social capital) and of business networks and linkages that might form, including linkages with universities and research institutions (knowledge and information sharing networks). The networks and linkages are usually the result of the actions of regional development bodies.

Local governments’ direct impact on local economic activity includes:

- expenditures on goods and services for the provision and maintenance of services to residents;
- expenditures on asset renewal/replacement and on new/upgraded assets;
- rate setting policies and fees and charges related to business activities, which can influence business activity levels and types of business activity;
- planning and approvals processes, including especially land use and town planning and building approvals, which can influence whether and what types of business activity can occur in their local areas (commercial, industrial, etc.), and whether and to what extent there is residential and/or other building and construction activity occurring in their local areas;
- promotional activities of benefit to local businesses (e.g., tourism promotion through advertising, community festivals; and
- the extent to which local governments themselves engage in commercial activities (e.g., land development, or running local airports, caravan parks, abattoirs or sale yards, or recycling etc.).

These functions well illustrate that local governments invariably play a role in local economic development simply by undertaking their core functions and that they extend their role through support for regional networks and regional associations of councils. Equally important, if not more so, some of the most effective – and cost-effective – things local governments do to increase the economic health and prosperity of their local areas amount to focussing on doing better what they already do as part of their core function.

However, some of the most important policy measures for improving local development are not themselves under the direct control of local government. Local amenities such as schooling and healthcare contribute to the general social wellbeing of the local community, and are essential amenities to ensure that councils meet their responsibilities of stronger communities. What makes these policy measures particularly significant from an economic development perspective is that along with the quality of local amenities, the variables that have been demonstrated to most strongly and consistently explain differences in the economic prosperity of different localities are high school completion rates (high completion rates lead to higher economic prosperity), reducing the proportion of people with low skills is more important than increasing the proportion with high skills and crime rates (higher crime rates lead to lower economic prosperity). Hence, this is where cooperation from other levels of government is required – so that these services could be delivered to localities in a manner that responds to their needs.
Local governments have a long history of participation in the development and implementation of economic development strategies and plans at an appropriate regional scale, and embed their local-area-specific strategies and initiatives within them, in order to achieve maximum effectiveness. The support and engagement of local government in tripartite models illustrates local government's understanding of, and commitment to address, the regional scale of many economic development issues of importance to their region. This makes complete sense in South Australian context because most local economies are only part of broader “natural” regional economies within which there are strong economic linkages which cross local government jurisdictional boundaries that almost demand collaborative regional approaches to many issues in some way.

These results indicate that 67 per cent of councils consider economic development as important enough to dedicate staff to.
4. Summary of Survey Responses

This section summarises responses received from councils.

4.1 What role councils believe they play in economic development

The majority (87 per cent) of responding councils believed that economic development as defined in Box 4.1 should be seen by council as a core role. This is a similar finding as in the previous survey of non-metropolitan councils. Evidence of this fact is that nine out of the fifteen responding councils have an economic development unit with an average of 4.2 full time equivalent staff (minimum .6, maximum 13). Several councils do not have an economic development unit but endeavour to support individuals as development coordinators.

Box 4.1: Economic Development (specifically defined)

| Development: | In its broadest sense, economic development refers to the process by which economies evolve and change over time, with particular attention usually focussed on changes in economic structure, rate of technological change and overall rate of growth (or decline) of activity levels and employment opportunities. Understanding those processes and their outcomes provides the basis for economic development strategies. |
| Strategy: | An economic development strategy is a deliberately planned, on-going process intended to strengthen the capacity of a (national, regional or local) economy to increase living standards through the growth of employment, incomes and wealth. |
| Key Lesson: | Studies of economic development processes reveal that economic development is most often “path dependent”. That is, the future economic development of a region or locality is strongly shaped by the economic path it followed to where it is today. |
| Time: | It is not that economic development strategies cannot make much of a difference, but rather than they take substantial periods of time to make a difference and need to be developed with the long term in mind and to be applied strongly and consistently in a sustained and strategic way. |

Councils include economic development policies in their strategic plans or similar. A number of councils believe in order to achieve economic development that partnerships with industries and businesses must be developed and have included policies to this effect in their strategic plans. Examples include providing a single point of contact within council for businesses and developing business leaders groups.

Councils reported in response to the question: does council have a specific policy on economic development with respect to

- own council?  
The majority of councils have a specific policy on economic development with respect to their own council area. Of the councils who responded that they do not have a specific policy on economic development one had a relatively new economic development unit, one addressed economic development in overall policies and one has strategic plans for Events, Tourism and Business Development in lieu of an Economic Development Policy.

- local business?  
A number of councils include economic development with respect to local businesses in their broader economic development policies. Councils support local businesses with development assistance and through Business associations.
Nearly all the councils indicated that they have specific policies to diversify their economy, which includes attracting new businesses and providing support to existing businesses. Strategies aimed at diversification also include policies related to assisting businesses to take advantage of the NBN, creating linkages to universities and research organisations and marketing the area to potential and existing businesses.

Councils generally understand the significance of promoting their local area as a tourism destination. This includes not only to people from interstate or overseas but also to those living in nearby areas or even to those living within the council area.

Policies to facilitate economic development include providing pathways to employment and other workforce development initiatives, infrastructure improvements and cooperation with other economic development agencies. They are summarised under the following headings:

**Connections with existing businesses**
- creating networks and a culture of collaboration with businesses in the region;
- make doing business with council easier by reducing red tape and providing a single point of contact with council; and
- development local business capacities and self-reliance.

**Attracting and supporting new businesses**
- provide a supportive business environment;
- identify and promote business trends;
- develop a package to attract business investment; and
- provide support for business intenders and growth oriented firms.

**Workforce development**
- facilitate connections between community, education and training providers and employers;
- support businesses which employ locally;
- have a community with skills which are valued by employers and provide rewarding careers for residents;
- to have a community that aspires to and embraces learning as a lifelong goal; and
- talented knowledgeable and flexible workforce.

**Regional partnerships**
- recognise and facilitate complementary relationships within the regional community.

**Encourage and facilitate population growth**
- attractive and vibrant regional centres, supported by a variety of quality retail, tourist, commercial and residential development.

**Digital economy**
- complete and implement a digital economy strategy;
- promote the potential of the NBN;
- establish digital hubs which improve digital literacy; and
- capitalise on opportunities created by the NBN.
Economic diversification

- opportunities for economic diversification are encouraged;
- promote and support the District’s economy;
- identify opportunities to enhance existing and create new business clusters; and
- encourage and support low-impact home-based business, small business and business incubation.

General economic development

- economic sustainability;
- economic prosperity;
- enterprising area; and
- sustainable production.

Providing services and infrastructure

- establish a local area activation program; and
- deliver suitably integrated infrastructure that maximises economic efficiencies and opportunities for the community.

Zoning

- expanding commercial and Retail Land Use zoning;
- support home based businesses; and
- strategic land use and infrastructure planning supports economic development while balancing economic and environmental outcomes.

Tourism/marketing the region

- promotion of community events, facilities and attractions to enhance the local economy; and
- promote the area as a destination.

In summary, all responding councils indicated they play a proactive role in advocating for economic outcomes. Roles which councils have played in economic development include, inter alia:

- formation of business and tourism initiatives;
- redevelopment and development processes;
- attracting Commonwealth and State funds for projects;
- lobbying Commonwealth and State governments;
- assistance to local area with the National Broadband Network roll out;
- establishing business and trader’s groups
- upgrading streetscapes; and
- advocating for infrastructure such as roads to be improved.

Councils are all active in responding to opportunities/programs involving Commonwealth and/or State funding for:

- major and minor infrastructure projects;
- National Broadband Network rollout;
- urban renewal, industrial facilities, transport developments; and
Infrastructure, building partnerships with businesses, taking advantage of the digital age, encouraging investment and tourism were identified as key activities for ‘future economic development’. What is noticeable across the responses is that generally councils did not explicitly refer to the development of human capital as a clear focus of effort and policy, although reference to individuals was usually couched in terms of employment assistance.

4.2 Councils provisions for economic development

Councils provided a wide range of activities and an extensive list of the types of projects they conduct in order to facilitate economic development. Most projects fall into the following categories; revitalising precincts, various digital initiatives which mostly revolve around the rollout of the National Broadband Network, provision of business advisory services and networking opportunities, various initiatives to attract retail investment, tourism promotion projects and workforce development.

*General economic development*
- promoted economic growth;
- allocated a general economic development budget;
- appointed manager of economic development; and
- investment in community/economic development programs.

*Zoning/development*
- revitalised key precincts;
- allowing zoning to increase retail presence in the area; and
- redevelopment and development of master plans.

*Infrastructure*
- investment in infrastructure development;
- infrastructure projects which promote economic development such as the South Road Superway;
- maximise employment outcomes for the local community from major projects such as the Southern Expressway duplication;
- Community Wastewater Management System upgrade;
- provision of water to industry; and
- main street improvement program.

*Digital economy initiatives*
- digital hubs program
- iLab: development of dedicated facility to deliver e-business training;
- digital enterprise programs/strategies; and
- provision of business forum to update local businesses on the progress of the NBN.

*Business development/support/attraction/facilitating connections*
- business advisory services;
- provide programs to support the development of an entrepreneurial community;
supported/sponsored co-working spaces to enable small businesses to share resources, skills and ideas and collaborate on projects;

- Business Enterprise Centres;
- provided business networking opportunities such as golf days and business breakfasts;
- business advisory and mentoring services;
- separate rate model to support trader associations;
- mining innovation seminars that showcased local innovation and brought together diverse players in the innovation ecosystem, with a view to the working and collaborating together in the future;
- accessing mining and major projects forum: a major regional event (delivered in partnership with the City of Playford and the former Innovate SA) designed to highlight supply chain opportunities for firms and what they need to do to prepare themselves; and
- assessment of major energy users in the area to reduce energy costs.

**Tourism/marketing of the area**

- funding to undertake promotion and marketing and product development;
- food trail;
- moonlight markets;
- development of a tourism marketing strategy;
- shared paths and regional trails network;
- major events and festival policy;
- tourism strategic plan;
- retail support and retail attraction campaign; and
- funding to precinct committees to assist them in implementing their respective business plans.

**Employment and workforce development**

- workforce brokerage;
- liaising with business, State government and contractors to ensure local employment of staff and resources;
- *Skills for All in Regions* – previously South Australia Works developing local initiatives and project management of state government DFEEST funding to deliver workforce pathway and participation outcomes; and
- doing work for council – a series of workshops and topical training programs educating local small business goods and services suppliers on how to maximise involvement in council tenders and panel contracts.

**Manufacturing support**

- shaping the state manufacturing strategy.

**Investment attraction**

- promoting the area as a good place in which to invest; and
- investment support services.

Infrastructure projects have predominately involved larger councils and to a significant extent this is a reflection of major transport projects such as the Northern Expressway, South Road development and the duplication to the Southern Expressway.
Only a small number of responding councils offered specific incentives to developers of new businesses in the region. These incentives are in the form of discounted commercial rates, covering some costs associated with car parking amalgamation and providing discounted rates to those who allow for their car parking to be controlled by council.

Of those who do not expressly provide incentives, a number provide council assistance with such tasks as locating premises and streamlining applications. Assistance may incentivise investment by businesses when compared to another council which does not provide assistance.

As well as these incentives councils also provide a number of services which assist businesses. These services have two effects; they are designed to encourage businesses to set up in the area and they ensure that already established businesses are able to continue to operate. These services include things such as Business Enterprise Centres and business networking opportunities.

Port Adelaide Enfield council has committed $3.6 million in funds to the Port Adelaide Renewal Project, which aims to encourage people to live, work, invest and visit Port Adelaide.

4.3 Council partnerships

Councils appear to be the principal agent in establishing partnerships with other organisations focused on economic development. The level of support provided to these organisations varies as does the type of organisation.

A number of councils support business enterprise centres (BEC’s) in their area. BEC’s provide support and advice to businesses (usually small businesses) either for free or at low cost, making advice accessible to small businesses and those that are starting up. Support for BEC’s ranged from $7,500 to $210,000 funding per year. Councils also provide support to other business associations operating in their area. Connections and support for existing businesses appear to be a key activity for councils; it is appropriate that business services be delivered by local agencies rather than State government.

Economic Development Australia (EDA) has recently released a position statement on small business:

“Some 96 per cent of businesses in South Australia employ less than 20 staff. From an economic perspective small businesses are important contributors of wealth and jobs. But the contribution of small businesses is much more than simply an economic contribution as strong social dividends arise within communities that have healthy small businesses.

Within South Australia there is a lack of policy coherence and consistency when it comes to small business. Economic Development Australia (SA) considers the following principles as important elements that should underpin public sector decisions that impact on the small business sector:

1. Programs designed to support small business growth should be delivered locally and build on existing initiatives wherever possible.
2. Funding should be prioritised for services and programs that provide early information and advice to small business owners rather than attempting to resolve issues once problems arise.
3. The allocation of funding for programs that support small businesses should be done in a transparent manner.
4. The introduction of new public sector obligations on small businesses should result in a net decrease in red tape and compliance costs rather than add to the complexity of operating a small business.
5. Public policy should not implicitly discriminate against small businesses by setting onerous minimum threshold or scale requirements.
6. While government should provide some focus on SMEs with high growth potential, there is also a need to deliver initiatives that build the capacity of the wider population of SMEs.”

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Other partnerships included Regional Development Australia (RDA) where councils have a long history of financial support, Economic Development Australia and the Eastern Region Alliance. Opinions as to the effectiveness of these associations was mixed. Effectiveness was rated as strongest where business advice and networking were the principal purpose of the organisation.

4.4 Usage of buy local initiatives

The majority of councils surveyed have a “spend/buy local policy”, either officially or unofficially. When ‘spend/buy local policies’ are official there is wording to give effect to the policy intention:

“Local Economic Development: when all commercial considerations are equal the Council should, to the extent permitted by law, utilise local providers and provide local businesses the opportunity to quote and give preference to goods made in Australia and suppliers whose activities contribute to local economic development” (City of Holdfast Bay Procurement Policy)

It is important to note that although preference is given to local suppliers of goods and services value for money is still the overriding objective of all councils in both metropolitan and non-metropolitan areas.

Buy local policies do not necessarily mean that councils endeavour to buy goods and services from within their council boundaries. Council recognise that they operate in a much wider regional context. For example one council recently made a decision that all council owned vehicles will be Holden vehicles to support the local economy though the vehicle manufacturer is not within the councils jurisdiction. Overall, councils recognise they exist and operate as small and open economies with the free flow of people, goods and services.

One council conducts workshops for businesses in the area to inform them of opportunities to work with council similar to the role of the State Industry Participation Advocate. This initiative recognises that some businesses may either be unsure or unaware of the opportunities to work with council. The council noted that out of 48 panel contracts to date in 2013, 14 have been awarded to suppliers within the council area and a further 10 to suppliers in surrounding council areas, meaning that 50 per cent of their contracts have gone to ‘very local’ suppliers.

Only a few councils have conducted ‘buy local’ campaigns, encouraging local residents to support local businesses with several councils noting that local businesses conduct their own campaigns. Councils do not have performance indicators for these campaigns so although they tend to believe that the campaigns are successful there appears to be little hard evidence. Buy local campaigns take many forms including:

- a logo to indicate that a product has been made within the council area, which includes signage within local supermarkets;
- council initiated events to promote local businesses; and
- ‘Find Your Everything’ campaign to encourage people to shop local and visitors to the area.

All councils surveyed have a procurement policy of some form or another which comes as no surprise as it is legislated in the Local Government Act 1999 that all local governments must have procurement policies of some form. The purpose of procurement policies is to:

- outline circumstances where the council will call for tenders for the supply of goods and services, the carrying out of works or the sale of assets;
- describe fair and transparent processes for calling for tenders and entering into contracts; and
- provide records of the reasons for entering into contracts.
Most councils were using the Local Government Association Procurement Handbook as a template for their procurement policies. This ensures consistency between all council’s procurement policies.

### 4.5 Council role in community development

The importance of community development and the myriad of processes that bring people together to share knowledge and skills, develop leadership, identify problems and responses and strengthen links across local organisations is an essential platform or foundation for the health of local economies. This is directly evident in, for example, local education services that assist new migrants and others develop the generic skills for workplace participation; it is evident in opportunities to volunteer which is frequently a stepping stone to employment; it is evident in community care programs and planning.

Community development is identified by councils as a key role with almost all councils maintaining a community development unit. In addition, many councils support community centres in their area.

Table 4.1 shows the council areas in which community centres are located as a proportion of the total number of community centres in the state. Of note is that the council areas with community centres and the largest populations (City of Charles Sturt, City of Onkaparinga, City of Port Adelaide Enfield and City of Salisbury) are areas in which councils have helped to establish and continue to support centres.

A number of councils provide full-time staff to manage or coordinate the activities of community centres; eight surveyed councils support an average 5.4 FTE staff with several other councils at 2 FTE. Other forms of assistance include funding for State and Commonwealth programs, access to council owned premises, minimum or no rental charges, maintenance of facilities undertaken by council and various forms of in-kind assistance.

A recent report by SACES commissioned by Community Centres SA\(^8\) notes that economic development is more likely to be supported by improving the skills of those with low skills relative to those with high skills. An improvement in skills of an individual with low skills will result in improved earnings for that individual, which in turn leads to intergenerational economic outcomes. Programs which improve the earnings potential of individuals are often more broadly defined as community development programs.

Of the fifteen councils surveyed only one does not have a community development unit and as stated earlier, of the two councils who declined to participate one has a community development unit. On average councils have 10.4 full-time equivalent community development staff within Council. Whilst this may seem large, for some councils this number would include staff employed to run council owned community centres in some instances.

The SACES report found that Community Centres can provide community development programs to their local area at a considerable cost saving to council. The report made note of a recent review conducted for Onkaparinga Council which found that for every $1 which council puts into Community Centres, those centres generate $3.50 in additional income, through grants, fees for courses, etc.

The role of councils in community development tends to differ depending on two main factors; the location of the council and the demographics of the area.

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### Table 4.1: Locations of community centres: council area

<table>
<thead>
<tr>
<th>Council area</th>
<th>Number of Community Centres</th>
<th>Share of Centres in State (Per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adelaide City Council</td>
<td>5</td>
<td>4.67</td>
</tr>
<tr>
<td>Adelaide Hills Council</td>
<td>4</td>
<td>3.74</td>
</tr>
<tr>
<td>Alexandrina Council</td>
<td>1</td>
<td>0.93</td>
</tr>
<tr>
<td>The City of Burnside</td>
<td>1</td>
<td>0.93</td>
</tr>
<tr>
<td>Campbelltown City Council</td>
<td>2</td>
<td>1.87</td>
</tr>
<tr>
<td>City of Charles Sturt</td>
<td>11</td>
<td>10.28</td>
</tr>
<tr>
<td>The Coorong District Council</td>
<td>3</td>
<td>2.80</td>
</tr>
<tr>
<td>Town of Gawler</td>
<td>1</td>
<td>0.93</td>
</tr>
<tr>
<td>Regional Council of Goyder</td>
<td>1</td>
<td>0.93</td>
</tr>
<tr>
<td>City of Holdfast Bay</td>
<td>1</td>
<td>0.93</td>
</tr>
<tr>
<td>Light Regional Council</td>
<td>1</td>
<td>0.93</td>
</tr>
<tr>
<td>District Council of Loxton Waikerie</td>
<td>2</td>
<td>1.87</td>
</tr>
<tr>
<td>City of Marion</td>
<td>5</td>
<td>4.67</td>
</tr>
<tr>
<td>Mid Murray Council</td>
<td>1</td>
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</tr>
<tr>
<td>City of Mitcham</td>
<td>1</td>
<td>0.93</td>
</tr>
<tr>
<td>District Council of Mt Barker</td>
<td>1</td>
<td>0.93</td>
</tr>
<tr>
<td>City of Mt Gambier</td>
<td>1</td>
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<tr>
<td>The Rural City of Murray Bridge</td>
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<td>0.93</td>
</tr>
<tr>
<td>Naracoorte Lucindale Council</td>
<td>1</td>
<td>0.93</td>
</tr>
<tr>
<td>Northern Areas Council</td>
<td>1</td>
<td>0.93</td>
</tr>
<tr>
<td>The City Of Norwood, Payneham and St Peters</td>
<td>2</td>
<td>1.87</td>
</tr>
<tr>
<td>City of Onkaparinga</td>
<td>11</td>
<td>10.28</td>
</tr>
<tr>
<td>City of Playford</td>
<td>4</td>
<td>3.74</td>
</tr>
<tr>
<td>City of Port Adelaide Enfield</td>
<td>14</td>
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<tr>
<td>City of Port Lincoln</td>
<td>1</td>
<td>0.93</td>
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<tr>
<td>Port Pirie Regional Council</td>
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<tr>
<td>City of Prospect</td>
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<tr>
<td>District Council of Renmark Paringa</td>
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<td>City of Salisbury</td>
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<tr>
<td>City of Tea Tree Gully</td>
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<td>3.74</td>
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<tr>
<td>City of Unley</td>
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<td>3.74</td>
</tr>
<tr>
<td>City of Victor Harbor</td>
<td>1</td>
<td>0.93</td>
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<tr>
<td>Wattle Range Council</td>
<td>1</td>
<td>0.93</td>
</tr>
<tr>
<td>City of West Torrens</td>
<td>2</td>
<td>1.87</td>
</tr>
<tr>
<td>The Corporation of the City of Whyalla</td>
<td>2</td>
<td>1.87</td>
</tr>
<tr>
<td>District Council of Yankalilla</td>
<td>2</td>
<td>1.87</td>
</tr>
<tr>
<td>District Council of Yorke Peninsula</td>
<td>2</td>
<td>1.87</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>107</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Source:** Community Centres SA.
4.6 Pockets of disadvantage

Pockets of disadvantage tend to exist in all council areas although relative disadvantage will obviously vary and the policies/activities will also differ.

Some councils see the provision and access to broadband, to physical infrastructure and improvements to local amenities such as parks, gardens and open recreational space as the “key” to address disadvantage.

Still other councils reflect or adopt a more people-focussed or social status definition of disadvantage that then is the filter for council funding, activities or partnerships. So, a council will report that “over 28,000 Adult Community Education sessions were conducted over the last financial year” while others will report a “lack of access to infrastructure and how this is being improved” as the way to address disadvantage.

Programs run by local councils to address pockets of disadvantage include *inter alia* urban renewal programs, home and community care programs, employment of an Aboriginal Cultural Development Officer to work with the Aboriginal Community and employment and training opportunities. Councils did not indicate whether they had undertaken evaluations of the effectiveness of these measures.

Councils differ as to what they believe should be done in order to address pockets of disadvantage. These opinions appear to differ based on the socioeconomic status of the area, what council believe the term disadvantage to mean and an assessment of the policy levers and programs that are available to councils.

We asked this question to ascertain what councils had identified and defined as disadvantage, what they were doing within the scope of their resources and what might constitute a long-term and effective viable strategy to address disadvantage. What is notable in the responses is that it is difficult for councils to implement holistic strategies – not only because of resource constraints – but because they do not exercise control over the full suite of policy levers. Yet equally, it does not appear that any single council has sought, in partnership with State agencies, to jointly address social, economic and education issues that absolutely require a much greater local and/or regional specific response.

Access to technology, business mentoring and assistance, and improvements in local amenity without reforms and regionally specific delivery of education, skills development, employment and unemployment assistance delivered in a supportive and reinforcing manner amount to limited effectiveness and constraints on strategic intent. Policies designed to minimise – say social exclusion – will be marginally successful at best to the extent that income incentives, education and skill development incentives, appropriate transport are not available or designed in such a way as to reinforce improvements in housing or local amenity. The capacity of councils will be limited to the extent that the structures of government and the design of programs continues to restrict the capacity to act in partnership, to concertedly, collaboratively and strategically address the source of disadvantage.

If economic development policy is long-sighted and must be delivered consistently and continually over the long-term so must community and social development. Where to start? With individuals and families and interconnecting policies to business and employment; so councils need to assume the functions and service delivery that is closest to people and families; they need to influence schools in the studies/courses and weight given to career transitions that most closely approximate local employment opportunities and to influence school to work transition by place-based re-modelling of national programs; they need to exercise leadership to take the argument to the State and Commonwealth providing sound evidence based research and strategies for change.
References


Appendix A

Discussion Points

Promoting Local Economic Development: Contemporary Approaches and their Implications for Local Government Strategies

- Economic development refers to the process by which economies evolve and change over time: in favourable circumstances, it occurs naturally through businesses exploring and exploiting profitable opportunities to expand their production and sale of goods and services;

- Promoting and strengthening economic development has become an objective of all spheres of governments pursued through strategies aimed at increasing the future economic performance of an economy in order to provide greater employment opportunities, incomes and well-being;

- Governments themselves do not drive economic development – business investment, innovation and entrepreneurship drive it – but governments can be effective enablers and facilitators;

- The place-based approach to economic development is internationally regarded as best practice: it involves promoting the economic development of regions and localities through a bottom-up approach in which partnerships between community leaders, business leaders and governments collaboratively develop visions, strategies, plans and initiatives;

- The place-based approach particularly emphasises that enhanced economic development and growth is possible in all localities if they take the lead in mobilising and strengthening their local assets (physical, human, financial, social, economic and natural): human capital has been identified as the single most important factor in enhancing economic development and growth;

- Contrary to the views of some, local governments can effectively promote local economic development, and it is important that they do so because economic development is integral to the achievement of their core objective – the promotion and enhancement of community development;

- Local governments invariably do play a role in local economic development simply by undertaking their core functions, which include the provision of local land and infrastructure which enable business establishment and operation, and through the strategic use of their role in land use planning they can influence the business investment attractiveness of a local area;

- Local governments can make their localities more attractive to invest in, as well to live and work in, by doing better and more effectively all the things that are among their core functions; they can facilitate investment in “enabling” hard and soft infrastructure; and they can use a variety of incentives to encourage additional business investment in their localities by existing or new businesses;

- There are some limitations on the capacity of local governments in Australia to promote economic development that they have to work around including by advocacy with other spheres of government: these include the fact that they do not have direct control over some public sector services that are important to local economic development and that they have inadequate resources to be able to themselves invest in the provision of enabling infrastructure;

- Critical to the effective promotion of local economic development by councils in South Australia are the lessons to be learned from evaluations of strategies undertaken elsewhere. These especially include that achieving the potential benefits of implementing economic development strategies takes substantial periods of time; strategies and initiatives have to be applied in a consistent, coordinated, sustained way, adjusted from time-to-time to ensure that they continue having a significant influence;

- Achieving as much integration of local initiatives as possible with regional-scale strategies adds to effectiveness of local strategies and to the economic strength and resilience of the regions;

- In fact, ultimately, local economies collectively are the backbone of strong regional economies which, in turn, are the foundations on which state economic development and growth is built.
Appendix B

Economic Development Australia (SA) Small Business Position Statement

Economic Development Australia is the national professional body for economic development practitioners. Members are employed in local government, regional development agencies, State Government economic development departments, private sector consultants and companies involved in economic development. Membership of EDA is open to all with a professional interest or involvement in economic development.

The members of the South Australian chapter of Economic Development Australia are committed to supporting the growth of small businesses and collectively deliver or fund a range of programs that support business intenders and small business owners throughout South Australia.

According to the Australian Bureau of Statistics about 96 per cent of businesses in South Australia employ less than 20 staff. From an economic perspective small businesses are important contributors of wealth and jobs. But the contribution of small businesses is much more than simply an economic contribution as strong social dividends arise within communities that have healthy small businesses.

Issues facing small business owners

The small businesses that our members work with face a range of issues that inhibit growth. Some are imposed by State arrangements including trade waste disposal requirements, WorkCover levies, onerous government procurement requirements, Tenancy Act provisions, compliance with changes in Workplace Health and Safety legislation, restrictions on trading hours for retailers, rising energy costs, understanding the ever changing training sector and significant penalty rates.

Added to these State-based factors a range of emerging and current market forces and Federal factors will inhibit business growth in the year ahead including increases in superannuation rates, offshoring, ever increasing compliance costs as legislation is introduced or changes, compliance costs imposed by risk aversion in supply chains, market power abuse, competition for skilled staff, on-line competition and low consumer confidence resulting in a dampening of consumer expenditure.

Principles for small business policy and programs

Within South Australia there is a lack of policy coherence and consistency when it comes to small business. EDA(SA) considers the following principles as important elements that should underpin public sector decisions that impact on the small business sector:

1. Programs designed to support small business growth should be delivered locally and build on existing initiatives wherever possible.
2. Funding should be prioritised for services and programs that provide early information and advice to small business owners rather than attempting to resolve issues once problems arise.
3. The allocation of funding for programs that support small businesses should be done in a transparent manner.
4. The introduction of new public sector obligations on small businesses should result in a net decrease in red tape and compliance costs rather than add to the complexity of operating a small business.
5. Public policy should not implicitly discriminate against small businesses by setting onerous minimum threshold or scale requirements.

6. While government should provide some focus on SMEs with high growth potential, there is also a need to deliver initiatives that build the capacity of the wider population of SMEs.

Specific opportunities

EDA(SA) members have identified a range of programs that align with these principles and will tangibly support small businesses to establish, survive and grow as appropriate to their circumstances.

- fund localised small business support initiatives that provide face to face support for business owners and intenders;
- support these initiatives by developing or adapting high quality resources. This could include workforce planning, business process improvement, finances and sustainability, marketing, competing in the Asian Century, Digital Economy, and accessing supply chains;
- identify and reduce compliance costs imposed by legislation or the severity of enforcement;
- develop a public sector workforce that truly understands how small business operates and recognises the important role these organisations play in making South Australia a great place to live and work;
- communicate information about credible commercial opportunities so small business can scale up or down in response;
- effectively market government initiatives;
- provide funding to incubation facilities across South Australia to support the growth of the next generation of small business operators;
- support programs that allow small businesses to easily tap into the expertise within universities and research organisations;
- provide incentives for small business operators to take on staff; and
- State Government small business programs should be co-developed with local government as the closest level of government to the business community.