



Discussion Paper

The identification of opportunities
and recommendations for innovative
revenue initiatives



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EXECUTIVE SUMMARY

This discussion paper addresses the requirements of a CEO KPI being:

Present a discussion paper to Council identifying opportunities and recommendations for innovative revenue raising initiatives.

Context and Background

The financial landscape for local governments (LGs) across Australia varies significantly, with no universal solutions or quick fixes for ensuring financial security. Research at both state and national levels indicates that larger, more urbanised local governments typically have the capacity to manage their finances within existing revenue streams and do not require innovative revenue sources. In contrast, smaller or rapidly growing local governments often face unique financial challenges that necessitate tailored strategies.

Fundamentally, the situation and solutions for implementing alternative revenue streams will be different for each local government and need to be carefully considered.

The Shire of Serpentine Jarrahdale is currently experiencing hyper growth, creating an urgent need for future community infrastructure. This need has arisen faster than the Shire's current revenue streams - primarily rates revenue, developer contributions, and grants - can support. As such, innovative approaches to revenue generation should be considered to meet these growing demands.

Identified Opportunities and Recommendations

While many opportunities are outlined in this paper, two recommendations have been provided to address the Shire's financial challenges and support its growing infrastructure needs:

1. ***Continue acquiring opportunistic and/or strategic land parcels with a view to banking the land to sell or develop once the current Council-endorsed priorities have been completed.***
2. ***Investigate opportunities for commercial leases within the Shire and present to Council for consideration.***

Significant resource investment would be required from Council, both on a personnel and technological level, to support either of the recommendations to be delivered in the short term (<5 years), without impacting other Shire priorities and outcomes.

1. RESEARCH

Revenue raising through alternative income streams is not new in local government, with LGs both locally and nationally embracing the trend to bolster annual income.

Importantly, despite extensive investigation, no 'quick-win' or cover-all solutions to local government financial security were discovered. Instead, the options presented offer opportunities that will be suitable for councils based on their own unique geographic, economic, and strategic contexts.

Generally, the research suggests that local governments are efficient organisations which generate great value given their limited resources. While rural LGs could pursue

a range of new or 'boutique' revenue sources, none of these are likely to generate income flows of sufficient magnitude to materially improve local government finances.

The solution to the long-term financial sustainability of LGs is likely to require improved access to national tax revenues.

A full list of research papers can be found in Appendix 1.

2. CURRENT SITUATION

The Shire of Serpentine Jarrahdale is experiencing unprecedented growth. It remains one of the fastest growing local government areas in Australia (8th) and the fastest growing outer metro local government area in Western Australia.

The Shire's population in 2022-23 jumped to 36,739 – a 225% increase since 2001. Our forecast population in 2046 is expected to be 95,275.

Key infrastructure projects such as the Tonkin Highway Extension to Mundijong Road and Metronet's extension of the Armadale train line to the new Byford Train Station are expected to feed the population growth, making the Shire more accessible and attractive for prospective residents. This aligns with recommendation one for opportunistic and/or strategic acquisition of land parcels, as land within the Shire is expected to increase in line with demand over the next decade.

The Shire is working hard to keep up with the needs of a growing population. We are improving our systems and our technology to better cater for our community. We have sound plans in place to achieve goals outlined in our guiding documents – such as our Council Plan, Corporate Business Plan, and Informing Strategies.

In addition to the implementation of the Council Plan, Corporate Business Plan and the multiple plans which make up the Shire's Informing Strategies, short, medium, and long-term priorities for the Shire were recently discussed by Council at a workshop.

These priorities are outlined in the table below. Work is currently underway on developer contributions listed under Tier 3.

1	<ul style="list-style-type: none"> - Keirnan Park including Netball and relocation of BMX (7) - Asset Management and Maintenance Schedules (6) - Roads and Footpaths (6) specifically: Footpath at Graceford (2), Serpentine Townsite via Serpentine River (2) and Jarrahdale Road (1) - OneComm (3)
2	<ul style="list-style-type: none"> - Depot and Pound, Office Accommodation (2) - Oakford Fire Station / Bushfire Brigades (2) - Jarrahdale Trails Town and implementation of Jarrahdale Trails Plan (2) - Cultural events support and places of worship, offering info in different languages (2) - Community Focus (at risk: Seniors Accommodation, Youth, Migrants; and creation of a Committee to focus on issues important to them (2)
3	<ul style="list-style-type: none"> - Partnerships with local primary and secondary schools (1) - Customer satisfaction focus (1) - Governance structures, Policy Review, Project Management, realistic planning (1) - Toilets at all high-grade playgrounds and bookable shelters for events (1) - Landscaping at Abernethy Road including replacement of all rain gardens, and landscaping of the 3 drainage basins and 3 roundabouts (1) - Revenue streams: Developer accountability to develop or contribute to community initiatives through rates / levies (1)

It must be noted that the Shire is currently under resourced to deliver on the priorities agreed upon at the Council Workshop but is working to secure the necessary personnel to successfully deliver them. Adding additional work that falls outside these priority areas poses an organisational risk—both operationally and reputationally—as it leaves the Shire vulnerable to underdelivering on promised outcomes or compromising the quality of the outcomes being delivered.

To successfully meet agreed outcomes and objectives, the Shire's focus needs to be on these priorities, rather than adding additional priorities and pressure to the workforce.

Significant resource investment would be required from Council, both on a personnel and technological level, to support either of the recommendations to be delivered in the short term (<5 years), without impacting other Shire priorities and outcomes.

3. OPPORTUNITIES FOR REVENUE RAISING

Identifying and implementing alternative income streams is not a new trend in local government with many finding successful revenue raising opportunities which match their unique set of circumstances.

In 2016, the State Government introduced the ability for LGs to form regional subsidiaries. A regional subsidiary is a corporate entity enabling two or more local governments to carry out joint activities which is governed by a charter agreed to by the participants. They are designed to enable local governments to work with neighbouring districts on region-specific matters, such as service provision, community events or facility management. However, the regional subsidiaries model restricts local governments from forming a subsidiary for commercial enterprises.

As part of local government reform, in 2018, the Department of Local Government, Sport and Cultural Industries commenced consultation on whether local governments should be able to establish 'beneficial enterprises'.

The concept of a beneficial enterprise was similar to Council Controlled Organisations proposed by WALGA and would have enabled local governments to form independent corporations and pursue commercial opportunities. As a result of feedback received through consultation, the Department determined that further work was required to understand the opportunities and risks of such a model, and it was not progressed.

To date, no regional subsidiaries that have been established.

While WALGA continue to advocate for legislative change to allow local governments to form Council Controlled Organisations, the only change proposed in the recent local government reform package is to enable a regional subsidiary to borrow money from outside of the participating local governments.

A key consideration to any income generating option is the list of risk vs return that can be expected. A paper titled "Alternative sources of income for local government" prepared for the Rural Council's Victoria in 2022 provides a comprehensive list of revenue raising opportunities which have been investigated and/or implemented by local governments throughout Australia. It also provides a useful risk versus return matrix for consideration.

This table provides the best measure of assessing what current income streams are being undertaken and what could be undertaken. Shire of Serpentine Jarrahdale context has been added to the table, noting whether it could be feasible for our organisation.

Option		Risk vs Return	SJ Shire context
1.	Bulk buying and on-selling services	Low risk, medium return	Officers do not believe this is possible for SSJ.
2.	Commercialise Council's existing asset base	Medium risk, medium return	A recommendation of this discussion paper is to investigate this matter further once the Shire's current leases are up to date and maintenance schedules in place for Shire buildings.
3.	Open space contribution charges	Low risk, medium return	Public open space in Byford and Mundijong is dealt with through Developer Contribution Plans. In Serpentine the Shire does collect cash in lieu of public open space provision consistent with the adopted structure plan.
4.	Municipal-wide DCPs	Medium risk, high return	These have been in operation in Byford since 2015, more recently in Mundijong as it prepares for its urban development. Developer Contribution Plans for West Mundijong Industrial Area and Shire-wide Community Infrastructure have been developed.
5.	Benchmarking of user fees	Low-medium risk, medium return	A comprehensive review of Fees and Charges was undertaken 5 years ago. Review of Fees and Charges are set as part of the annual budget process but generally apply CPI increases.
6.	Full cost recovery through service charges	Low-medium risk, low-medium return	Legislation only allows for the LG to charge prescribed fees for some statutory functions. Changing this could be an advocacy position. WALGA has established an advocacy position to increase planning fees to reflect that the original

			regulations were formulated in 2011. Costs have dramatically increased over this time as too has the complexity of applications, particularly for a growing LG. Council does have discretion to change non-prescribed fees as part of annual budget process when adopting fees and charges.
7.	Updating data to maximise road grants	Medium risk, medium return	Road data including condition rating is now in OneComm. Applications for road funding including Black Spot are being made. Asset Management Plans and 10-year Forward Works Plan to be developed in 2024/25. Asset Management has improved, particularly for gifted assets.
8.	Upgrade existing Council owned campgrounds and caravan parks	Medium risk, low-medium return	The Shire does not currently have a caravan park. However, over the past 4 years work has been done including preparation of a Business Case to develop Lot 814 in Jarrahdale into a caravan park. Stage 1 of this work – development of a Trails Visitor Centre - is identified as an election priority for the 2025 Federal and State Govt elections.
9.	Sell established services to local/state governments	Medium-high risk, medium return	This is a future opportunity with OneComm once Property and Rating is fully implemented. Can be investigated in future years to determine if opportunity is worth developing.
10.	Generating income from waste	Medium-high risk, medium return	The Shire does not currently have any Waste Facilities.
11.	Upgrading to fibre optic cable when completing pipeline renewal projects	Medium risk, medium return	The Shire has advocated for this as part of the development of Tonkin Highway. The Shire also hosted a forum with developers and NBN Co to ensure provision for optic fibre infrastructure in new residential and industrial areas.
12.	Subdivision of Council owned land	High risk, high return	This is not recommended for the Shire, due to capacity constraints and it being a function not currently performed by the organisation. It is considered a potential future activity, however beyond the medium term.
13.	Rezoning of Council owned land	High risk, high return	Council is currently considering this in respect to one of its landholdings.
14.	Rationalisation of Councils asset base	Medium risk, medium return	Not recommended at this stage as a growing LG.
15.	Special rates to fund small scale infrastructure	Medium risk, medium return	Investigation into establishing Specified Area Rates could occur in future subdivisions.
16.	Repealing statutory exemptions from rating for specific land uses	High risk, high return	This would require creating an advocacy position to charge rates to those properties/uses currently exempt e.g. churches, welfare.

17.	Payment in lieu of rates reform	High risk, high return	Dampier to Bunbury pipeline currently pays the Shire ex gratia payment to the Shire in lieu of rates.
18.	Parking fines reform	High risk, high return	Parking management is being examined as part of the Metronet development in Byford.
19.	Underutilised land for solar and wind projects	High risk, high return	Has not been investigated on Shire land. The Town Planning Scheme does list renewable energy proposals as a discretionary use in the rural zone.
20.	Tourism and accommodation charges	High risk, high return	The Shire developed a Rural Tourism Planning Policy to support nature-based tourism in the Shire.
21.	Minimum general purpose grant reform	High risk, high return	Previous advocacy with the Grants Commission has been beneficial to the Shire. This could be a future potential advocacy topic. The Shire could invite the Grants Commission for another visit to the Shire.

As can be seen from the above many of the identified alternative revenue raising are either already underway or not possible given our Shire's context.

4. OPPORTUNITIES AND RECOMMENDATIONS

The Shire is recommending that two options from the table be considered for future investigation, though Council has the flexibility to select any of the identified revenue raising opportunities for further exploration.

Land development

Profit from land development is an income stream used by some local governments in Australia. It may result in substantial revenue but is highly contextual dependent and based on land assets being built up over time.

Although developing land can be largely seen as a positive for local governments, there are some negative aspects to be highlighted including:

- Competing with local market/potential conflict with established developers for land acquisition (if the Shire does not already own the land).
- Financial risk and liability – if the project fails to attract buyers the Shire may face significant financial losses.
- Resource diversion – other Shire projects/goals may be impacted by resource diversion to initiate land development.
- Community opposition – local residents may be concerned about increased traffic, environmental impacts, conflict of interest or perceived lack of transparency about land acquisition/plans for development.

Research does indicate that by strategically managing and facilitating land development, local governments in Australia can create a sustainable and growing revenue stream that supports their financial health and enhances community well-being.

Some LGs have undertaken land development with success, others have faced challenges and been plagued with community opposition. Observations from discussions with many local governments about undertaking land development

reflects a need to be resourced appropriately and strategic in planning and processes to ensure compliance with legislation, political will, and community expectations.

At this stage, the Shire's freehold land assets are minimal. Over recent years the Shire has purchased land at Lot 500 Webb Road, Mardella, and in Keirnan Street, Mundijong. This land would require specialist knowledge and a strategic approach to develop into residential subdivisions which currently does not exist within the Shire.

The organisation is however, in a position to facilitate the critical task of land acquisition to support future road and infrastructure projects. This is essential for completing projects like the Indigo Parkway link between Larsen Road and Briggs Road in Byford.

Officers believe the Shire should focus on land acquisition for short-term infrastructure needs and long-term development if the acquired land includes additional areas suitable for future projects. For instance, Lot 500 Webb Road, Mardella is proposed for equestrian infrastructure, though not all of it is needed for this purpose. Similarly, land ownership plans for the future Indigo Parkway involve using one-third of a lot for a connector road, with the remaining two-thirds available for future development. The purchase and development of the land to facilitate the future Indigo Parkway could be a trial of this approach.

Recommendation 1

Resolves to continue to acquire opportunistic and/or strategic land parcels with a view to banking the land to sell or develop once the current Council-endorsed priorities have been completed.

Consideration and identification of commercial leases in the Shire

Commercial leasing can provide a steady income stream for the Shire, diversifying its revenue base beyond traditional sources. By identifying and utilising properties for commercial purposes, the Shire can unlock new revenue potential.

This recommendation also aligns to a Council Resolution as part of the 2024/25 budget process to *prepare a business case for funding consideration by Council to engage an external consultant, estimated to cost approximately \$150,000 +/- 30%, to undertake a detailed utilisation analysis of the facilities and develop a long-term strategy for consideration by Council to rationalise the asset ownership and use of these facilities.*

Commercial tenants are known to have higher expectations on properties than community groups or members. To ensure sustainability and successful, long-term outcomes and minimise reputational risk, the Shire must address several areas prior to the commencement of any commercial leases. These include the development and implementation of building maintenance schedules for all Shire facilities, and the creation of relevant systems to support these. Additional resourcing, skilled in the commercial leasing area, would also be required.

For a successful outcome related to commercial leasing as a preferred revenue stream for the Shire, the timeline outlined in the recommendation would need to be implemented.

Recommendation 2

Agrees to the following timeline for considering/identifying opportunities for commercial leases in the Shire:

Year 1-3

- Review the Shire's leases to ensure compliance and currency and appropriate management system and processes are in place.
- Establish and implement schedules and service agreements for facilities maintenance within OneComm for Shire facilities and leases.

Year 3+

- Investigate opportunities for commercial leases within the Shire and present to Council for consideration.

5. CONCLUSION

The Shire of Serpentine Jarrahdale's rapid growth necessitates innovative revenue-raising initiatives to fund essential community infrastructure.

Acquiring opportunistic or strategic land parcels for future sale or development allows the Shire to stay focused on current priorities and benefit from land value appreciation over the next decade.

Investigating opportunities for revenue from commercial leases is a viable option, however time and resourcing is needed to ensure the right systems and processes are in place to make commercial leasing a sound and sustainable option for income generation.

It should be noted that the Shire of Serpentine Jarrahdale is at the infancy of its growth trajectory. The Shire is already struggling with capacity to successfully deliver goals outlined in the Council Plan and Corporate Business Plan. Adding additional work puts the organisation at risk both operationally and reputationally, leaving us vulnerable to under delivery or compromising the quality of outcomes being delivered.

Significant resource investment would be required from Council to deliver either recommendation without impacting current and future Shire priorities and outcomes. It is advised the Shire takes a slow and systematic approach to achieve long-term success from alternative revenue streams.

Appendix 1

[Productivity Commission and CEO's Group Report into LG Revenue Raising Capacity](#)

[Australian Local Government Association and Financial Sustainability](#)

[Regional Australia](#)

[Department of Local Government, Sport and Cultural Industries](#)

[Systemic Sustainability Study](#)

[Local Government Professionals Australia](#)

[SGS Economics and Planning Rural Councils Victoria](#)

[WALGA – Discussion Paper on Local Government Enterprises as a means of improving Local Government](#)