

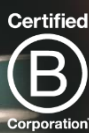
Frankston City Economic Development and Skilled Community Strategy

Frankston City Council

May | 2024



SGS
Economics
& Planning





© SGS Economics and Planning Pty Ltd 2023

This report has been prepared for Frankston City Council. SGS Economics and Planning has taken all due care in the preparation of this report. However, SGS and its associated consultants are not liable to any person or entity for any damage or loss that has occurred, or may occur, in relation to that person or entity taking or not taking action in respect of any representation, statement, opinion or advice referred to herein.

SGS Economics and Planning Pty Ltd
ACN 007 437 729
www.sgsep.com.au

OFFICES IN CANBERRA, HOBART, MELBOURNE, AND SYDNEY ON THE COUNTRY OF THE NGAMBRI/NGUNNAWAL/NGARIGO, MUWININA, WURUNDJERI, AND GADIGAL PEOPLES.

Acknowledgement of Country

Frankston City Council acknowledges the Bunurong people of the Kulin Nation as the Traditional Custodians of the lands and waters in and around Frankston City, and value and recognise local Aboriginal and Torres Strait Islander cultures, heritage, and connection to land as a proud part of a shared identity for Frankston City.

Council pays respect to Elders past and present and recognises their importance in maintaining knowledge, traditions, and culture in our community.

Council also respectfully acknowledges the Bunurong Land Council as the Registered Aboriginal Party responsible for managing the Aboriginal cultural heritage of the land and waters where Frankston City Council is situated.

Contents

Introduction.....	5
Purpose and scope	5
The Strategy.....	6
Economic Development in Frankston	8
Economic Trends	8
Creating a strong economy	9
Economic strengths	12
Local skills	14
Vision	17
Priority 1: Supporting local businesses	18
Priority 2: Investment, attraction, and activation of places.....	20
Priority 3: Council as an enabler.....	22
Implementation and evaluation.....	23

Introduction

Purpose and scope

Local government has a unique role in economic development as the level of government that works most closely with the community and businesses. Council's economic development roles include service and infrastructure delivery, facilitation and partnerships, and advocacy.

Council provides a range of **core economic development services** directly to local businesses and business centres. This includes development of economic strategic directions, business development and support, advice, training, skill development, financial assistance programs, land use planning support, business promotion, investment attraction, and business site brokerage.

In addition to this, Council provides a range of **place-based services and infrastructure** to support business centres. This includes amenity, cleaning and waste management, streetscape improvements and place making, delivery and maintenance of infrastructure (roads, footpaths, drainage, lighting, seating, carparking, tree planting etc), events and activation of centres, and the provision and management of community infrastructure assets such as visitor centres, libraries, community centres, and art centres.

When Council does not have a direct delivery role, it often **facilitates** economic outcomes through building partnerships, connecting organisations, and building the capacity of community members and organisations to lead economic activities – including through business associations and groups.

Council also **advocates** on behalf of the community and businesses for funding and the delivery of services or infrastructure that are not the direct responsibility of Council. This can include major local infrastructure projects and financial investment, as well as regional investment from government and key businesses.

The purpose of this strategy is to:

- Build on the actions delivered through the 2016 Economic Development Strategy.
- Reflect the changing economic conditions and opportunities facing Frankston including:
 - Industry disrupters - current and likely future trends.
 - Economic and job growth.
 - The unique economic development effects that COVID-19 has on the global, Australian, and local economy.
 - Regional opportunities.
- Articulate Council's role and the focus for economic development for 2023-26.

The Strategy

The Economic Development Strategy 2023-2026 is based on the findings of the Economic Development Background Paper and feedback from businesses and business stakeholders across Frankston (to be conducted, commencing 5 February 2024). The strategy focuses on building a strong local economy while leveraging opportunities across the region.

It does this through:

- **Vision:** which is in alignment with the 2040 Community Vision for economic development.
- **Guiding principles:** which are based on the principles of community wealth building with the aim of creating a locally connected economy.
- **Priority areas:** aligned with best practice economic development and the current and future opportunities in Frankston City.
- **Actions:** arranged across short, medium, and long term timeframes and aim to consolidate existing strengths and build on the future opportunities, and aligned with the three economic development priorities in the Frankston City Council 2020-2024 Council Plan.

Vision: Frankston City nurtures and attracts innovation and investment and is known for its education and businesses opportunities, including renewable energy, technology, hospitality, health, and tourism.

Guiding principles:

- A thriving and sustainable economy
- Local procurement, economic ownership and employment

Priority 1: Supporting local businesses

Priority 2: Investment attraction and economic activation of places

Priority 3: Council as an enabler

Council Plan priority: Business and industry investment and attraction

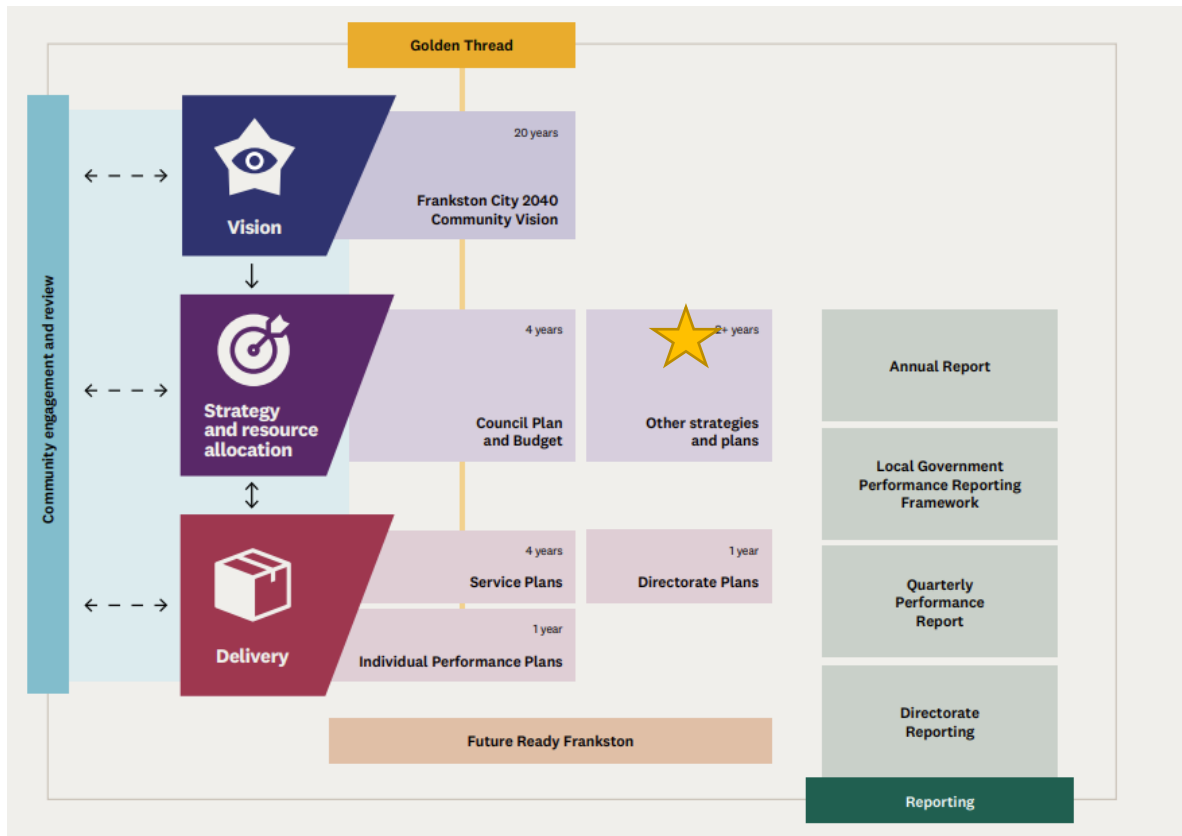
Council Plan priority: Activity centre precincts

Council Plan priority: Local employment and training opportunities for all people

FIGURE 1: ECONOMIC DEVELOPMENT STRATEGY OVERVIEW

This strategy provides Council with the mechanisms to deliver on the economic aspirations in the Community Vision and Frankston City Council 2020-2024 Council Plan. In addition, it provides direction and guidance across all Council services, program, infrastructure, and financial spending to ensure that local economic outcomes are prioritised. Figure 2 highlights where this strategy sits in the Council planning framework and how this connects with future service plans, budgets, and reporting.

FIGURE 2: FRANKSTON INTEGRATED PLANNING AND REPORTING FRAMEWORK



Economic development in Frankston

Economic Trends

The City of Frankston services a local and regional catchment, as well as supporting the state economy. To understand what the municipality's economic role might be in these regions over the next five to 10 years, it is important to appreciate the broader economic development trends.

The following is a summary key economic trends occurring internationally, nationally and in Victoria.

- **COVID-19, the exposure of global supply chain risk, and capturing wealth locally:** COVID-19 exposed the fragile nature of global supply chains. It impacted some critical production and distribution of goods. To minimize the impacts of supply chain and resource/skills shortages, businesses are turning to the development of localised supply chains. This includes local anchor institutes such as health, education, government services, and manufacturing drawing on local businesses for supplies and local residents for employment.
- **Climate change and reducing impacts:** With increased global and natural disasters community, businesses, and governments are demanding a greater response and push towards net-zero carbon emissions. This includes considerations to how businesses establish, operate, and their choice of products and services. It also includes considerations to resilience of businesses during and after natural disasters.
- **Transitioning to the circular economy:** Aligned with reducing carbon emissions there is a strong demand to create a circular economy. This would result in 'closing the loop' on the production and consumption of goods by seeing waste products as a resource to be recovered and re-integrated into the supply chain, thereby reducing waste. For this to be successful there not only needs to be the repurposing skills and technology, but also the demand for recycled products.
- **Transitioning to a service economy:** Australia has been experiencing a transition into a service economy for some decades. This includes sectors such as retail, health services, education, finance, hospitality, and accommodation. Frankston already has a strong service economy, however this will need to continue to strengthen.
- **Health and medical technology:** There is a growing health sector across MedTech and BioTech with a global market for health research, development, and innovation. Frankston is a dedicated health and education precinct, therefore opportunities to further invest and strengthen the local and regional health and medical industry.
- **Digital technology:** A range of advancements in technology and automation is changing the way in which we do business and skills we will need in the future. Changes include 3D printing, artificial intelligence, importance of data, and changes in work operations (e.g., working from home). It will be important that local workers have the skills and knowledge in this technology as well as businesses to leverage these opportunities.

In addition to the trends, the State Government has acknowledged the importance of:

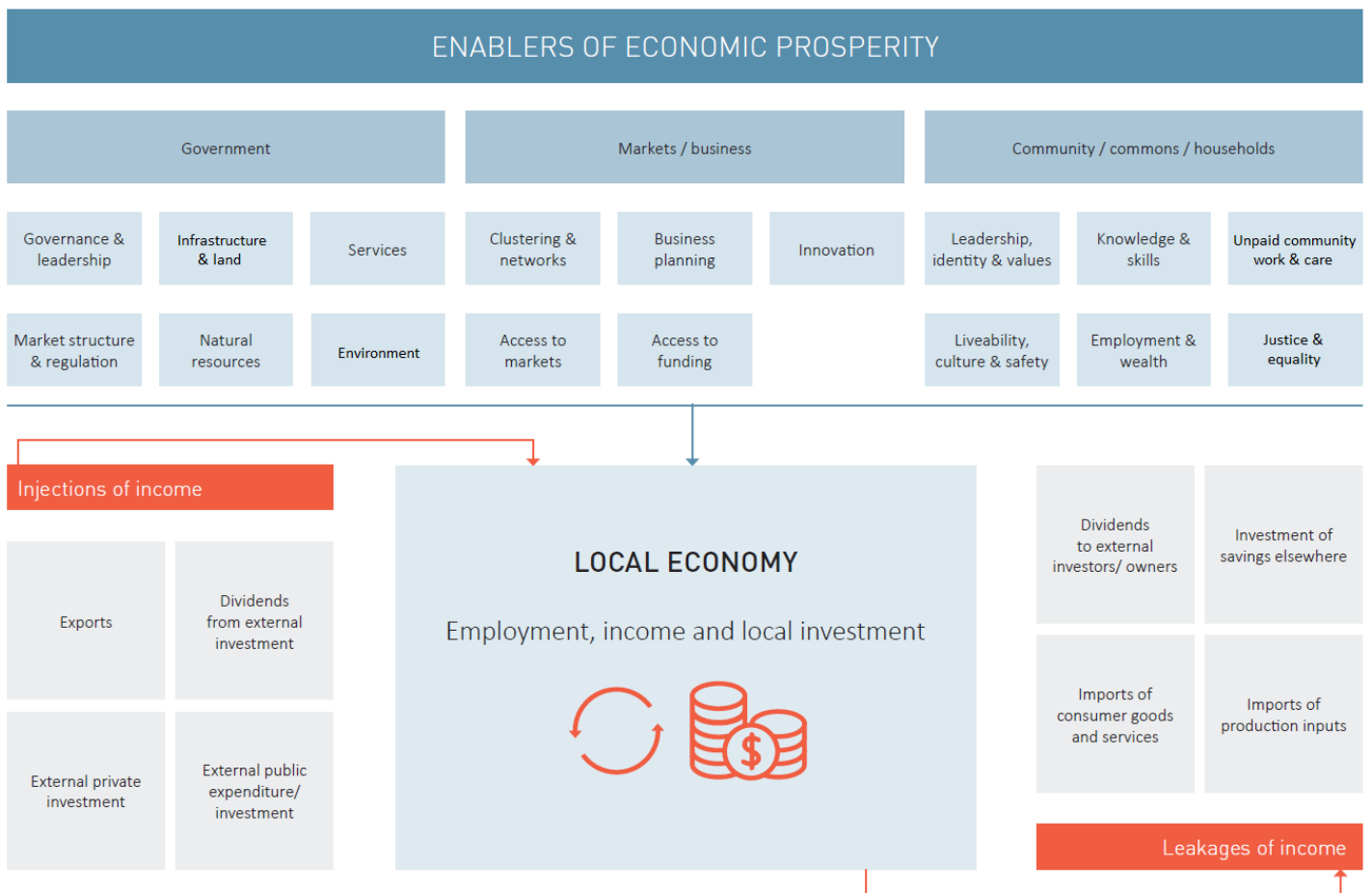
- Industrial estates in Frankston and the freight network from Frankston into Dandenong and further north to Clayton.
- Frankston as a national employment and innovation cluster and the potential for health manufacturing and research and development.
- Hospital upgrades at Frankston Hospital.
- Frankston Metropolitan Activity Centre and urban renewal within the Centre.
- Improving public transport between Frankston, Dandenong, and Cardinia as well as a high-capacity metro train (HCMT) from the city into Frankston.
- The connection of the Suburban Rail Loop from Frankston through the middle metropolitan suburbs to Werribee.



Creating a strong economy

The local economy relies on injections of income and the minimisation of leakages of income. As per Figure 3 the **enablers of economic prosperity** can be grouped into three pillars – government, markets / business, and community. These pillars indicate where efforts should be directed to improve business, employment opportunities, and community wealth building to increase local economic investments. Local government has a role across all three pillars. This can be a direct role such as service and infrastructure delivery to facilitation, enabling, and or advocacy.

FIGURE 3: SGS MODEL OF A LOCAL ECONOMY



Source: SGS Economics and Planning

The **prosperity of the local economy** can be assessed through understanding income generating activity and leakages of income. The bottom left of the diagram, 'exports' are a major player in economic performance and prosperity. Exports in this context refer to any product or service traded to anyone outside of Frankston, to the rest of the region, Victoria, Australia or overseas. This includes dollars spent by visitors to the area, such as people coming to use Frankston City's health services or retail centres.

Income injected into the local economy creates a multiplier effect as exporting businesses draw on local suppliers and workers to meet the demand from external customers.

External private investment provides capital to finance new industries and enhance existing industries, boosting infrastructure and productivity, and creating employment opportunities in the process. External private investment also brings new businesses with connections in different markets into the area, opening additional export opportunities. External public investment is similar but provided by State or the Commonwealth government to invest in services, infrastructure, or businesses in Frankston City.

As well as money injected into the economy, the right hand column of the diagram shows that income can leak back out as local firms import inputs to production (for instance, using banking services from a bank headquartered in a capital city). Similarly, consumers also import goods and services, like buying clothing or products in nearby areas or online, or residents (not always by choice) choosing to work or pursue leisure outside of the local area. These leakages dilute the multiplier effect from export sales and other injections of income. Another leakage occurs when the local economy is dominated by firms owned elsewhere, which sees the wealth generated (as profits and dividends) flowing to shareholders and investors outside of the local economy.

An objective for good local economic performance is to **maximise export** income and the associated employment by identifying opportunities for export industry growth, while also minimising income **leakages through imports**. It should be noted that not all imports cannot be localised. Given this, broader economic strengths of an economy should also be considered.

For the City of Frankston, the major exports and imports are provided below:

TABLE 1: EXPORTS AND IMPORTS, 2021

Export (income)	Import (income leakages)
<p>Industry exports:</p> <ul style="list-style-type: none"> ▪ Construction Services \$586m ▪ Health Care and Social Assistance \$490m ▪ Water Supply, Sewerage and Drainage Services \$480m ▪ Retail Trade \$291m ▪ Basic Non-Ferrous Metal Manufacturing \$173 	<p>Goods and services imported:</p> <ul style="list-style-type: none"> ▪ Construction Services \$359m ▪ Basic Non-Ferrous Metal Manufacturing \$178m ▪ Health Care Services \$149m ▪ Residential Building Construction \$96m ▪ Wholesale Trade \$91m ▪ Water Supply, Sewerage and Drainage Services \$90m ▪ Polymer Product Manufacturing \$81m ▪ Retail Trade \$68m ▪ Structural Metal Product Manufacturing \$66m ▪ Non-Residential Building Construction \$63m
<p>Private investment:</p> <ul style="list-style-type: none"> ▪ Expansion of industrial sectors (various) ▪ Residential and mixed use major developments 	
<p>Public expenditure and investment:</p> <ul style="list-style-type: none"> ▪ Frankston Hospital upgrades ▪ Improving public transport and freight connections to Frankston 	

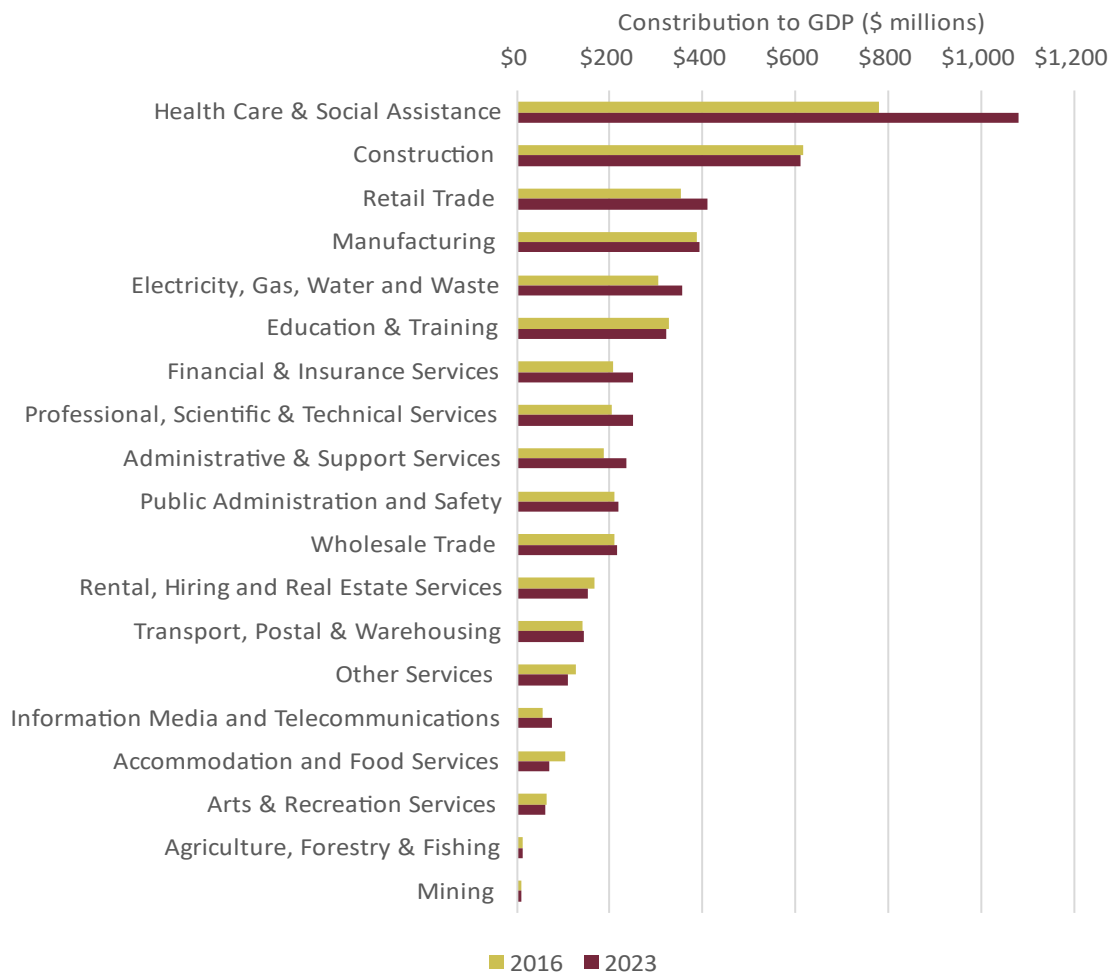
Source: SGS Economics and Planning, 2021

Economic strengths

The industries that make the largest contribution to Frankston City’s Gross Regional Product (GRP) are health care and social assistance, followed by construction, retail trade, and manufacturing. All of these industries have been significant to economic growth in the municipality. Manufacturing has found ways to evolve and refresh amidst significant global change and competition.

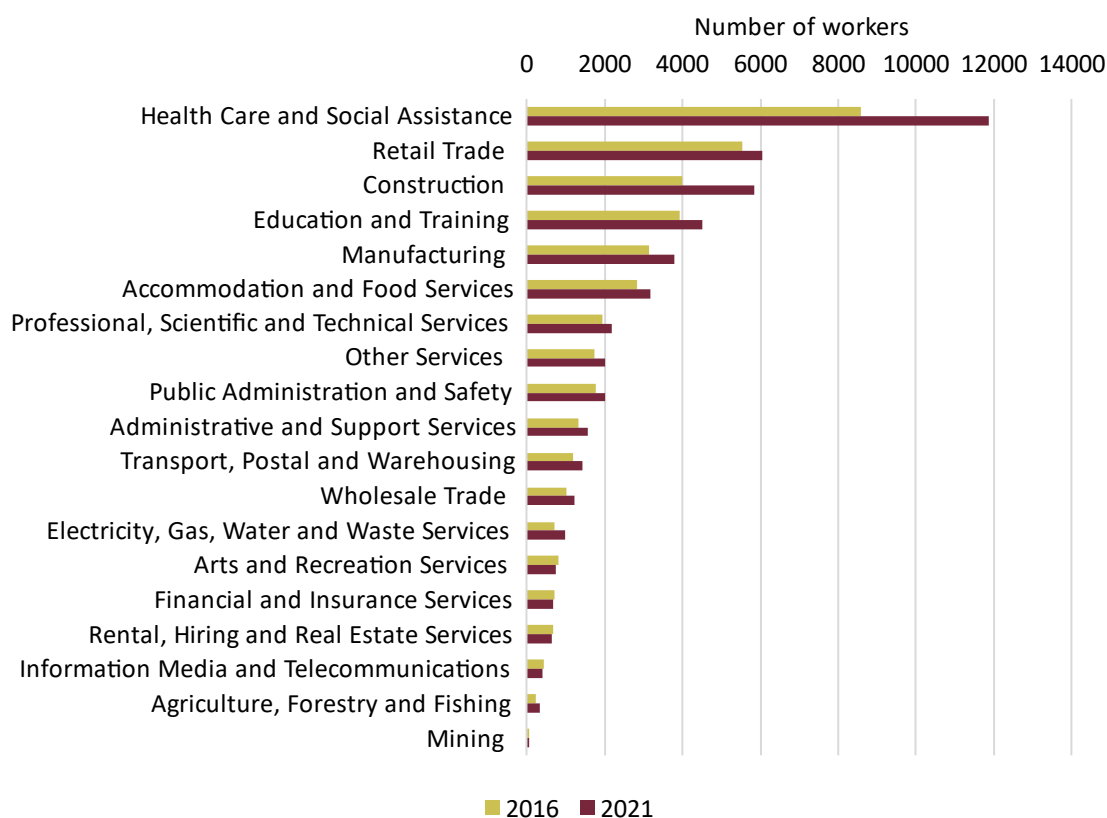
Health care and social assistance is the highest contributor to GRP, and the largest industry of employment for workers in Frankston as shown in Figure 4 and Figure 5. While retail trade is the third largest contributor to GRP, it is the second largest industry by employment in Frankston.

FIGURE 4: CONTRIBUTION TO GROSS REGIONAL PRODUCT BY INDUSTRY



Source: SGS Economics and Planning (2023) - Australia’s Economic Wellbeing Dataset (internal).

FIGURE 5: INDUSTRY BY EMPLOYMENT, 2016 AND 2021



Source: SGS Economics and Planning based on ABS census of Employment, income and education using Place of Work data, 2016 and 2021.

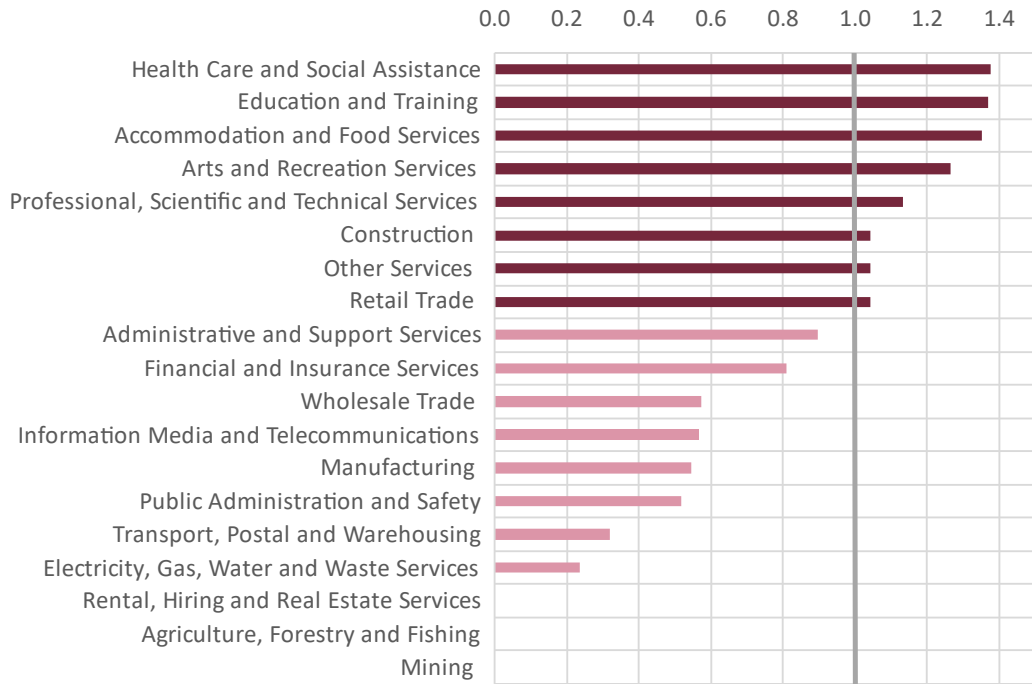
To consider what the competitive advantage of Frankston City is over other economies, a location quotient (LQ) analysis was undertaken. This considers the economic share of the industries in Frankston City compared to Greater Melbourne. An LQ score of greater than 1.0 signifies that the sector in question is over-represented in Frankston compared to Greater Melbourne. This in turn, suggests that Frankston has something of a competitive advantage in the sector.

As indicated in Figure 6, the competitive advantages in Frankston compared to Greater Melbourne are in:

- health care and social assistance
- education and training
- accommodation and food services
- arts and recreation services.

Other noteworthy economic advantages include professional, scientific, and technical services, construction, and retail trade. These strengths should be nurtured, however it is important not to become over-reliant, or focused, on a few key strengths at the expense of a more diversified and resilient economy (Figure 6).

FIGURE 6: FRANKSTON’S COMPARATIVE STRENGTHS - 2021 LOCATIONAL QUOTIENT ANALYSIS

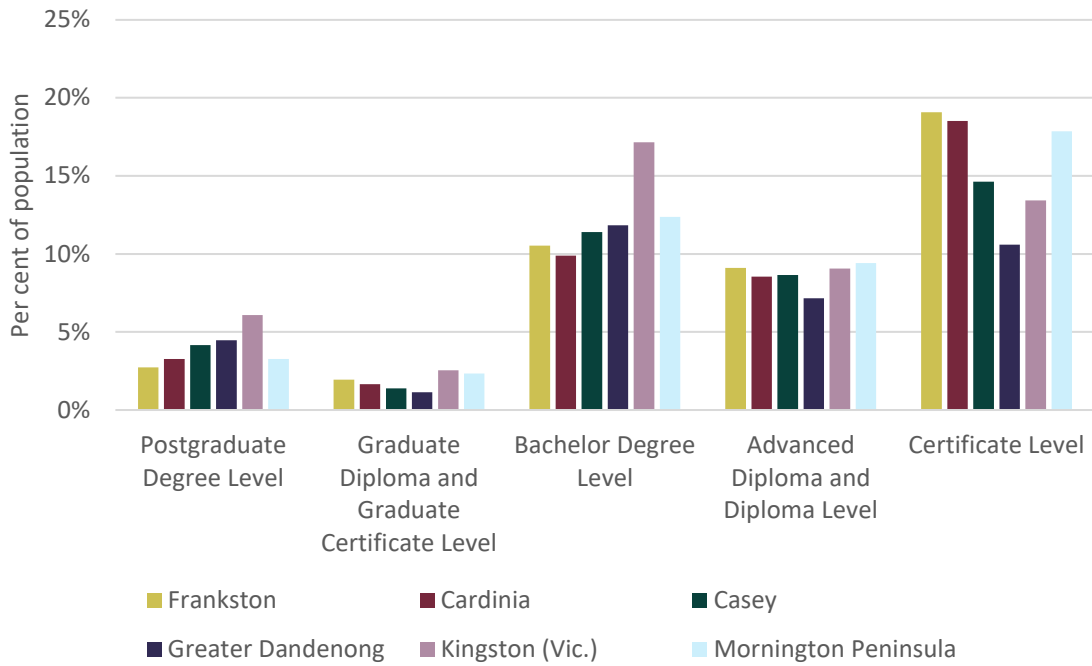


Source: SGS Economics and Planning based on ABS census of Employment, income and education using Place of Work data, 2016 and 2021.

Local skills

The level of knowledge, experience and skills in the economy is critical to economic performance. Without an adequate level of knowledgeable and skilled people, business capability can decrease. The majority of Frankston City residents with post-school qualifications have a certificate, diploma or bachelor's degree.

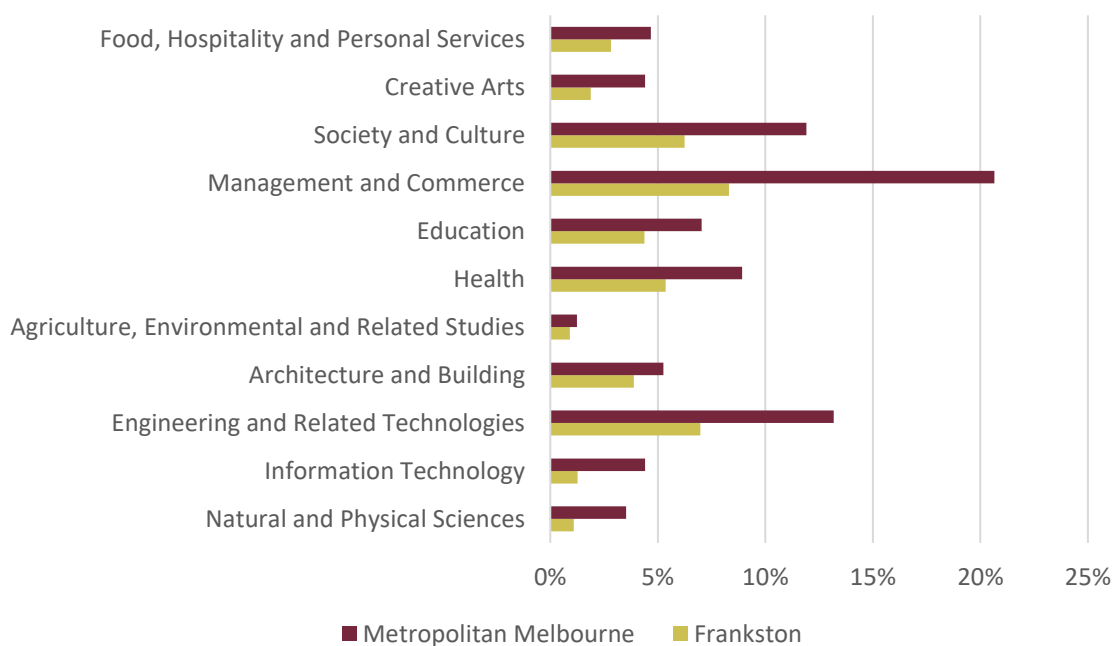
FIGURE 7: SHARE OF PEOPLE WITH POST-SCHOOLING QUALIFICATIONS, 2021



Source: Source: SGS Economics and Planning based on ABS census of Population and housing, 2021.

Of those Frankston City residents with post-school qualifications, the field of study is diverse. This also corresponds to the diverse strengths across Frankston City being health, education, construction, manufacturing, and hospitality.

FIGURE 8: SHARE OF PEOPLE WITH QUALIFICATIONS BY FIELD OF STUDY, 2021



Source: Source: SGS Economics and Planning based on ABS census of Population and housing, 2021.

Local worker containment

Due to the relatively strong correlation of skilled workforce and jobs, compared to other Local Government Areas in the region, Frankston City has a reasonably high containment of resident workers (Figure 9). Frankston has nearly 23,000 residents that work within the municipality. This equates to 44 per cent of the total workforce.

However, this means that 66 per cent, or 29,000 workers are leaving the municipality each day for work. The majority of residents who leave Frankston City for work are working in the southern metro region. However, there are also a significant number of residents commuting to Melbourne, Monash, Knox, and Bayside for work each day.

FIGURE 9: SHARE OF EMPLOYED RESIDENTS WORKING WITHIN THE LGA, 2021



Source: SGS Economics and Planning based on ABS census of Employment, income and education using Place of Work and Place of Residence data, 2021.

Frankston City’s economy will need to continue to adapt and adjust. This includes adjusting to and optimising new technology, increasing access to and linkages with local supply chains, transitioning to a circular economy, and leveraging key local businesses.

Council has a key role in supporting this through:

- Supporting local businesses
- Investment, attraction, and economic activation of places
- Council as an enabler

Vision

Frankston City nurtures and attracts innovation and investment and is known for its education and business opportunities, including renewable energy, technology, hospitality, health, and tourism.



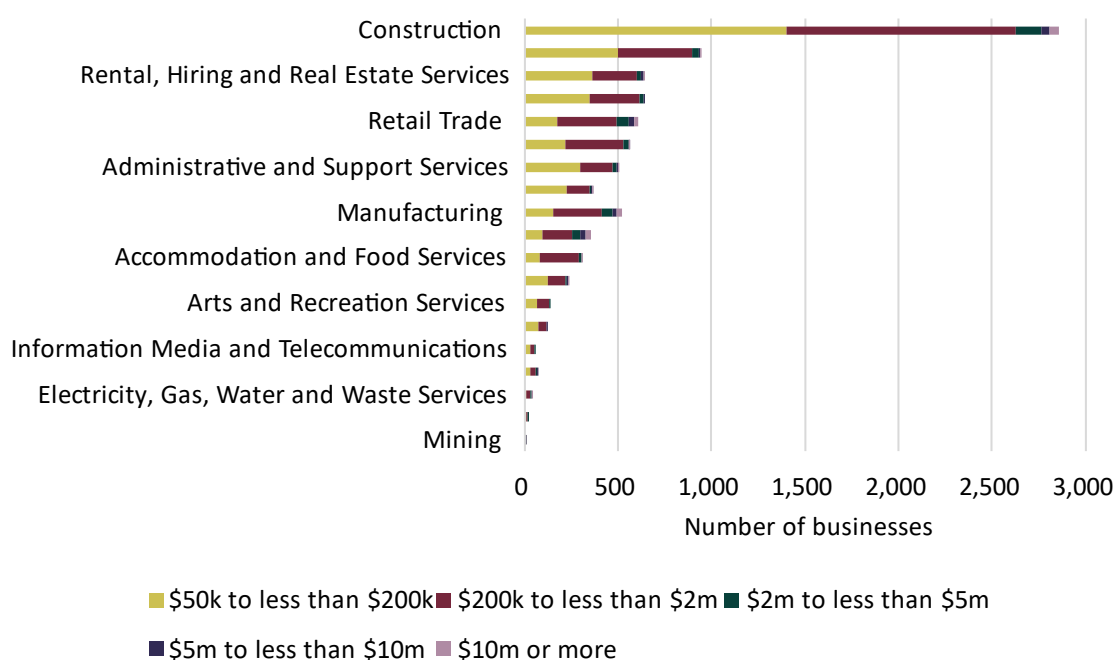
Priority 1: Supporting local businesses

Supporting local businesses is an important role for Council. Frankston City has over 15,000 GST registered local businesses. The majority of local businesses are in construction, rental, hiring and real estate services, retail trade, and administrative and support services.

Businesses will need to adapt to changing technology and have a focus on innovation and future growth.

In addition, the more local businesses are connected and using local supply chains the greater the opportunity to capture wealth locally.

FIGURE 10: NUMBER OF BUSINESSES IN FRANKSTON CITY BY SIZE AND INDUSTRY, 2021



Source: ABS Census data, 2021

Frankston City is also a State recognised health and education precinct. There have been and continue to be some significant institutional investments being made in Frankston City in the Health and Education sectors. Together these two sectors have been identified as both the largest and the fastest growing in the local economy. Key anchor tenants include the Frankston Hospital, Peninsula Private Hospital, Monash University, and Chisholm TAFE. These anchor tenants will not only support local employment opportunities now and into the future, but also provide opportunities to grow local businesses in the health and education service and supply chain.

Council has a key role in supporting local businesses through economic development services such as:

- **Business support:** proactively providing information, resources, and tools to support local businesses.
- **Business development:** promote business growth, industry investment and expansion in the community.
- **Planning:** leading and influencing local planning processes to enable an efficient planning system and the ability for business growth through appropriate zoning, that encourages investment and employment.
- **Council business grants:** council-funded grant program to support businesses in delivering on the objectives of the economic development strategy.
- **Partnerships and advocacy:** continuing to support external investment in Frankston City, especially within the health and education sector.

Specific actions that Council will focus on for the next 12 months and beyond can be found in the Action Plan.



Priority 2: Investment, attraction, and economic activation of places

The State Government has identified Frankston City as a 'Major Activity Centre' with a projected population by 2041 of 162,000.

Council has an important role in the investment in, and attraction of, sustainable small, medium and large business operators to take advantage of this growth to achieve a thriving economy.

FIGURE 11: ACTIVITY CENTRES IN FRANKSTON CITY



A key trend with retail precincts following COVID-19 is that people are purchasing more online. With more people working from home however, residents have also increased access to local shops and retail stores. Local data suggests that retail trade in Frankston City is still strong, along with accommodation and food services.

To continue to build strong activity centres, they need to be well activated, attractive, accessible, and have strong governance structures. This will not only continue to draw in local residents but also

support an increased tourism market. Council can also promote the natural access in Frankston City to support local businesses as well as increased tourism.

Council has a key role in supporting investment, attraction, and activation of places through services such as:

- **Amenity, services, and infrastructure:** with the provision of essential community infrastructure, services, and amenity within activity centres.
- **Placemaking and activation:** implementing and supporting placemaking activation to create vibrant and safe public spaces and places for people to connect, meet and socialise.
- **Marketing and promotion:** promoting activity centres as desirable places to live, work, play, shop and invest.
- **Events and programs:** delivering and supporting events and programs that have social, cultural, and economic benefit for the community.

Specific actions that Council will focus on for the next 12 months and beyond can be found in the Action Plan.



Priority 3: Council as an enabler

As a major employer, regulator, and conduit between key players in the local economy, Frankston City is and will continue to be, a large driver of the economy. Frankston City Council provides almost 100 local services. In addition, Council employs just over 673 full time equivalent staff, many of which are local residents.

As a business Council can support in strengthening the local economy through local procurement of services, goods, and infrastructure. In addition, Council can support employment, skill development, and training of local workers, both current and potentially future workforce.

For things outside of local government's control, Council is also a partner and advocate. This includes partnerships and advocacy to the Commonwealth and State Government to support investment in areas such as technology, transport, housing, and labour supply as well as advocating for improved social wellbeing initiatives and outcomes. Specific actions that Council will focus on for the next 12 months and beyond can be found in the Action Plan.



Implementation and evaluation

The Strategy will be delivered through the implementation of the Action Plan. The Action Plan includes short, medium, and long term measures to be delivered over the next three years. Progress on actions will be monitored regularly and reported against on an annual basis.

Key economic development indicators will also be reported on annually with additional local data and business support information every quarter through the Frankston City Council Economic Scorecard. This scorecard will monitor the health of the economy as well as changes that Council may need to respond to during the implementation of this Strategy.

A full evaluation of the Strategy will be undertaken in three years to understand the level of progress, changes in the community, region, and the economy, as well as opportunities for focus for the next time period to continue to build a strong economy for Frankston City.



CANBERRA / NGAMBRI /
NGUNNAWAL / NGARIGO

Level 2, 28-36 Ainslie Avenue
Canberra ACT 2601
+61 2 6257 4525
sgsact@sgsep.com.au

HOBART / NIPALUNA

PO Box 123
Franklin TAS 7113
+61 421 372 940
sgstas@sgsep.com.au

MELBOURNE / NAARM

Level 14, 222 Exhibition Street
Melbourne VIC 3000
+61 3 8616 0331
sgsvic@sgsep.com.au

SYDNEY / WARRANG

Suite 2.01/50 Holt Street
Surry Hills NSW 2010
+61 2 8307 0121
sgsnsw@sgsep.com.au

