

# Local Government for a Better Victoria: An Inquiry into Streamlining Local Government regulation

Briefing to: Victorian Civil  
Construction Industry Alliance  
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Presented by Robert Kerr  
Commissioner, VCEC



Victorian  
**Competition & Efficiency**  
Commission



## Scope of inquiry

- **Terms of Reference:**

1. Business impacts of local government regulation
2. Scope for streamlining, harmonising, and supporting *best regulatory practice*
3. Inconsistencies between councils
4. Impediments to SME access to procurement
5. Local government costs in administering regulation
6. An estimate of the impact of the options

- **Our approach:** efficiency without undermining objectives
- **Outside scope:** individual councils and the structure of councils

## Institutional & regulatory framework

- Councils:
  - Distinct level of government
  - Vary enormously in size, capabilities and challenges
  - Wide range of regulatory functions, including 29 State Acts
  - Make local laws for communities (wide range of matters covered)
  - 85% of council regulatory costs go to administering State regulation
- Institutional arrangements govern council regulation
  - Best practice principles in Local Government Act
  - Variable guidance on objectives through Council plans
  - Limited usefulness of current performance reporting
  - Weak incentives/mechanisms for co-ordination and best practice
- Weak incentives to harmonise/streamline regulation

## Major regulatory and procurement costs to business

	<i>Administrative and substantive compliance cost (including delay costs) per year (point estimate) \$ million</i>	<i>Administrative and substantive compliance cost (including delay costs) per year (range) \$ million</i>
Planning	491	360–622
Building	149	94–205
Tendering for council contracts	101	101
Total (excluding financial costs)	741	555–928
Total (including financial costs)	789	603–976

## Land use planning – issues raised by participants

- Issues for **business**:
  - uncertainty, inconsistency, time delays and unnecessary paperwork costs
  - differences in practice between councils, including strategic matters
- Issues for **local government** and **governance**:
  - legitimate tensions between objectives of tiers of government, especially with growing State involvement and coordination issues
  - clarity of State planning objectives
  - increasing number of policy issues addressed by planning
  - insufficient expertise, funding, and guidance for local government to deal with complex issues
  - State-imposed caps on planning fees

## Local Laws - Building and construction

- Issues:
  - construction local laws
  - sustainable building design
  - information provision
- Draft recommendations:
  - harmonisation and streamlining (permitted working hours, site-fencing, asset protection)
  - clarifying role of councils does not extend beyond voluntary schemes about environmental performance of buildings

## Improvements to procurement

- Background:
  - current initiatives beneficial
  - further opportunities for improvement (clarity, variations)
  - annual costs to business of \$100 million, to councils of \$50 million
- Draft recommendations:
  - priority to ‘value for money’
  - remove impediments to procurement agents (but retain oversight)
  - mandate improvements
  - clarify when councils must tender
- Potential costs savings to business of \$6m
  - including \$5m for small-medium enterprises

## Potential cost savings to business: \$30 - \$60+m per year

<i>Source of savings</i>	<i>Indicative cost savings</i>
Planning process and resource improvements	20–40
Reduced regulatory costs in local building and construction regulations	6–13
Improvements to council procurement processes	6
<b>Total (range)</b>	<b>32–59</b>



# Improving the institutional architecture for regulation over the longer term

- Issues:
  - intensifying stresses
  - differing priorities, insufficient incentives
- Draft recommendations:
  - clearer priorities from State
  - clear requirements for implementation and enforcement
  - requirement to consult with councils (new legislation, target)
  - ESC – build on performance reporting and streamlining
  - Departments evaluate State regulations with significant costs on business/local government
  - Minister to coordinate and report on implementation of accepted recommendations

Further information about the VCEC:

[www.vcec.vic.gov.au](http://www.vcec.vic.gov.au)