Streamlining Local Government regulation

Infrastructure Excellence

Improving Productivity

2013 IPWEA VIC Annual Conference

20 March 2013

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State Government
Victoria

Improving local government regulation

- VCEC - Victoria's Productivity Commission for 9 years

- Inquiry into streamlining local government regulation and procurement - finished late 2010, released 2012

- Significant cost reductions to business possible from better regulation

  – At least $42 - $95m per year (planning, building and procurement)

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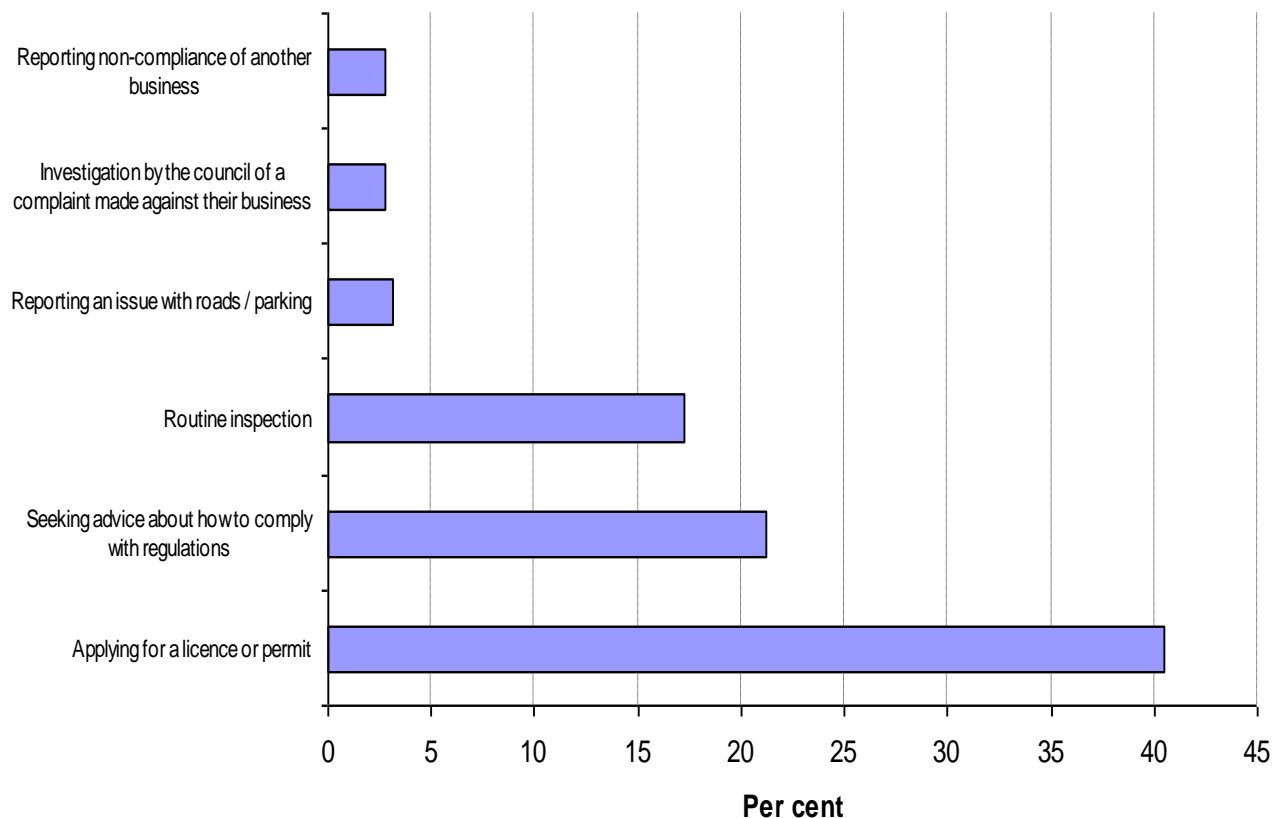**Competition & Efficiency**
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Taking a strategic perspective

- Competitive Victorian regulation framework essential
  - Generally scores well against other Australian jurisdictions, less well internationally

- Local government – seen as mainly sound, but must improve
  - Better strategic goals for State/Local Government to work together
  - Planning, building and transport the biggest issues for productivity State and Local Government work together more effectively
  - Better guidance, better resourcing, better management

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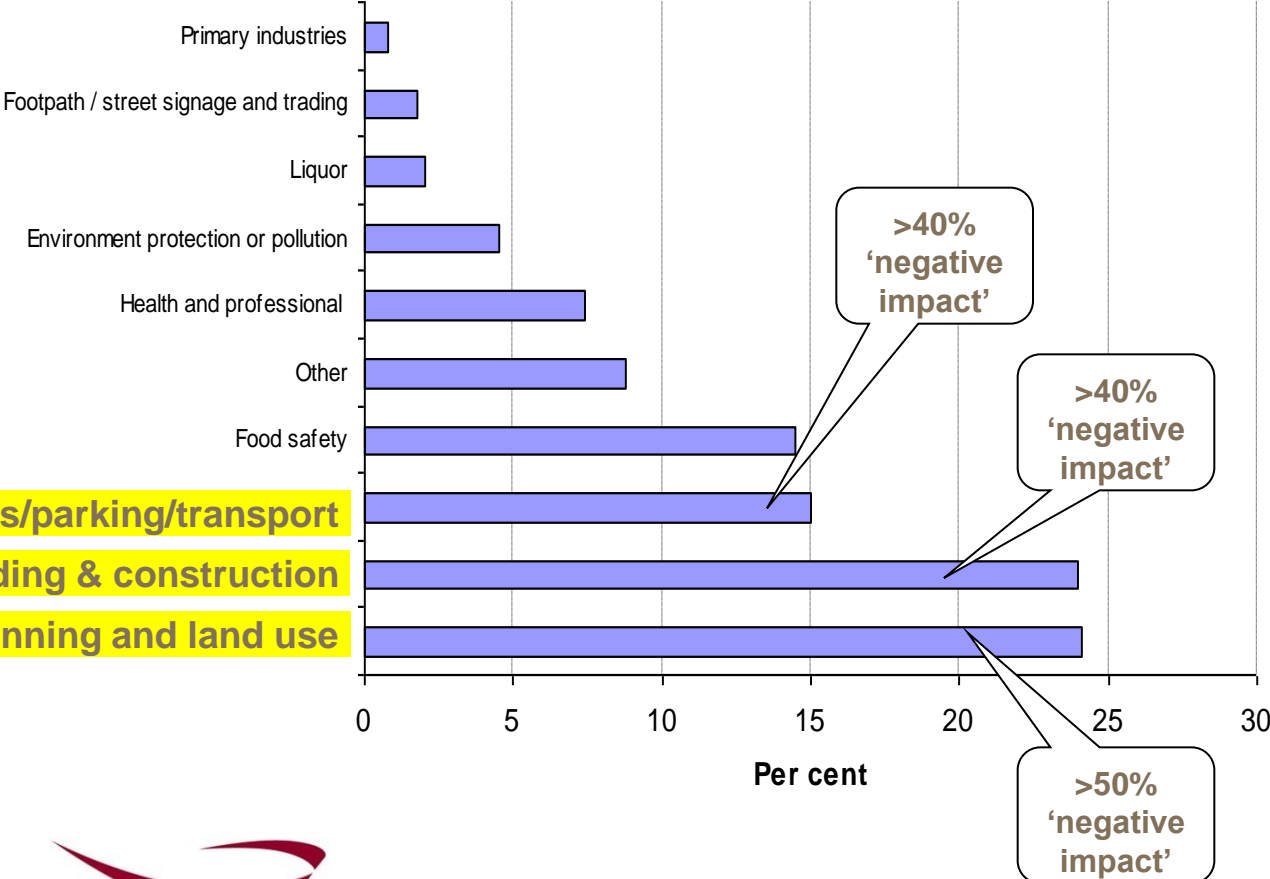Commission

Institutional and regulatory framework

- Councils:
  – Distinct, very variable level of government

  – Wide range of regulatory functions, including 29 State Acts

  – 85% of council regulatory costs go to administering State regulation

- Institutional arrangements govern council regulation
  – Variable guidance on objectives through Council plans

  – Weak incentives/mechanisms for co-ordination and best practice among councils

- Weak incentives to harmonise/streamline regulation

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Most common types of regulatory contact (Roy Morgan Survey 2010)

Bar chart — Per cent (x-axis, 0 to 45):

- Applying for a licence or permit: ~40.5
- Seeking advice about how to comply with regulations: ~21
- Routine inspection: ~17
- Reporting an issue with roads / parking: ~3
- Investigation by the council of a complaint made against their business: ~3
- Reporting non-compliance of another business: ~3

- Random survey of 1,917 Victorian businesses

- One-third (605) had regulatory contact in past three years

- 11% were likely to deal with multiple councils on a regulatory matter

- Nearly half of contacts were for an approval or a permit

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Most frequent contact with local government regulations (Roy Morgan Survey 2010)

Chart — horizontal bar chart, "Per cent" (x-axis 0 to 30):

- Primary industries
- Footpath / street signage and trading
- Liquor
- Environment protection or pollution
- Health and professional
- Other
- Food safety
- **Roads/parking/transport** (highlighted)
- **Building & construction** (highlighted)
- **Planning and land use** (highlighted)

Callouts:
- >40% 'negative impact'
- >40% 'negative impact'
- >50% 'negative impact'

- 56% of businesses *satisfied/very satisfied* with local government, (food, health and professional)

- 28% of businesses *dissatisfied/very dissatisfied*, particularly planning, building and roads/parking

- About half see regulations as *more demanding* than two years ago

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Major regulatory costs to business (estimates)

	Administrative and substantive compliance cost (including delay costs) per year $ million
Planning	360–622
Building	94–205
Total (***excluding*** financial costs)	***454–827***
Total (***including*** financial costs)	***502–875***

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State Acts: Land-use planning

- Planning a key regulatory tool involving State/Councils

- Much work by governments on planning:

  – Improved strategic plans (Melbourne 2030, Melbourne@5 Million, current *Vision for Victoria* review)

  – Growth Areas Authority, strengthened and expanded

  – Activity centre structure plans

- Better strategic guidance on planning needed to cut complexity of statutory planning

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Land use planning issues

- **Business** sees:
  - inconsistent requirements, delays and wasteful paperwork
    - E.g. Montrose quarry an extreme example
  - differences between councils, including on strategic matters
- Issues for **local government** and **governance**:
  - legitimate tensions between objectives of tiers of government
    - local compliance with State planning objectives
  - too many policy issues in planning (73 objectives)
  - insufficient capability, funding and guidance for complex issues

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Improving strategic planning

- **Recommendations**: That the Victorian Government:

  – clarify planning framework and specific objectives

    - specify priority outcomes, areas of State significance

    - remove unnecessary objectives from council planning task

    - monitor and evaluate performance against objectives

  – provide full range of tools, require Council to review Municipal Strategic Statements to ensure State objectives met, and State process for intervention

  – specify how it will support strategic planning by councils (including funding and staff

    - prioritised to greatest need, with 10 years timeframe

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Improving planning process

- **Recommendations** (not exhaustive):
  - Publish a performance reporting and evaluation strategy, developed in consultation with councils and users
    - Statement of priorities and performance indicators
    - Benchmarks for processes administered by State (e.g. planning scheme amendments, call-in provisions)
  - Develop best practice model (including triage, pre-application, council delegation to staff, online tools, referral processes)
  - Improve planning and retention of council planners
  - Allow private planners to assess/determine planning applications in code assess track, and remove fee cap for code assess

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Local Laws - Building and construction

- Issues:
  - construction local laws
  - sustainable building design

- **Recommendations**:
  - Local Government Victoria and others (EPA, Building Commission) develop consistent/ consolidated requirements for permitted working hours, site-fencing, asset protection
  - State clarify building regulation is most efficient means for addressing environmental performance of building
  - State clarify boundaries between building/planning for environmental performance of buildings, and remove overlapping standards and assessment processes.

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Improvements to procurement

- Background:
  - annual business costs perhaps $70m, councils $36-$54m

- **Recommendations** (not exhaustive):
  - priority to 'value for money', or transparently explain when not done
  - require adoption by councils of procurement improvements developed under Council Reforming Business (CRB)
  - expand CRB and Procurement Excellence Program to cover best practice insurance for suppliers/SMEs, retention amounts
  - advertise tenders above threshold on Local Gov't Procurement Hub
  - strengthen incentives for collaboration by removing barriers to collaborative procurement by councils through agents.

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Total potential savings to business: $40 - $95m pa

Source of savings	Indicative cost savings
Planning process and resource improvements	32-74
Reduced regulatory costs in local building and construction regulations	5-12
Improvements to council procurement processes	5-9
Total (range)	***42-95***

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Improving institutional arrangements

- Issues for local government:

  - intensifying stresses

  - differing priorities, insufficient incentives

- **Recommendations**:

  - lead State Departments to consult with councils where intention for local government to administer/enforce regulation

  - lead department with councils to document how to implement

  - use more effectively mechanisms for State/LG consultation

  - single point of accountability in State for monitoring progress.

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Government response

- Recommendations accepted

  – Planning recommendations generally supported/supported in principle <u>except</u> those 'under review':

    - relating to performance reporting strategy

    - framework to improve processes administered by council

    - streamlined code assessment process.

  – Building/construction local law recommendations supported in full or in principle.

  – All institutional recommendations supported in full or in principle.

  – Almost all procurement recommendations supported in full/in principle

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Government response

- Recommendations <u>not</u> accepted
    - Government did not support mandatory participation by councils in Procurement Excellence Program (affects benefits from procurement agents)

- Unclear what action being taken on areas supported 'in principle'.

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Unfinished business

- Progress on accepted recommendations

  – Consultation with councils commenced and evaluation of red tape costs to local government through the rewriting of the Victorian Guide to Regulation. Not yet observed much impact in RIS

  – Guidance on land use planning updated and provided to councils in November 2012

  – Local Government Victoria expected to release new procurement guidelines in 2013

- Other/new issues

  - ESC/local government performance reporting framework discontinued

In summary

- Local government an important regulator

  - In its own right with local laws

    - Significant scope for improvement

  - Administering/enforcing 29 State Acts

- Regulatory reform is important and the business is unfinished.

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